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Our Reference: APLNG - COR - 0014594

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By email: StakeholderRelations@aemo.com.au

To Whom It May Concern

Submission on Draft Report on Gas Fee Structures

Australia Pacific LNG (**APLNG**) welcomes the opportunity to make a submission to the Australian Energy Market Operator (**AEMO**) in relation to the Draft Report (**Draft Report**) prepared by AEMO in November 2020 that responds to the discussion paper on Gas Fee Structures (**Consultation Paper**).

APLNG, based in Queensland, is one of Australia's leading natural gas production companies, supplying a significant proportion of east coast Australia's domestic gas needs. In FY20, APLNG provided approximately 30 per cent of gas supply (186 petajoules) to the east coast market and has gas supply contracts with local industries and businesses out to 2030 and beyond.

As noted in APLNG's submission to the Consultation Paper, APLNG supports an approach to fees which:

- incentivises participation and competition in gas markets, which will lead to increased market liquidity;
- supports the principles included in the National Gas Objective (NGO) and Rules so that changes to the fee structure be:
 - a. simple;
 - b. reflective of how much AEMO's budgeted revenue requirements involve that registered participant;
 - c. not unreasonably discriminate, and
- ensures fair and appropriate sharing of fees across market participants that demonstrates a "user pays" and "reflective of involvement" principles that does not ignore other industry participants also deriving benefit from services provided by AEMO.

APLNG makes the following further comments in relation to the proposed Gas Statement of Opportunity (GSOO) Fee structure.

APLNG recognises that the role of the GSOO has changed since its inception and will change further as the Transparency Measures reforms are implemented throughout 2021.

Given this evolution and as indicated in the Draft Report, APLNG believes a broad range of participants (across registrable and unregistrable capacities) in the gas market supply chain now receive benefit from the GSOO (to varying extents), including retailers, large wholesale customers, government bodies and other industry affiliated participants. In APLNG's view, restructuring the fees such that producers and retailers each bear 50% of the fees does not ensure fair and appropriate sharing of fees across market participants, demonstrate "user pays" and "reflective of involvement" principles or reflect the true flow of benefits across the gas market supply chain.

The Draft Report acknowledges the critical input and benefit derived from the GSOO relating to other gas market participants (both contributors and beneficiaries). Limiting the recovery of fees as proposed by AEMO due to:

- it being the most straight-forward method;
- complexities associated with assessing producer data and the correlation between AEMO interactions and benefits relating to the GSOO; and
- the assumption of a cost pass through by producers,

does not appear to achieve AEMO's stated key driver of transitioning to a mechanism that more proportionally disseminates costs and seems to give overweight preference to simplicity over considerations of equity or fairness (namely the "reflective of involvement" and "non-discriminatory" principles). AEMO's view that the proposed structure is 'less discriminatory' does not equate to such discrimination being reasonable as required by the application of the principle.

In APLNG's view, producers receive limited benefit from the GSOO, yet provide the most input and critical information as identified in the Draft Report, which will be further bolstered via increased reporting requirements and compliance costs associated with the Transparency Measures. Further, the long term interests of natural gas consumers are not being met as fees may not be recoverable under long term supply commitments and could result in costs being passed through disproportionately to future consumers of natural gas.

APLNG proposes that the scope of fee-paying participants should be broadened to a wider spectrum of participants, including wholesale market participants (such as those in the Short-Term Trading Markets, the Declared Wholesale Gas Market and others identified in the Draft Report) and appropriate steps are taken in the future to widen the range to demonstrate more fully a "user pays" and the "reflective of involvement" principles to reflect the benefits received from AEMO's services.

Thank you for this opportunity to make a submission. If you have any questions, or would like to discuss this submission further, please contact Alexandra Wythes on (07) 3858 0240.

Yours sincerely



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