

20 November 2015

Lyn Camilleri
Director, Adjudication
Australian Competition and Consumer Commission
Submitted via email adjudication@accc.gov.au
ACCC reference - 58502

Dear Lyn,

RE: Australian Pacific LNG Pty Ltd and Others applications for authorisation (A91516-A91517) - interested party consultation

Thank you for the opportunity to provide comment on the Australian Competition and Consumer Commission's (ACCC's) investigation into the applications for authorisation from the various liquefied natural gas (LNG) producers with facilities on Curtis Island.

Stanwell's interest in the gas market is as a trader of gas and industrial buyer for the gas-fired Swanbank E and Mica Creek power stations. Swanbank E power station has a capacity of 385MW and is located 10km from Ipswich, QLD. Mica Creek power station is 218MW and is located near Mount Isa, QLD. Stanwell is an active participant in the Brisbane Short Term Trading Market (STTM) and the Wallumbilla hub.

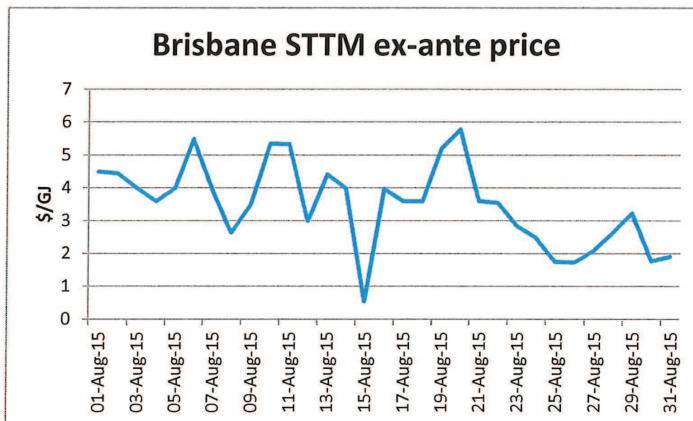
Stanwell supports the application provided the market sensitive scheduled and unscheduled maintenance information is disclosed to all market participants. Stanwell's preference is for this disclosure to occur through AEMO's Gas Bulletin Board

The application proposes that the LNG facilities be able to enter into arrangements regarding the sequencing and timing of scheduled maintenance activities including the scheduling and timing of plant outages. It also proposes that the facilities develop a process to inform one another of ad hoc unplanned maintenance requirements¹.

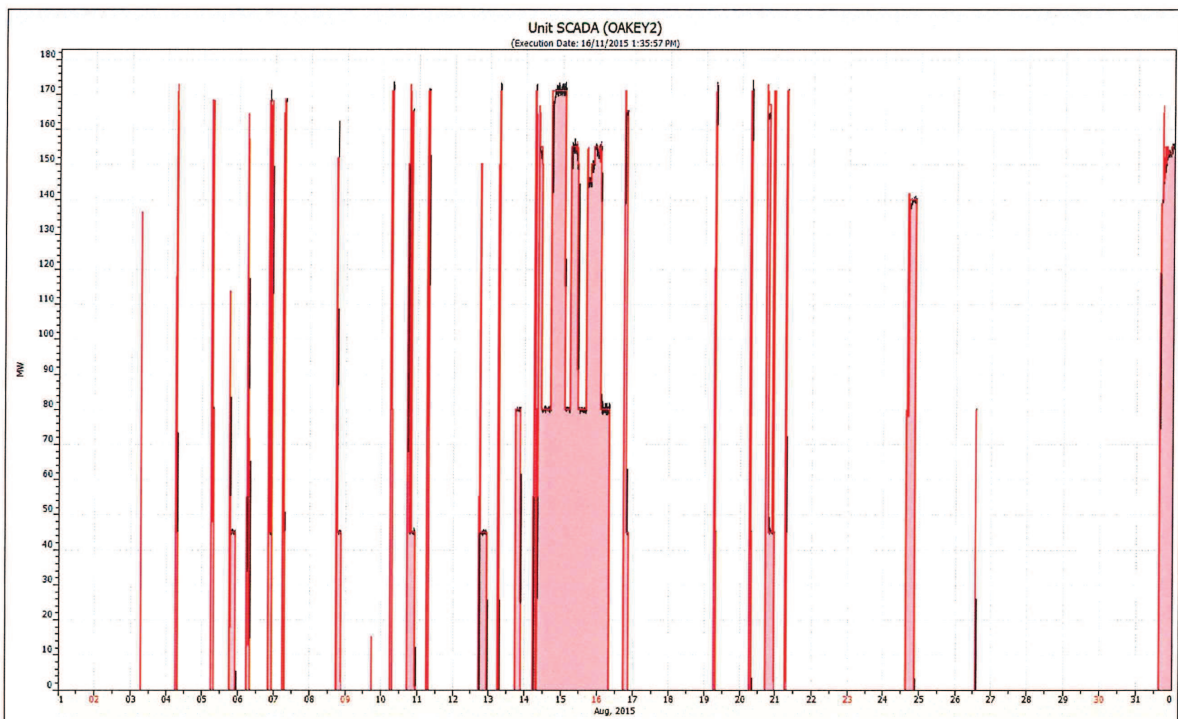
The timing of both planned and unplanned maintenance activities is market sensitive information for the domestic gas market and the National Electricity Market (NEM). This is because during a LNG shutdown, excess gas is often sold through the wholesale gas markets affecting the wholesale market price. In addition, Stanwell understands that the facilities have certain contractual arrangements with specific QLD gas fired power stations which impacts the QLD wholesale electricity market price.

