



3 March 2016

Mr John Pierce
Chairman
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000

Dear Mr Pierce

GPR0003: Stage 2 Draft Report on the East Coast Wholesale Gas Market and Pipeline Frameworks Review with confidential appendix

This submission is made by GLNG Operations Pty Ltd (**GLNG OPL**) as Operator of the downstream GLNG gas transmission pipeline and LNG facility on behalf of its owners and joint venture participants Santos GLNG Pty Ltd, PAPL (Downstream) Pty Ltd, Total GLNG Australia and KGLNG Liquefaction Pty Ltd. The submission is in response to a request for further information from the AEMC regarding GLNG OPL's operational experience to date, in particular how operational performance of the GLNG LNG facility on Curtis Island links to distressed gas sales.

Following discussions with the AEMC, GLNG became aware that there are two areas of particular interest to the East Coast Wholesale Gas Market and Pipeline Frameworks Review (**Review**):

- GLNG gas management and mitigation strategies for scheduled and unscheduled LNG plant outages, with focus on the commissioning period and magnitude of gas deliveries to the domestic market, plus
- GLNG's project structure.

GLNG has included confidential information in support of this submission by way of a separate Appendix.

GLNG OPL gas management and mitigation strategies resulting in minimal distressed gas

Strategies undertaken by GLNG OPL to manage gas supply in respect of scheduled and unscheduled LNG plant outages since the commencement of LNG plant commissioning 11 months ago has ensured minimal requirement for distressed gas to be disposed of on the market. This 11 month period includes commissioning, where gas requirements are typically highly volatile (relative to the operations phase), as well as the initial steady state operations phase where gas requirements are relatively stable.

Over the period of commissioning of Train 1 of the LNG plant (from March 2015 to first cargo on 16 October 2015), mitigation strategies implemented for the management of gas supply in response to either planned or unplanned LNG plant outages ranged from:

- Diligent management of line-pack within the GLNG system including the GTP, CRWP and CRWP Loop,
- Turndown of indigenous gas supplies,
- Injection into Roma Underground Storage,
- Reducing gas nominations under third party gas contracts through normal contractual processes, including exercising permitted interruption rights,
- Swaps pursuant to existing commercial arrangements, and
- Park and loan on third party assets ie SWQP or RBP.

This approach has enabled GLNG OPL to limit distressed gas sales to less than 30TJ in total as detailed in the appendix.

Significantly, including in circumstances of unplanned full train trips at the LNG plant of up to 12 hours, no gas was flared during commissioning of Train 1 for the purposes of managing gas supply (noting some flaring is required during the commissioning phase to test LNG plant equipment and to achieve practical completion) and no or minimal distressed gas was required to be delivered to market.

Typical commissioning situations included: an unplanned outage directly followed by additional unplanned outages before the system could stabilize such that the GLNG pipelines were already operating at higher than base case operating levels, where even in these situations gas supply was still within manageable levels given the mitigations and experienced operations teams, with no significant disruption to the domestic gas market.

Over the period from March 2015 to February 2016 covering the commissioning period from gas into the LNG plant to initial steady state operations, the following observations were made:

- Large volumes of gas were processed and liquefied by the LNG plant as scheduled in order to meet LNG offtake commitments,
- Trips of various sizes and durations were encountered at the LNG plant as is typical for the commissioning phase, with different upstream system setups each time,
- Minimal distressed gas was required to be disposed to market, and
- Post first cargo the level of volatility improved markedly with stable steady state operations ensuing.

GLNG Project Structure

AEMC has sought comment from GLNG OPL in relation to concerns that GLNG joint venture participant(s) competing in the domestic gas market may have an advantage over other market participants given their day to day knowledge of the GLNG LNG facility operations, and in particular knowledge of when scheduled gas supply is in excess of the LNG facility's requirements.

As stated above, GLNG OPL has been appointed Operator of the LNG facility and agent on behalf of its four GLNG joint venture participants and shareholders Santos GLNG Pty Ltd (30% participating interest), PAPL (Downstream) Pty Ltd (27.5%), TOTAL Australia Pty Ltd (27.5%) and KGLNG Liquefaction Pty Ltd (15%) (**Participants**).

GLNG OPL acts in the interest of all Participants in accordance with the terms of the joint venture arrangement and the decisions of the Participants, represented by an Operating Committee.

To ensure that the value position for the Participants is maximised in respect of any domestic gas sale by the Participants under an MSA (eg spot sales of distressed gas arising from an LNG plant outage), GLNG OPL must comply with an approved protocol which includes a requirement that all related party transactions are undertaken on an arm's length basis and on market consistent pricing. GLNG OPL similarly has a requirement, where possible, to benchmark the price and terms offered by the related party. Accordingly, it would be difficult for any single Participant to secure any special advantage in the purchase of excess gas arising from an LNG facility outage.

Thank you for your consideration of this submission as part of the Review.

Yours sincerely,



Matthew Wallach
General Manager Production, Planning and Optimisation
GLNG Operations Pty Ltd

[Confidential information has been omitted for the purposes of section 24 of the Australian Energy Market Commission Establishment Act 2004 (SA) and sections 71 and 331 of the National Gas Law]