



17 May 2016

Our Reference:
Your Reference: GRC0036

Ms Kate Reid
Project Leader
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney 2000

**Re: National Gas Amendment (Gas Day Harmonisation) Rule 2016
Consultation Paper - Supplemental Submission**

Dear Madam,

Australia Pacific LNG (APLNG) is pleased to be able to provide this additional submission to our 7 April 2016 submission regarding the AEMC's Rule Change consultation for the National Gas Amendment for the harmonisation of the Gas Day.

Background

APLNG is a coal seam gas (CSG) to liquefied natural gas (LNG) project conducted through an incorporated joint venture among ConocoPhillips, Origin Energy and Sinopec. APLNG is also a significant supplier of gas into the Queensland domestic market, currently supplying a large percentage of Queensland's needs. The business is currently increasing its gas production to supply both its ongoing domestic gas business and an export market through its LNG facility on Curtis Island, near Gladstone. The LNG facility has a capacity of 9 million tonnes per year and exports the LNG to customers in Japan and China. Our LNG exports, which commenced earlier this year, are not expected to impact the existing domestic contracts and the business has sufficient reserves to meet its LNG and domestic commitments.

As discussed previously, APLNG supports the principle of harmonisation of the gas day across the east coast market for its potential benefit of enhancing the efficient operation of facilitated markets over the east coast. APLNG's current business is mainly focussed in Queensland and the Wallumbilla GSH is the only facilitated market in which APLNG participates. We do however have a longer term goal of accessing additional supplies and markets along the east coast and having a harmonised gas day would streamline this process. We offer the following additional comments/concerns to our 7 April submission:

1. Identification of least cost implementation

We understand that the DWGM may include the greatest number of participants and gas infrastructure and there will be costs associated with changing the hour of their gas day start, but APLNG would like to see these costs fully calculated particularly when most of their participants/meters would be impacted by a change in gas day. The full cost of changing the start time in the DWGM could be weighed against the cost to change the gas day in other jurisdictions to assure that the least cost will be spent. Only then would the market know the true cost/benefit of the selection of the 6 am change.

2. Risk of implementation

Currently, APLNG's only participation in a facilitated market is the Wallumbilla GSH. As this is a voluntary market, APLNG is hopeful but somewhat doubtful all of its customers/transporters will uniformly agree to change the gas day. There is no direct relationship between the rule change impacting the GSH's Exchange Agreement and the required changes to our bi-lateral contracts. If all our counterparties agree, the cost to re-negotiate these agreements would be small compared to the cost to make our operational modifications which APLNG outlined in our 7 April submission. However, some counterparties may use this opportunity to open up other contractual issues thus there is an unknown time and cost associated with making all these contractual changes.

3. Harmonisation not required until capacity available

APLNG currently has limited transportation outside of Queensland. Until AEMC's proposed Stage 2 transportation changes (contract standardisation, day-ahead capacity auction) are implemented, APLNG would receive limited benefit of a gas day harmonisation with the DWGM.

4. Risk of misalignment

Assuming that some of APLNG's GSA and GTA contracts do not make the change to the new gas day, there is operational risk to APLNG's business by having two different gas day start times. The maximum benefit of the Wallumbilla GSH is that it is aligned with the rest of the business. APLNG believes that there is more benefit to operate its entire portfolio under one gas day rather than having a potential misalignment of the gas day but having the benefit of coordinating gas movements along the east coast.

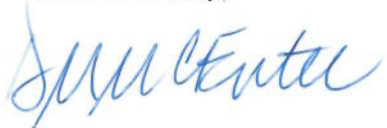
5. Cost recovery

The rule change does not mention any cost recovery to affected participants. With the indirect link between the GSH rule change and APLNG's GSAs and GTAs it is doubtful that APLNG could charge its GSA customers. At the same time, we could face cost recovery expectations from its transporters. If the gas day is changed to 6am, APLNG hopes that the AEMC will evaluate how the cost of this implementation will be shared across all east coast participants.

APLNG hopes the AEMC considers these concerns in its determination to change the hour of the Gas Day for Queensland. APLNG strongly prefers the Gas Day to start at 8:00 am AEST or would like the AEMC to consider a time later in the day.

Thank you for the opportunity to make this submission on the Gas Day Harmonisation Rule Change and share APLNG's views. If you require further information relating to our submission, please contact me at (07) 3021 3303 or deidre.mcentee@aplng.com.

Yours sincerely,



Deidre McEntee
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