

8 September 2021



Our Reference: APLNG - COR - 0014658

Australian Energy Market Commission  
GPO Box 2603  
Sydney NSW 2001

By upload: <https://www.aemc.gov.au/contact-us/lodge-submission>

To Whom It May Concern

### **Submission on Review of the Gas Supply Guarantee – Draft Report**

Australia Pacific LNG (APLNG) welcomes the opportunity to make a submission to the Australian Energy Market Commission (AEMC) in relation to the Review of the Gas Supply Guarantee (GSG) Draft Report dated 29 July 2021 (**Draft Report**).

APLNG, based in Queensland, is one of Australia's leading natural gas producers, supplying a significant proportion of east coast Australia's domestic gas needs. In CY21, APLNG is providing approximately 30 per cent of gas supply to the east coast gas market and has gas supply contracts with local industries and businesses out to 2030 and beyond.

In April 2021, APLNG submitted to the AEMC that the GSG was no longer necessary as numerous regulatory reforms, federal and state government initiatives and changing market dynamics have sufficiently addressed the issues that the GSG was initially introduced to resolve. APLNG remains confident that market-led solutions will ensure supply flows to where it is required, and therefore the term of the GSG should not be extended until March 2026.

#### ***Gas Supply Shortfall Definition***

In the Draft Report, the AEMC has requested feedback on a proposed alternative definition of "gas supply shortfall" as used in the Gas Supply Guarantee Guidelines. The proposed amendment defines a gas supply shortfall as "A shortfall in gas supply available to meet the fuel requirements for Gas Generators to operate at the capacity required during forecast low reserve condition (LRC), forecast or actual lack of reserve condition (LOR) occurring in the NEM, or to meet electricity demand in a part of a NEM region."<sup>1</sup> As noted in the Draft Report, the AEMC considers that this change would increase the number of potential situations in which the GSG could be called upon.<sup>2</sup>

APLNG is not supportive of a definition change and submits that the existing definition is more appropriate. The proposed amendment would significantly alter the purpose of the GSG and increase the number of circumstances and frequency with which the GSG may be used. LRC and LOR events will lead to higher forecast prices, and the market will respond accordingly by providing sufficient supply in such instances. The GSG ought not to be used in circumstances where market responses are sufficient to deal with them. Broadening the use of non-market mechanisms to circumstances where market responses are available generates risk to capital investment and future supply. The purpose of the GSG is, and should continue to be, to protect against major unplanned events.

APLNG continues to support a streamlined regulatory framework for the gas market. Removing inefficiencies and regulatory complexity would enable an efficient gas system and competitive market that encourages investment and market-led solutions.

<sup>1</sup> Australian Energy Market Commission, *Draft Report: Review of the Gas Supply Guarantee 29 July 2021*, 46-47.

<sup>2</sup> *Ibid*, 47.

Thank you for this opportunity to make a submission. If you have any questions, or would like to discuss this submission further, please contact Mark Heiser on (07) 3021 3335.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nick McKenna', with a long horizontal flourish extending to the right.

**Nick McKenna**  
Chief Executive Officer  
Australia Pacific LNG Pty Limited