

27 October 2017

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Australian Competition & Consumer Commission
GPO Box 3131
Canberra ACT 2601

Level 22 530 Collins Street Melbourne VIC 2000 Poetal Address: GPO Box 2008 Melbourne VIC 3001

Dear Mr Bell

AEMO submission to the ACCC: Western Australia and Northern Territory LNG Producers – Authorisations - A&1000396

AFMO's role

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

The WA GBB and GSCO 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)² 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 WANT LNG Producers' submission in support of their application is generally beneficial. The expected cost savings and efficiencies from controllation of maintenance schedules are consistent with the GSI Objectives. However, AEMO considers the potential for any adverse impact of the Procosed Conduct on connection in the WA pass market would be minimised by:

· Limiting the period of authorisation to five years.

See https://www.semo.com.au/Gas/WA-Gas-Services-Information



 A condition that the Applicants make available relevant details of the shared information regarding planned maintenance for publication on the VM 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 (Clid LNG Authorisation).

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 priorf share the 10 years proposed in the spiciorian. AEMO suggests a five year authorisation period would be appropriate, consistent with the ACCCG (occessing I.N.S) authorisation. If will be important to review the authorisation staff five years because the VM gas market is evolving, with new production facilities and gas suppliers, and the year may after the VM gas market to evolving, with new production facilities and gas suppliers, and they was may after the VM gas market to evolven, with new production facilities and gas suppliers, and they was may after the VM gas market to evolven with the VM gas market over the next they was may after oversiderably. For examine,

- 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 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 unprocedented growth in VM and NT LNO production capacity will continue over the next two years. From 2.4 x million brones per amurin (mino) LNO capacity just five contraction will more than coulde to reach 62.5 mips by 2004. The projects under contraction will more than coulde to reach 62.5 mips by 2004. The projects is supply requirements, or changes in global LNO demand of VMA projects gas demand and prices could after the nature of the interaction between these LNO projects, series to impact competition in the VMQ parameter.

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

⁷ Australian Competion & Consumer Commission (ACCC) (2016), Determination - Applications for authorisation A191916 & A91917, logged by Australia Paul CL MC Pty. Queenstand Curis LNS Project, and Caudisons LNG in respect of occentrating maintenance activity at their LNG solidate on CLIRT Index Cupressions. Authorisation numbers A191916 A61917. 1 4 page 1, 25.



the Proposed Conduct in a potential market environment which includes a gas trading hub or STTM could impact competition when the LNG proponents that also have domestic gas production facilities, have the opportunity to engage in anti-competitive behaviour, negatively affecting the efficiency of the WA domestic gas market. However, the risk to domestic gas market competition could be mitigated, as detailed below.

Under the VAG Gas Services information Act 2012. Gas Services Information Rules*, popular gas Production Facilities (servich an on externity are required to submit a morthly Medium Term Capacht) Cuttoot to ARMO for publication on the Gas Bulletin Board that in must over the Country of the C

This type of information assists AEMO and W/A gas market participants to engage in planning and remediation of potential threats to the domestic gas market balanics. Leguletation plant facilities at the North West Shelf, Gorgon, Wheatstone and Pluto LNG projects are not subject to a similar requirement to report planned maintenance on the GBB. The Preduct LNG and lichthys LNG projects are not expected to be connected to the WA gas transmission system and hence do not impact the WA gas market.

AEMO's role encompasses improvement of the transparency of information in the WA gas market Ideally. ARMO considers that the would benefit the overall efficient operation of the WA gas market if information about the extent, timing and duration of planned maintenance post of WA LHG protect was published on the GBE (WA). This would allow gas supply adequacy information to be available to market participants in advance so they could prepare according information to be available to market participants in advance so they could prepare according an enversal formation of the country of the country of the country of an enversal formation of the country of an enversal formation of an enversal formation of an enversal formation.

In addition to a shortened period of authorisation, AEMO recommends that the authorisation be granted subject to the condition that, should the operation of a WA gas trading hub or STTM commence during that time, the Applicants be required to report the scheduled maintenance on the GBB.

In the QId LNG Authorisation, the ACCC included a condition requiring the Applicants to make publicly available "Maintenance Information" that an LNG producer under the authorisation discloses to another LNG producer in the course of scheduling maintenance activities pursuant to the authorisation*, specifically:

"(a) the LNG Producer's reasonable expectation of the dates when the Scheduled Maintenance Activities ... (as defined in paragraph 4) will commence and conclude:

(b) whether the Scheduled Maintenance Activities are expected to involve any of the following:

(i) Shutdown of one half or less of an LNG train;

^{*} Gas Services Information (GSI) Regulations (2012), Gas Services Information Rules - 26 November 2016, Part 3, Division 4, 71, p. 54.

¹⁰⁰s (here 40ava con autulo-chance caneligas-services-information-sales 5 See titos ligitivas servic com autilisports tredium TerriCapacity. 6 GSI Regulations 2012, Part 3, Division 4, 12, p. 56.



(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."2

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 an questions regarding AEMO's submission please contact Ms Neetika Kapani, Team Leader - Reserve Capacity on 08 9469 9936 or Neetika kapani@aemo.com.au. Yours sincerely

Martin Maticka

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