



23 November 2015

The General Manager  
Adjudication Branch  
Australian Competition and Consumer Commission  
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**Australia Pacific LNG and Others applications for authorisation (A91516-A91517) –  
interested party consultation**

The Energy Supply Association of Australia (esaa) welcomes the opportunity to make a submission to the Australian Competition and Consumer Commission (ACCC) in relation to the application for authorisation received from the participants of the Australia Pacific LNG Project, the Queensland Curtis LNG Project and the Gladstone LNG Project (the Applicants).

The esaa is the peak industry body for the stationary energy sector in Australia and represents the policy positions of the Chief Executives of 34 electricity and downstream natural gas businesses. These businesses own and operate some \$120 billion in assets, employ more than 59,000 people and contribute \$24.1 billion directly to the nation's Gross Domestic Product.

The Applicants are currently seeking authorisation from the ACCC to coordinate and share information about their maintenance schedules with a view to limiting the extent to which scheduled maintenance works occur concurrently at the LNG facilities. This includes implementing a process to inform one another of ad hoc unplanned maintenance requirements. There are clear operational efficiencies that can be derived from allowing this coordination. But the on-selling of gas from LNG facilities that are undergoing maintenance has the potential to significantly impact the domestic gas market, both in terms of gas flows and pricing. On this basis, the Association considers that should authorisation be provided, relevant information relating to the Applicants' maintenance schedules should be disseminated to all market participants to remove any information asymmetry.

The development of LNG export facilities on the east coast changes the competitive environment relative to business as usual, exposing the domestic market to the influence of world prices and a competing source of demand that will far exceed domestic demand. To provide an idea of the size of the export volumes that are anticipated, in 2016 LNG exports from the east coast are projected to exceed 1,200 PJ.<sup>1</sup> This compares with total east coast domestic demand of around 570 PJ.<sup>2</sup>

Taking into account the large volumes of LNG production relative to domestic demand, it is clear that excess gas arising from maintenance shutdowns has the potential to significantly

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<sup>1</sup> Australian Energy Market Operator, 'National Gas Forecasting Report', December 2014.

<sup>2</sup> Ibid.

impact the domestic gas market, both in terms of gas flows and pricing. As noted by the Applicants, the supply of surplus gas arising from concurrent maintenance shutdowns of more than one facility would likely exceed demand for gas by domestic customers or by another LNG facility for LNG production. Coordinated scheduling of maintenance shutdowns between the LNG facilities could therefore avert significant market distortions in the future.

But the Association believes the on-selling of gas arising from the maintenance shutdown of even one LNG facility has the potential to influence market outcomes. Notably, average daily gas prices in the Brisbane Short Term Trading Market (STTM) reached a record low of \$0.35/GJ in the week ending 1 November 2014.<sup>3</sup> This low appears to have been attributable to the increased availability of LNG ramp-up gas at the time as the Queensland Curtis LNG facility neared completion.<sup>4</sup>

Given the above, the coordination of maintenance schedules and disclosure of unscheduled maintenance requirements has the effect of providing the Applicants with information relevant to the financial and physical markets in which they are trading. To the extent this information is not made available to the wider market, other market participants will be placed at a competitive disadvantage and their ability to make informed and timely operational and commercial decisions will be impaired relative to the Applicants. Market participants' confidence to trade in the facilitated trading markets, over-the-counter (OTC) and exchange traded futures markets and the physical bilateral contract market, may also be eroded. This would be a particularly perverse outcome given the current focus on improving information discovery and driving trading and liquidity in the east coast gas market.

To address this, the Association considers it important that information relating to scheduled and unscheduled maintenance at the three LNG facilities is reported to the broader gas market should the ACCC authorisation be granted. As each of the LNG facilities has the potential to impact wholesale gas and electricity markets in different ways (given different arrangements with gas-fired power stations and varying abilities to store gas), this information should include:

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

The provision of this information will reduce any information asymmetry between market participants and improve all participants' ability to optimise their gas positions. As discussed in a recent submission provided to the Australian Energy Market Commission, this information could potentially be provided through some form of medium term capacity outlook or similar mechanism for publication on the Australian Energy Market Operator's (AEMO) Gas Bulletin Board.<sup>5</sup>

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<sup>3</sup> Australian Energy Regulator, 'Weekly Gas Market Report (26 October – 1 November 2014)'.

<sup>4</sup> Ibid.

<sup>5</sup> Energy Supply Association of Australia, 'Submission to the AEMC's Enhanced Information for Gas Transmission Pipeline Capacity Trading Draft Rule Determination', submitted 13 November 2015.

Should the ACCC authorisation not be granted, the Association believes there is merit in considering the value/appropriateness of reporting maintenance information from the LNG facilities on an individual basis in any case, given the issues discussed above.

Any questions about our submission should be addressed to Shaun Cole, by email to [shaun.cole@esaa.com.au](mailto:shaun.cole@esaa.com.au) or by telephone on (03) 9205 3106.

Yours sincerely

A handwritten signature in blue ink that reads "Kieran Donoghue". The signature is written in a cursive style with a long, sweeping tail on the final letter.

**Kieran Donoghue**  
General Manager, Policy