



18 June 2024

Our Reference: APLNG – COR – 1049109

Luke Stevens
Australian Energy Market Operator
Level 12, 171 Collins Street
Melbourne VIC 3000

Via email to: GWCF_Correspondence@aemo.com.au

Dear Mr Stevens

Australia Pacific LNG Pty Ltd (APLNG) welcomes the opportunity to contribute to the Australian Energy Market Operator's (AEMO) consultation on the '*Impact and Implementation Report (IIR) – DWGM, ECGS and STTM Procedures changes for Gas Compensation Determinations*'.

APLNG is an incorporated company and one of the largest producers of natural gas in eastern Australia, delivering a reliable energy source to customers in Australia and Asia. We are the largest net contributor of gas supply to Australia's domestic east coast gas market, providing over 2,100 PJ of gas into the domestic market since the project was sanctioned.

In our previous submissions to the Australian Energy Market Commission (AEMC) and AEMO, we advocated for a beneficiary-pays approach when allocating the compensation funding amount to liable relevant entities. APLNG considered that such an approach would promote a more equitable distribution of costs and facilitate a fairer and pragmatic cost recovery process. We also submitted that a claimant who has incurred direct costs as a direct result of AEMO issuing a relevant east coast gas system (ECGS) direction should not be required to fund its own compensation claim and should be expressly excluded from the group of liable relevant entities to whom a share of the compensation funding amount is to be allocated by AEMO.

The recent Queensland Gas Pipeline (QGP) rupture incident, which resulted in AEMO issuing directions under section 91AF(1) of the National Gas Law in March 2024, has, in APLNG's view, highlighted areas of the compensation framework that could be further refined to ensure a more equitable and sensible cost recovery methodology is adopted. We understand that AEMO intends to publish a final post-intervention report on the ECGS directions issued in relation to the QGP incident. APLNG looks forward to the release of this report and urges AEMO to evaluate the effectiveness of the ECGS Procedures (in particular the compensation claim section) based on any relevant learnings or findings from this incident.

While we maintain the positions advocated in our previous submissions to the AEMC and AEMO, we acknowledge that AEMO is limited by the National Gas Rules (NGR) in terms of the strategies that it can employ when allocating the compensation funding amount to liable relevant entities. Specifically, under rule 707(11)(a), AEMO must have regard to '*the principle that, to the extent reasonably practicable, a liable relevant entity's share of a compensation funding amount should be in proportion to its share of the aggregate gas demand of all liable relevant entities:*

- (i) *in the location of the identified risk or threat, having regard to any relevant risk or threat notice and any relevant east coast gas direction; and*

(ii) in the relevant risk or threat period, having regard to any relevant risk or threat notice and any relevant east coast gas direction'.

On that basis, we agree with the changes AEMO has made to the ECGS Procedures to remove the strategies for determining a liable relevant entity's applicable share of the compensation funding amount and to, instead, use gas demand in the affected location during the period of risk or threat. We also support AEMO's proposal to reduce a liable relevant entity's share of the compensation funding amount if it has already paid the claimant (in part or in full) for its gas demand in the affected location during the period of the risk or threat.

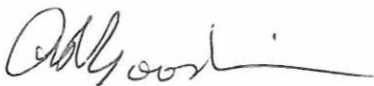
Notwithstanding this, APLNG has material concerns with two key aspects of the approach being proposed by AEMO:

1. There is no flexibility to amend the 'affected location', being the location identified by AEMO in the relevant risk or threat notice or direction notice. Due to the quickly evolving nature of a compensation claim event and the risk of AEMO having access to incomplete or inaccurate information at the onset of this event, we believe it is important to give stakeholders (and AEMO) the opportunity to raise any concerns with the specified locations before AEMO allocates the compensation funding amount to liable relevant entities. Consultation could be undertaken at the same time the independent expert is reviewing a compensation claim to ensure this process does not impact AEMO's timeframes for seeking recovery of the compensation funding amount from liable relevant entities.
2. AEMO's proposed methodology to remove any amount paid by a liable relevant entity to a claimant for gas demand in the affected location during the period of the risk or threat would lead to an under-recovery of the compensation funding amount from liable relevant entities and short-change the independent expert, AEMO and/or the claimant. APLNG proposes that AEMO instead adjusts the gas demand figures to account for any funds, payments, compensation or another financial benefit received by the claimant and, where applicable, apportions different components of the compensation funding amount to different subsets of liable relevant entities.

Our submission provides further information on these matters, including worked examples illustrating the impacts on the recovery of the compensation funding amount under AEMO's proposed methodology versus APLNG's proposed alternative. We have also included suggestions on areas where AEMO's documentation could be enhanced to ensure greater alignment with the NGR and industry practice.

Should you have any queries relating to this submission or would like to discuss the worked examples, please contact Kieran Olsen, Compliance Manager – APLNG, on 0409 464 351 or via email at kieran.olsen@aplng.com.au or compliance@aplng.com.au

Yours sincerely



Manda Goodwin
General Manager – Commercial
Australia Pacific LNG Pty Ltd