

Submission to AEMO on the Impact and Implementation Report: Curtis Island LNG Demand Zone

The Gas Market Working Group, in their capacity as Council of Australian Governments' (COAG) Energy Council officials, provides the following comments on the Australian Energy Market Operator's (AEMO) Impact and Implementation Report regarding the addition of a new Curtis Island Liquefied Natural Gas (LNG) Demand Zone within the Natural Gas Services Bulletin Board (GBB) Procedures. Please note that these comments should not be read as a final view of officials, participating jurisdictions or the COAG Energy Council.

As you may be aware, the COAG Energy Council has agreed to an Australian Gas Market Vision which outlines four key areas of focus for the next phase of gas market reform and development, including: Competitive Supply, Transparency and Price Discovery, Risk Management, and Removing Unnecessary Regulatory Barriers. Continued efforts to improve market transparency and information are critical to achieve the Council's vision for Australian gas markets.

Production, storage, flow and pipeline capacity information of LNG-related facilities is of material interest to market participants and regulatory decision makers. Officials believe this information is critical in understanding the interaction between the domestic gas market and the international market for LNG. As we have indicated previously, our view is that joint venture partners of the three LNG projects have access to gas market and LNG-related information that may materially affect market outcomes and provide them with a competitive advantage. Other domestic market participants are unlikely to have access to the same level of information and may have limited ability to respond to changing market dynamics, potentially exposing them to a greater level of risk. This information asymmetry is likely to result in inefficient market outcomes. It is therefore critical that this information is published on the GBB as soon as possible.

While officials understand that AEMO must provide at least 15 business days notice before the day on which the new procedures are to take effect, officials' preference is to declare an effective date 15 business days before the estimated date of first cargo. This would better ensure that data from both QGC's and GLNG's facilities is published on the GBB when GLNG's first cargo is loaded, rather than experience any further delay. Officials note that recent media reports suggest that GLNG may actually be in a position for its first cargo to be loaded earlier than expected (early rather than late in the third quarter of 2015).¹ Regardless of the exact date GLNG loads its first cargo, officials believe it is imperative that gas flow data is publically available on the GBB as soon as possible.

It is important to clearly define the Curtis Island LNG Demand Zone within the GBB Procedures. Officials recommend removing the words 'for export' from the proposed zone description to ensure that all gas delivered to the LNG facilities is reported, including gas domestically used during the transformation process. The exclusion of gas domestically consumed by the LNG facilities would present an incomplete and misleading picture of gas flows into the Curtis Island LNG Demand Zone.

In recognition of the benefits associated with providing a more complete picture of gas flows on the GBB, officials suggest that AEMO requests LNG players voluntarily provide historic gas flow data from pre-implementation of the LNG zone. There should be little commercial sensitivity associated with the disclosure of this data after an appropriate period of time has elapsed, for example one month after the implementation of the Curtis Island LNG Demand Zone.

¹ Chambers, M 2015, 'Confidence in Santos plant grows', *The Australian*, 28 April, p. 20.