



16 December 2015

Michael Drake  
Australian Competition and Consumer Commission  
GPO Box 3131  
Canberra ACT 2601

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

Dear Mr Drake

### **AUSTRALIAN PACIFIC LNG PTY LTD AND OTHERS APPLICATIONS FOR AUTHORISATION**

Origin Energy Limited (Origin) welcomes the opportunity to comment on the applications for authorisation received from various liquefied natural gas (LNG) producers with facilities on Curtis Island. These facilities include the Australian Pacific LNG Project (APLNG), Queensland Curtis LNG Project and the Gladstone LNG Project.

APLNG is an incorporated joint venture between Origin, ConocoPhillips and Sinopec in which Origin has a 37.5 per cent shareholding. Origin and APLNG compete with one another in the domestic gas market. As such, Origin is a separate interested party in this consultation.

The applicants have sought authorisation to discuss and enter into arrangements regarding the sequencing and timing of scheduled maintenance works at each of the LNG facilities so as to avoid concurrent shutdowns. The stated rationale for the proposed arrangements is that the applicants are likely to be competitors both for the acquisition of the goods and services necessary to undertake maintenance and for the supply of LNG to overseas customers.

In Origin's view, the need for the LNG facilities to discuss maintenance schedules amongst themselves so as to avoid concurrent shutdowns could be negated through the public reporting of any planned maintenance. This aligns with the Australian Energy Market Commission's (AEMC) recent 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>1</sup>

Such an approach is consistent with the Medium-Term Projected Assessment of System Adequacy (MT PASA) used in the National Electricity Market (NEM). Under the MT PASA, participants are required to provide the market operator information that has the potential to impact the supply/demand balance, such as generator maintenance scheduling and plant availability. The market operator then updates the MT PASA (on at least a rolling weekly basis) so that there is a publicly available view of system adequacy for up to two years in advance. This increases transparency for all market participants and has proved effective in informing decisions regarding the scheduling of power station maintenance and transmission outages. On this basis, Origin considers that a similar approach could be adopted for the LNG facilities.

The applicants note a key implication of maintenance shutdowns is the need to manage surplus coal seam gas (CSG) supply. Amongst a range of options, they suggest this excess gas could be sold to another party under a commercial arrangement and that "the operators of the LNG Facilities are likely purchasers of the excess gas available during a shutdown".<sup>2</sup> Whilst Origin agrees that LNG facilities

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<sup>1</sup> AEMC, *East Coast Wholesale Gas Market and Pipeline Frameworks Review Stage 2 Draft Report*, 4 December 2015, p. 101.

<sup>2</sup> Clayton Utz, *Submission in support of application for authorisation: co-ordinated scheduling of maintenance for Queensland LNG projects*, 15 October 2015, p. 14.

may be the purchasers of any excess gas associated with plant maintenance, this gas may also be sold to other market participants within the east coast gas market. Maintenance shutdowns could therefore have supply implications for the wider market.

Given the scale of the LNG projects, the shutdown of a single LNG facility could lead to the redirection of gas equivalent to approximately 25 to 50 per cent of total domestic demand.<sup>3</sup> Excess gas available during a shutdown has the potential to materially affect domestic market outcomes in terms of both gas flows and pricing. To the extent this information is not made available to the wider market, the ability of domestic market participants to make informed and timely operational and commercial decisions could be impaired. As such, an MT PASA for the LNG facilities ensures transparency of this information and hence would allow efficient and effective decision making by all market participants.

Origin suggests the Australian Competition and Consumer Commission work with the AEMC and Australian Energy Market Operator to establish this reporting requirement for the LNG facilities. We consider an MT PASA for the LNG facilities complements other recently completed reform processes in light of the commencement of the LNG export industry, such as:

- industry led the development and implementation of a Wallumbilla gas supply hub, which commenced operation in March 2014. The gas supply hub is a voluntary market for the purchase and sale of gas and the Wallumbilla site was chosen as a result of the anticipated growth in CSG development in the region. Each of the applicants is a registered trading participant in this market; and
- a new Curtis Island demand zone was added to the Gas Bulletin Board to capture and make publicly available gas delivery data for the three transmission pipelines that feed the LNG facilities.

Should you have any questions or wish to discuss this information further, please contact Lillian Patterson on [lillian.patterson@originenergy.com.au](mailto:lillian.patterson@originenergy.com.au) or (02) 9503 5375.

Yours sincerely,



Steve Reid  
Manager, Wholesale Regulatory Policy

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<sup>3</sup> This is based on: the expectation that total east coast gas demand will treble as a result of the LNG export industry; an assumption that each LNG facility represents approximately a third of this amount; and information in the applications that a LNG facility shutdown could reduce LNG demand by between 50 and 100 per cent of the capacity of a single train at the LNG facility (p. 11).