



20 July 2017

Our Reference: APLNG - COR - 0011534

Gas Market Reform Group
c/o Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Delivered via e-mail to: enquiries@gmrg.coagenergycouncil.gov.au

Dear Dr Vertigan, Ms von der Lee and Ms Lowe,

Submission in Response to Draft Initial National Gas Rules

Australia Pacific LNG Pty Limited (**APLNG**) welcomes the opportunity to provide this submission to the draft National Gas Rules – Access to Non-Scheme Pipelines (**the draft Rules**). APLNG is an incorporated joint venture among ConocoPhillips, Origin and Sinopec. As Queensland's largest gas producer, APLNG supplies a significant percentage of Queensland's long term gas needs as well as exporting LNG under contract to China and Japan. APLNG supports an integrated energy policy that provides for increased gas supply through reduced regulation and increased land access, while supporting reforms that will assist in the development of a competitive and transparent wholesale east coast gas market.

Rule 562 - Access negotiation information

APLNG supports the requirement to provide "access negotiation information" in principle, however APLNG is concerned that rule 562(2), as currently drafted, may impose an overly burdensome obligation upon a party to provide information which may extend beyond that which would ordinarily be required "to assess the reasonableness of the offer made in response to a particular access request".¹

We recommend that the criteria identifying what comprises "access negotiation information" in rule 562(2) is narrowed in order to ensure parties do not unreasonably request information that, while being beyond what would quite reasonably be excluded from commercial negotiations, may in these circumstances be demanded by a counterparty, relying upon the argument that such information would assist that party in determining whether the offer was "on reasonable terms". For example, a service provider could request information regarding reserves, expected revenue and/or expenditure in operations upstream of the pipeline, on the basis that such information would assist in determining reasonable terms for shipment.

As such, we suggest the following drafting changes in italics to Rule 562 (3):

For purposes of subrule (2), information *includes is limited to:*

- a) information about the method used to determine the price in an access offer and the inputs used in the calculation of the price;
- b) information regarding the costs associated with the provision of the pipeline service sought by the prospective user; and
- c) reports and other materials including consultant reports, data sets, models or other documents *that directly relate to paragraphs (a) and (b).*

¹ As described in the Initial National Gas Rules Explanatory Note for Stakeholder Consideration (June 2017), page 15.

Rule 569(2) - Asset Valuation Methodologies

APLNG supports GMRG's suggested draft that provides greater discretion on asset valuation as suggested by the initial paragraph (a), however APLNG prefers some additional clarification on the capital recovery language. As such, APLNG suggests that the final phrase of Rule 569(2)(a) be modified to "...including those that take into account past *actual capital recoveries (rather than depreciation)*."

In addition, APLNG suggests that the end date of the economic life being used to determine depreciation allowances of the pipeline be included in the Pipeline Information requirement under Division 2.

Rule 585(3)(a) - Exemption categories

Currently, category 1 exempts relevant access disputes from the operation of Division 4, which deals with arbitration of access disputes. APLNG suggests that category 1 should also include an exemption from the operation of Division 3, dealing with access requests and negotiations.

APLNG is pleased to be able to provide these comments and looks forward to the implementation of this important gas reform. Should you have any questions or would like to discuss this submission further, please contact Deidre McEntee, Senior Commercial Negotiator, at (07) 3021 3303 or deidre.mcentee@aplng.com.au.

Sincerely



Mark McCabe
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Australia Pacific LNG Pty Limited