



11 September 2015

Our Reference: APLNG - COR - 0010839

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

**Re: East Coast Wholesale Gas Market and Pipeline Frameworks Review
Stage 2 - Wholesale Gas Markets Discussion Paper**

Dear Sir,

Australia Pacific LNG (APLNG) is pleased to be able to provide this submission regarding the AEMC's East Coast Gas Market and Pipeline Frameworks Review Stage 2 – Wholesale Gas Markets Discussion Paper.

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 large 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, which will receive and process natural gas. The LNG facility has a capacity of 9 million tonnes per year and will export the LNG to customers in Japan and China. The commencement of gas exports in 2015 will not impact the existing domestic contracts in place and the business has sufficient reserves to meet its LNG and domestic commitments.

APLNG continues to support the regulatory changes that will assist in the development of a competitive and transparent east coast gas market. As such APLNG offers the following comments regarding AEMC's Wholesale Gas Markets Discussion Paper¹.

High level concepts

To develop the most liquidity, gas market hubs should naturally develop and be utilised by the majority of buyers and sellers in the market. Gas market hubs, either physical or virtual, are needed in gas production areas or gas demand areas. The number of hubs should be driven by the participants and their need to trade or balance their daily gas positions. APLNG envisages that gas sale contracts will evolve over time to include shorter terms with less swing, thus market participants will require the ability to adjust their positions more frequently making trading hubs the favoured place for trading over time. To make a hub truly successful, all participants must be able to trade on an equal basis to each other, which includes firm access to transportation and balancing services. APLNG sees the following potential issues with the design of any market hub:

- **Access to Firm Transportation & Compression**

APLNG recognises that this is the subject of the upcoming Stage 2 Workstream and by current work underway by AEMO's Gas Supply Hub Reference Group. For the Wallumbilla Gas Supply Hub (GSH), we support inclusion of a wide scope for the trade transfer locations and services taking account of the actual physical limitations within the GSH. As

locations and services taking account of the actual physical limitations within the GSH. As one of the goals for the GSH is a reference price that ultimately could be used for financial risk management products, the transport, compression and hub services need to be available to all users on a firm service level with a high degree of certainty. APLNG wonders if this high service level has been factored into the redesign of the GSH.

- **Known Balancing Fees**

AEMC's Discussion Paper assumes that all participants at the GSH utilise the transportation balancing services available from the transportation service providers. While these services are available, APLNG's experience is that these services may not be available on the day and it is difficult to know the cost. It would be more efficient to have all potential balancing service providers to post balancing fees in advance (or at least a known formula) so that all services could be compared on the day.

Preferred Market Design Concept

As outlined in the Discussion Paper, APLNG supports Concept 2 with a northern and southern virtual hub as the best balance between establishing COAG's Vision and ease of implementation. Based on the development and success of the Moomba Hub, APLNG would hope that the Northern Hub could also include Moomba over time. This expanded Northern Hub would be a large production area hub encompassing a large percentage of the east coast gas supply and would provide all east coast gas buyers access to a diverse gas supply resource. As the market continues to develop over time, the goal could be to implement Concept 3.

Thank you for the opportunity to make this submission on the Draft Report and share our views on the future gas market. If you require further information relating to our submission, please contact Deidre McEntee on (07) 3021 3303.

Yours sincerely,



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Chief Executive Officer
Australia Pacific LNG Pty Ltd

ⁱ As APLNG's business focus is concentrated in Queensland and APLNG does not participate in the STTM markets, our comments focus on the northern area mainly around the Gas Supply Hub at Wallumbilla.