20 June 2025

ATTN: Andrew Turley
Australian Energy Market Operator
Level 12, 171 Collins Street
MELBOURNE VIC 3000

By Email: ISP@aemo.com.au

RE: Consultation on Gas Infrastructure Options Report

We refer to the above and thank AEMO for the opportunity to respond to consultation on the draft Gas Infrastructure Options Report (GIOR).

Please see below our responses to the questions as set out in the draft Report, noting that we have elected only to include responses to some of the questions posed in the consultation paper.

Epic also wishes to draw AEMO's attention to two further potential issues regarding asymmetric information and double counting of costs.

Asymmetric information driving investment signals

AEMO states its gas development projections "*will not inform or direct gas investment or gas policy decisions*", however Epic is concerned that AEMO has no control over this once the projections are published. Epic considers it a strong possibility that the gas development projections will become self-fulfilling or used as a "starting point" in future analysis, in the same way that this draft GIOR proposes using the 2025 GSOO analysis as the "*predetermined gas infrastructure options*". This is despite the GSOO including a bolded paragraph stating in-part "*this assessment does not represent a 'best' or 'most economic' assessment of the options."*

This is of concern to Epic due to the asymmetric information flow to AEMO. Proponents of gas infrastructure projects without a clear line-of-sight to investment may be incentivised to provide AEMO information that increases the chance they are included in the final gas development projections. Meanwhile, there may be projects comparatively more beneficial to the NEM that aren't submitted by other proponents who have conducted the appropriate due diligence on technical and economic feasibility.

Epic appreciates the service the GIOR will provide to the market, but it is our experience that AEMO's work is viewed as highly credible and independent and is utilised by a range of market participants including advisers, investors and policymakers, and therefore it is vital to ensure that the document does not contain unconscious bias to certain projects or project types.

Potential for double counting of gas infrastructure costs

Consideration must be given as to how the final calculated cost of the gas development pathway(s) determined by AEMO interact with the existing gas costs in the ISP.

Gas infrastructure projects earn a return on investment through charging a tariff to customers. To account for this, ACIL Allen's report provided for AEMO's current IASR notes "*a premium has been added to the price (Open Cycle Gas Turbines) pay in the long term to account for the additional costs...typically associated with reserving pipeline capacity and utilising storage."*

The report also explains its assumptions in Figure A.2 which in the Step Change scenario include various new upstream gas supply projects and associated midstream projects, along with standalone midstream projects, all of which are contemplated in the draft GIOR.

Therefore it is likely the cost of many new infrastructure projects are already captured in the ISP's GPG gas price and hence the "fuel" cost component of the ISP's NPV calculation. This could lead to double counting if AEMO is to separately include the capex and opex of these infrastructure projects in the final ISP via the gas development pathway.

4. Do you have any feedback on AEMO's use of GHD's component costs in costing gas infrastructure options?

Epic also notes that AEMO's statements that it *"lacks visibility of the sunk costs related to the known options"* [and therefore] *"will estimate the full costs of these options using the Class 5 build block estimates".* Whilst agreeing that this is prudent, Epic considers that AEMO does have sufficient information to make a determination as to whether infrastructure components are sufficiently sunk, committed or anticipated for certain projects.

Using the draft GIOR's example of Port Kembla's components, Epic considers there is sufficient information for AEMO to determine the landside component of the terminal and the connection to the Eastern Gas Pipeline (EGP) are both commissioned, and the reversal of the EGP is committed. Reflecting this would allow AEMO to correctly determine that this infrastructure option would be implemented at a lower forward-looking cost than a greenfield LNG import terminal.

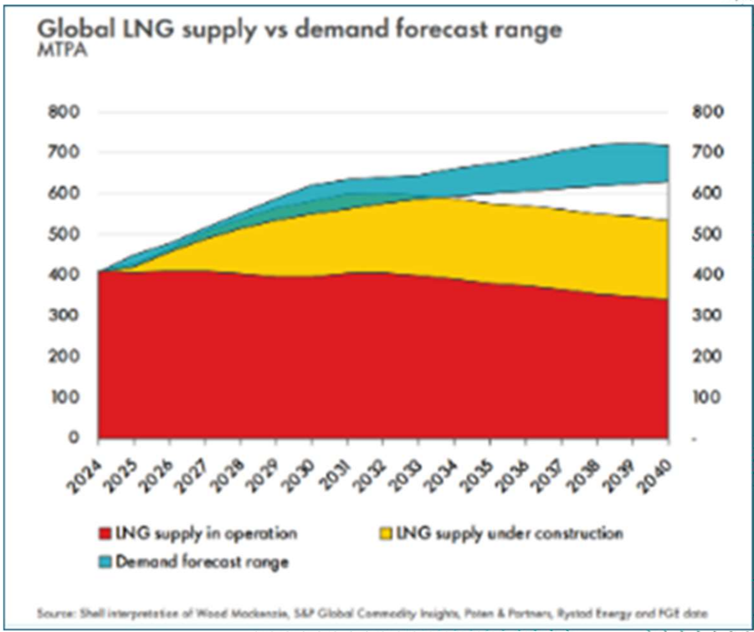
The use of facility development information provided under National Gas Rules, in conjunction with GSOO data should allow for a more accurate determination in the comparison of similar projects which are at significantly different stages of development.