An example of the impact a shutdown has on the gas and electricity markets occurred on the 14th August 2015 when QCLNG experienced an unexpected outage. The excess gas in the days following this event impacted on the Brisbane STTM and the Wallumbilla hub prices. At the Brisbane STTM the price dropped to just \$0.55/GJ on the 15th August 2015 as can be seen in the chart below.

¹ Section 2(a)(v)(C)



Excess gas was also burnt through various QLD gas fired power stations. The chart below shows the output of Unit 2 at Oakey Power Station during August. The unit ran consistently in the 2 days following the LNG outage, generating up to 170MW at times. This unusual operation of an expensive peaking generator displaces lower cost conventional coal fired generation.



As maintenance of an LNG facility has a significant impact on both the wholesale gas and electricity markets, the sharing of maintenance schedules between facilities results in these facilities holding market-sensitive inside information on each other's operations. If this information is not made public, the facilities are at an advantage when negotiating with domestic gas and electricity participants regarding the excess gas.

Stanwell supports the facilities working together to schedule their maintenance activities provided

1. Discussions regarding the scheduling of maintenance occur in strict confidence with strong information barriers protecting the information shared between facilities with the rest of the facility's organisation (including the trading team) while discussions are ongoing
2. Best estimate maintenance information must be published as soon as possible, ideally through the Australian Energy Market Operator's (AEMO's) Gas Bulletin Board (BB)². The facilities must adhere to a strict trading halt until the information is made public (through the BB).
3. Any changes to the maintenance schedules must be communicated as soon as possible, including unscheduled maintenance activities³.

For complete market transparency and disclosure, the information published on the BB must contain

- The name of the facility
- The volume of gas reduction
- The start and end date of the shutdown

The name of the facility is important because of the differing impacts each facility has on the wholesale gas and electricity market. For example, it is known that each facility has different arrangements with gas fired power stations and differing abilities to store gas within the pipelines. Therefore, if the authorisation is granted, the name of the facility must be disclosed to prevent inside information being available only to LNG participants. Short term, disaggregated forecast and actual flow data is already available through the BB for the three gas transmission pipelines (APLNG, GLNG and QCLNG pipelines) which feed into the Curtis Island demand zone.

This approach would provide equivalent transparency as is achieved for the availability of electricity generators in the NEM through AEMO's Medium Term Projected Assessment of System Adequacy (MT PASA) process. Clause 3.7.2(d)(1) of the National Electricity Rules requires Scheduled Generators to provide AEMO with at least a weekly update of the availability of each generating unit for the next 24 months. This information is then aggregated by AEMO and published.

Once shutdowns are disclosed to the market via AEMO, generators are then free to seek outage cover, including through trading forward contracts, without breaching the 'inside information' provisions of the Corporations Act. As electricity generators do not consult with one another regarding their outages, AEMO's publication of *aggregate* outage information is appropriate.

² The Bulletin Board is an information website which provides gas system and market information to facilitate trade in gas and a market for gas services, and to assist in emergency management

³ Information on unscheduled maintenance activities is inside information as the application proposes sharing this information amongst facilities in Section 2(a)(v)(C)

Link to current reform agenda

The Council of Australian Government (COAG) Energy Council has initiated a number of reviews and changes to the east coast gas markets⁴. One of the key themes is an increase in gas market information in order to promote gas market liquidity and informed regulatory reform. AEMO has recently added the Curtis Island demand zone to the BB which requires the three LNG pipelines to provide capacity outlook, forecast and actual flow data.

In addition, the Australian Energy Market Commission (AEMC) has recently published a draft rule change⁵ requiring additional information from transmission pipeline operators, production facility operators and storage facility operators. Disclosure of LNG maintenance information into the BB is therefore technically feasible and would align with the COAG Energy Council's gas market vision for increased market transparency.

Thank you for your consideration of Stanwell's response to the authorisation. If you would like to discuss any aspect of this submission, please contact Jennifer Tarr on 07 3228 4546.

Regards



Luke Van Boeckel
Manager Regulatory Strategy
Energy Trading and Commercial Strategy

⁴ See East Coast Wholesale Gas Market and Pipeline Frameworks Review <http://www.aemc.gov.au/Markets-Reviews-Advice/East-Coast-Wholesale-Gas-Market-and-Pipeline-Frame>, Enhanced Information for Gas Transmission Pipeline Capacity Trading <http://www.aemc.gov.au/Rule-Changes/Gas-Transmission-Pipeline-Capacity-Trading-Enhance>, AEMO Wallumbilla Hub redesign, AEMO Moomba Hub implementation

⁵ Enhanced Information for Gas Transmission Pipeline Capacity Trading <http://www.aemc.gov.au/Rule-Changes/Gas-Transmission-Pipeline-Capacity-Trading-Enhance>