

27 October 2017

[adjudication@accc.gov.au](mailto:adjudication@accc.gov.au)

Australian Competition & Consumer Commission  
GPO Box 3131  
Canberra ACT 2601

Level 22  
530 Collins Street  
Melbourne VIC 3000

Postal Address:  
GPO Box 2008  
Melbourne VIC 3001

T 1300 658734  
F 03 9609 8080

Dear Mr Bell

**AEMO submission to the ACCC: Western Australia and Northern Territory LNG Producers – Authorisations - A1000396**

**AEMO's role**

AEMO is responsible for operating the Gas Bulletin Board (GBB) and preparing the annual Gas Statement of Opportunities (GSOO) for Western Australia (WA). These information services were formally established in 2013 to fulfil a key recommendation of the Gas Supply and Emergency Management Committee, following two major gas supply disruptions in WA in 2008<sup>1</sup>.

The WA GBB and GSOO were established under a suite of regulatory instruments including the Gas Services Information (GSI) Act, Regulations and Rules, and are intended to improve the transparency of information and security, and facilitate competition, in the markets for natural gas and natural gas services in WA (together referred to as the WA gas market).

The **objectives** of the WA GBB and GSOO (GSI Objectives)<sup>2</sup> are to promote the long term interests of consumers of natural gas in relation to the:

- Security, reliability and availability of the supply of natural gas in WA.
- Efficient operation and use of natural gas services WA.
- Efficient investment in natural gas services in WA.
- Facilitation of competition in the use of natural gas services in WA.

AEMO has no role in the gas market in the Northern Territory.

**Summary of AEMO's position on Applications for Authorisation**

AEMO considers that the Proposed Conduct described in section 1.2 of the WA/NT LNG Producers' submission in support of their application is generally beneficial. The expected cost savings and efficiencies from coordination of maintenance schedules are consistent with the GSI Objectives. However, AEMO considers the potential for any adverse impact of the Proposed Conduct on competition in the WA gas market would be minimised by:

- Limiting the period of authorisation to five years.

<sup>1</sup> See <https://www.aemo.com.au/Gas/WA-Gas-Services-Information>

<sup>2</sup> Rule 2 of the GSI Rules, available at: <https://www.aemo.com.au/rule-change-panel/gas-services-information-rules>

- A condition that the Applicants make available relevant details of the shared information regarding planned maintenance for publication on the WA GBB, *should either a gas trading hub or Short-Term Trading Market (STTM) begin operating in WA.*

AEMO notes that these conditions would essentially align any authorisation of the Proposed Conduct with the ACCC's April 2016 authorisation of similar conduct by Queensland LNG producers (Qld LNG Authorisation).<sup>3</sup>

#### Potential adverse market impacts of the Proposed Conduct

AEMO considers that a review of authorisation of the Proposed Conduct should be conducted after a significantly shorter period than the 10 years proposed in the application. AEMO suggests a five year authorisation period would be appropriate, consistent with the ACCC's Queensland LNG authorisation. It will be important to review the authorisation after five years because the WA gas market is evolving, with new production facilities and gas suppliers, and greater pipeline and gas storage capacity. The landscape of the WA gas market over the next ten years may alter considerably. For example:

- In WA, there is currently no gas trading hub or Short Term Trading Market (STTM), unlike the east coast. It is possible that such markets will be developed and begin operating in WA in the next few years. Due to the different gas market structure in WA, *under present conditions*<sup>4</sup> it is unlikely that WA LNG producers that also service the domestic gas market can materially affect the gas supply balance and domestic gas prices in the state as the vast majority of gas is contracted via long-term, bilateral agreements. The Gorgon, Wheatstone and North West Shelf LNG projects have domestic gas production facilities which can deliver gas into, or receive gas from, the WA gas transmission system. Should a trading hub or STTM be developed in WA, however, there would be significantly greater potential for the Applicants to impact available supply and prices in the WA gas market by coordinating their maintenance schedules under the protection of an ACCC authorisation allowing cartel-like behaviour. In those circumstances, the market would have no visibility of information that would allow it to respond to planned maintenance when the LNG projects supplying domestic gas may need to divert excess gas, purchase gas or withdraw gas from storage. The Applicants could take advantage of their knowledge of the coordinated maintenance schedules to alter their behaviour in the domestic market for their own gain and to the detriment of other market participants. Any such actions could impact the level of competition, gas prices and gas system reliability, and subsequently decrease the efficiency of the WA gas market.
- The unprecedented growth in WA and NT LNG production capacity will continue over the next two years. From 24.4 million tonnes per annum (mtpa) LNG capacity just five years ago, the combined WA and NT LNG production potential from projects under construction will more than double to reach 62.5 mtpa by 2020. The increased gas supply requirements, or changes in global LNG demand and WA pipeline gas demand and prices could alter the nature of the interaction between these LNG projects, their associated domestic gas suppliers and WA gas consumers, presenting opportunities to impact competition in the WA gas market.

AEMO's concern with respect to this ACCC application for authorisation is with competition in natural gas services in WA. The coordination of maintenance schedules by the Applicants in

<sup>3</sup> Australian Competition & Consumer Commission (ACCC) (2016), Determination – Applications for authorisation A191516 & A91517, lodged by Australia Pacific LNG Pty, Queensland Curtis LNG Project, and Gladstone LNG in respect of coordinating maintenance activity at their LNG facilities on Curtis Island, Queensland, Authorisation numbers A191516 & A91517, 14 April, p. 34.  
<http://registers.accc.gov.au/forms/index.plhtml?formid=119320&formName=42155&id=apply/accc/Decision>



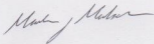
- (ii) Shutdown of greater than one half of an LNG train but not greater than one LNG train;
- (iii) Shutdown of greater than one LNG train but not greater than one and a half LNG trains; or
- (iv) Shutdown of greater than one and a half LNG trains.

where such Maintenance Information has been disclosed by an LNG Producer to another LNG Producer pursuant to the Authorisation as soon as is practicable after, but within 2 business days of, the disclosure to the other LNG Producer(s). For the avoidance of doubt, the information to be published pursuant to this paragraph does not include preliminary discussions between LNG Producers for the purpose of determining possible dates for Scheduled Maintenance Activities. This recommendation is in line with the Australian Energy Market Commission's recommendation that LNG processing facilities should be required to report their facility's short and medium-term capacity outlook and material intra-day changes in capacity."<sup>9</sup>

AEMO suggests a similar condition be placed on any authorisation of the Proposed Conduct by the Applicants. This would help to safeguard market participants against the impact of any anti-competitive behaviour resulting from the authorisation of coordination of maintenance schedules under the Proposed Conduct.

Should you have any questions regarding AEMO's submission please contact Ms Neetika Kapani, Team Leader – Reserve Capacity on 08 9469 9936 or [Neetika.kapani@aemo.com.au](mailto:Neetika.kapani@aemo.com.au).

Yours sincerely



**Martin Maticka**  
**Group Manager, WA Markets**