5. AEMO has proposed to limit sources of new natural gas supply to known contingent (2C) resources provided via the Gas BB and GSOO surveys. Should other sources of new gas be included?

Epic considers AEMO's proposed approach of limiting domestic gas production to currently known 2C contingent resources (2C) but allowing LNG imports to be unconstrained problematic.

Epic appreciates AEMO cannot have the same granularity of data on a global level but it should not be taken as given that Australia's 2C will not grow but the global LNG market will have infinite spare supply available for Australia to import. For example, Shell's 2025 annual LNG outlook forecasts a global supply gap emerging from 2034 (Figure 1), and Wood Mackenzie recently noted there could be a supply gap as wide as 120 Mtpa by 2040[1].

Figure 1



Epic notes AEMO's 2C figure used in the GSOO has declined over the past 3 years, however data included in prominent industry reports, such as EnergyQuest's EnergyQuarterly, shows that 2C in the relevant east coast basins have largely been steady since 2022.

[1] https://gasoutlook.com/analysis/global-lng-market-faces-120-mtpa-supply-gap-by-2040-wood-mac-conference/

Level 6, 70 Franklin Street,
Adelaide SA 5000
GPO Box 860,
Adelaide SA 5001
T +61 8 8343 8100
epicenergy.com.au

The price environment of recent years has seen upstream companies increasingly incentivised to achieve exploration success – for example Santos grew its 2C in the Cooper Basin and QLD in 2024[2].

Epic expects the focus on growing 2C will continue since one of the Federal Government's 6 guiding principles in its 2024 gas strategy relates to gas exploration[3] and states "*new sources of gas supply are needed to meet demand during the economy-wide transition*."

With this in mind, Epic's view is AEMO should attempt to capture potential 2C growth over time, and/or rework the methodology to allow for a more realistic supply outlook between domestic gas and spare global LNG capacity.

6. Of the list of gas infrastructure options mentioned in Section 3.2.2 and provided in Appendix A2, are there any options that should not be included, or any further options that should be considered?

Epic notes AEMO has included a generic storage pipeline of 100TJ capacity. Epic has previously explored pipeline storage projects to support our GPG customers on the Moomba to Adelaide Pipeline System (MAPS) consistent with this concept and for the purposes of the GIOR consider this to be reasonable.

Separately, Epic notes AEMO's inclusion of the Port Campbell to Adelaide (PCA) Reversal Project, which the 2025 GSOO states will be able to accept gas "*from the MAPS for west – east transportation*." Epic owns and operates the MAPS and can advise that this would not be possible without a dedicated connection project that included compression.

However, Epic considers the MAPS > PCA opportunity, including the associated connection project, should be included in the GIOR since it has the potential to play a key role in solving Victoria's impending gas shortfall using the abundant reserves and resources of domestic gas in SA and Queensland.

Maximising the utilisation of existing infrastructure should be a priority for AEMO and policymakers. This would allow costs to be kept lower and helps to minimise risks such as economic feasibility, social licence, operability, or asset stranding that may come with developing LNG import terminals or major greenfield expansions connecting to existing pipelines.

[2] https://www.santos.com/wp-content/uploads/2025/02/2024-Annual-Reserves-Statement.pdf and https://www.santos.com/wp-content/uploads/2024/02/2023-Annual-Reserves-and-Resources-Statement.pdf

[3] https://www.industry.gov.au/sites/default/files/2024-05/future-gas-strategy.pdf p8, pp6

Application of gas development projections for fuel limitations in the ISP

7. Will AEMO’s proposed gas supply and pipeline zone limitations be effective in limiting fuel availability for GPG?

Epic Energy is of the view that the zone approach proposed by AEMO is preferential to a state by state, or region by region approach which could be used as an alternative (as it is in other reports). However, with the modelling investigating opportunities as granular as 50TJ/d looping projects and 20TJ/d of compression (and the ISP dispatching at a generator level) it may be prudent to attempt a recreation of the gas transmission network in greater detail.

It is acknowledged that this may be an unreasonably large administrative burden, and appreciate that the application of zones and their intersection will develop over time.

9. Are there any supply zones missing? Are there any supply zones that will be unrealistically represented by the proposed constraints to gas supply?

Epic Energy notes that Bolivar GPG was included only in the southern zone, but as it is only connected to the MAPS it is likely correctly placed in the Moomba zone based on our understanding of AEMO’s proposed methodology. Further, Snapper Point GPG was not included in the draft report, and should be categorised in the same manner as Bolivar GPG.

Again, Epic Energy thanks AEMO for the opportunity to engage on this consultation, and if you have any questions or queries, please don’t hesitate to contact Jordan Dodd, Regulatory Advisor at Jordan.dodd@epic.com.au or on 0473 562 947.

Kind Regards,

Jordan Dodd
Regulatory Advisor

Level 6, 70 Franklin Street,
Adelaide SA 5000

GPO Box 860,
Adelaide SA 5001

T +61 8 8343 8100
epicenergy.com.au