origin

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GWCF Correspondence
Australian Energy Market Operator

Submitted by email: GWCF_Correspondence@aemo.com.au

Implementation of DWGM interim LNG storage measure rule change

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the procedure changes required to implement the DWGM interim LNG storage measure rule change.

We have provided feedback on the proposed LNG Reserve Procedure in Attachment 1, noting there are aspects of the procedure that we consider should be revised / clarified to ensure transparency and efficient operation of the rule.

If you wish to discuss any aspect of this submission further, please contact Ben Hayward using Ben.hayward@origin.com.au.

Yours Sincerely,

S Cole

Shaun Cole
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<table>
<tr><th>Procedure Clause #</th><th>Issue / Comment</th></tr>
<tr><td colspan="2">LNG Reserve Procedure</td></tr>
<tr><td>2.2</td><td>Clause 2.2 sets out the process for AEMO to withdraw gas from the declared transmission system (DTS) to the LNG reserve. We consider this clause should be updated to ensure market participants retain priority access to refills relative to the schedule agreed between AEMO and the LNG Storage Provider. This aligns with the supplier of last resort principle that AEMO should not be competing with participants.

Clause 2.2(d) also specifies that “AEMO may enter a demand forecast in market systems via WebExchanger that equates to the refill schedule quantity agreed with the LNG Storage Provider for each gas day.’ Ensuring participants have full visibility of the agreed withdrawal schedule (for refilling) and forecast withdrawals will be important to allow market participants to anticipate and manage any potential impacts where they consider AEMO’s withdrawals may affect the market clearing price on a given day. It would also allow participants to form a view on AEMO’s likely procurement costs and take actions to minimise exposure to those costs (assuming costs are allocated in a more targeted way to causers), which could include contracting additional DLNG capacity. We therefore recommend the wording is updated to “AEMO will enter a demand forecast…”</td></tr>
<tr><td>3.2.1</td><td>As drafted, participants must accept all or none of the gas offered under 3.2.1(a) in the event AEMO seeks to dispose of its LNG stock. The procedures should provide scope for acceptance of a lower volume, noting there may be circumstances where a participant only has capacity to procure a proportion of the gas being offered.

We also recommend the wording under 3.2.1(a)(iv) is also updated to clarify whether injections will be made on non-business days, noting the wording is currently unclear.</td></tr>
<tr><td>3.2.3</td><td>Under the proposed methodology for determining the price of an AEMO LNG stock transfer, the price would be based on the cost of liquefaction at the date of AEMO’s offer to transfer, plus the greater of:

a. the sum of charges AEMO incurred to fill the reserve (with some adjustments based on reserve levels and previous transfers); and
b. the average of the market price set at the 6am schedule for the current day and last six days.

While we recognise the intent of this methodology is to maximise the potential value of the stock for market participants more broadly, we consider the simplest and most transparent approach is to remove clause (a) and base stock transfer prices on the cost of liquefaction plus the average 6am market price alone, noting this is more likely to reflect normal LNG contracting costs considered by market participants. Where the market price (under (b)) is below the sum of charges AEMO incurred (under (a)), a stock transfer offer is also less likely to be accepted in practice, as market participants would seemingly be incentivised to procure supply from the market for liquefaction at a lower cost. This could ultimately lead to less efficient utilisation of AEMO’s LNG stock.

Where (a) is to be retained, it is important to ensure the cost inputs are transparently reported or at the very least, made available on request to prospective buyers.

The proposed methodology also outlines a slightly different approach to determining the LNG stock transfer price during non-winter periods when ‘disposal or relinquishment is required in a short timeframe’. It would be beneficial for AEMO to clarify:

▪ why AEMO charges (under (a)) are not ‘adjusted for previous LNG stock transfers and any quantity of LNG stock injected into the market’ as per the approach for winter periods, noting it would seem reasonable to do so in any period where (a) applies;
▪ what pricing methodology is intended to apply in non-winter periods where disposal / relinquishment is required, but not in a short timeframe.</td></tr>
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