



16 November 2015

Lyn Camilleri  
Director, Adjudication  
Australian Competition and Consumer Commission  
23 Marcus Clarke Street  
Canberra ACT

Lodged by email to [adjudication@acc.gov.au](mailto:adjudication@acc.gov.au)

## **Re: A91516-A91517 - Australia Pacific LNG Pty Ltd and others - submission**

Dear Lyn

Thank you for the opportunity provide comments on the application for authorisation lodged by the participants of the Australian Pacific LNG Project, the Queensland Curtis LNG Project and Gladstone LNG Project ("LNG Participants"), to discuss and enter into arrangements regarding the sequencing and timing of scheduled maintenance works at each of their LNG facilities, and to exchange relevant information.

### **About ERM Power Limited**

ERM Power Limited (ERM Power) is an Australian energy company that operates electricity generation and electricity sales businesses. Trading as ERM Business Energy and founded in 1980, we have grown to become the 4th largest electricity retailer in Australia, with operations in every state and the Australian Capital Territory. We are also licensed to sell electricity in several markets in the United States. In addition, we retail gas to industrial and commercial customers in Victoria. We have equity interests in 497 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, both of which we operate.

ERM Power trades gas in the eastern state markets to support our gas fired electricity generation and gas retailing activities. We are a participant in several facilitated gas markets including the Declared Wholesale Gas Market of Victoria, the Brisbane Short Term Trading Market and the Wallumbilla Gas Supply Hub.

### **ERM Power's comments**

ERM Power's view is that the LNG participants' request is reasonable however authorisation should be contingent on LNG train maintenance schedules being disclosed to the wider energy market.

As the LNG participants outline in their application, an implication of maintenance shutdowns is the management of surplus gas supply, one option being to resell the surplus gas. Taking into account the huge volumes of LNG production relative to the size of the domestic gas market, excess gas arising from a train shutdown, if sold into the domestic gas market, has the potential to significantly impact domestic gas prices. **Any information that affects price should be made available to all trading participants in the domestic gas market. Failure to do so will result in LNG participants having inside information in the financial and physical markets in which they are trading, placing non-LNG market participants at a competitive disadvantage.**

Failure to make the information available on a level playing field will also impair the ability of non-LNG participants (such as gas fired generators, gas retailers, and large gas users) to make informed and timely operational and commercial decisions, and increase the risks they face. Further, non-LNG participants' confidence to trade in markets such as the Wallumbilla Gas Supply Hub, the proposed Moomba Gas Supply Hub, the Short Term Trading Markets, OTC and exchange traded futures markets (e.g. ASX Wallumbilla Futures), as well as the physical bilateral contract market, will be eroded, reducing trading and liquidity. Diminished competition will result in increased costs being borne by domestic gas consumers, leading to an outcome that is inconsistent with the COAG Energy Council's vision for Australia's future gas market and the National Gas Objective<sup>1</sup>.

## Recommendation

ERM Power considers that authorisation should be granted subject to the following -

- LNG participants should be made to report all scheduled and unscheduled maintenance affecting any of their LNG trains, on the National Gas Bulletin Board (a publicly accessible website which houses all gas market information).
- Specific information that should be reported includes timing and duration of scheduled and unscheduled maintenance and impacts on capacity. The information should be reported for a two year rolling period (similar to the Medium Term Projected Assessment of System Adequacy published for the National Electricity Market). In addition, updates should be provided as soon as they occur.
- The reporting obligation could be effected by a change to the National Gas Rules (or related gas market procedures), initiated by the ACCC, or any other governance authority such as the AER, AEMC or AEMO, or the COAG Energy Council. We would be open to any alternative mechanism to enforce the obligation.
- The rule change should be made immediately, particularly given that the LNG Participants have requested interim authorisation from the ACCC so they can immediately commence their discussions, and given that some LNG trains are already in operation and additional trains will be operational shortly.
- Compliance with the reporting obligations should be rigorously monitored and enforced.

Thank you again for the opportunity to provide our comments. Please feel free to contact me if you would like to discuss or require any further information.

Yours sincerely



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<sup>1</sup> The National Gas Objective as set out in Part 3 Division 1 of the National Gas Law is to “promote efficient investment in, and efficient operation and use of, natural gas services for the long-term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.” The COAG Energy Council’s vision is “for the establishment of a liquid wholesale gas market that provides market signals for investment and supply, where responses to those signals are facilitated by a supportive investment and regulatory environment, where trade is focused at a point that best serves the needs of participants, where an efficient reference price is established, and producers, consumers and trading markets are connected to infrastructure that enables participants the opportunity to readily trade between locations and arbitrage trading opportunities.” <https://scer.govspace.gov.au/files/2014/12/COAG-Energy-Council-Australian-Gas-Market-Vision-Dec-2014-FINAL1.pdf>