

16 January 2017

Mr John Pierce
Chair – Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Pierce

RE: GRC0036 – GAS DAY HARMONISATION RULE CHANGE DETERMINATION

The Australian Petroleum Production & Exploration Association (APPEA) is the peak national body representing Australia's oil and gas exploration and production industry. APPEA has around 60 full member companies exploring for and producing Australia's oil and gas resources. These companies currently account for around 98 per cent of Australia's total oil and gas production and the vast majority of exploration. APPEA also represents over 140 associate member companies providing a wide range of goods and services to the industry.

APPEA welcomes the opportunity to provide comments on the gas day harmonisation rule change determination. APPEA's comments should be read in conjunction with individual submissions from and AEMC engagement with our member companies.

Australia's natural gas industry continues to support, in-principle, harmonising the gas day across markets to encourage more efficient trading and further development of liquidity.

APPEA appreciates the limited regulatory scope that the AEMC is working within to progress this rule change proposed by the COAG Energy Council and the work undertaken by the Commission to improve the original proposal.

Feedback from many stakeholders, including APPEA members, indicates that there are a number of unintended consequences from the original Energy Council rule change request and the amended final rule change proposed by the AEMC.

While the rule change is limited to focus on activities conducted via the facilitated markets of the STTM's and GSH's, it is clear that commercial activities outside of these facilitated markets will be impacted by the change.

As highlighted in a number of submissions to the AEMC rule change request consultation in March 2016, gas market participants consider that many Gas Sales Agreements (GSA's) and Gas Transportation Agreements (GTA's), operating without a direct link to the facilitated markets, are likely to require amending to fit within participants requirements further along the supply chain. To facilitate these changes, operators are likely to require upgrades/changes to hardware and software.



As indicated in submissions by APPEA members QGC and APLNG, these consequential hardware and software changes are estimated to cost the upstream gas industry upwards of \$20 million, in addition to the legal costs incurred for changes to GSA's and GTA's that is likely to be faced by many other parties.

APPEA suggests that the AEMC delays its consideration of making a final rule determination to allow time to undertake a more thorough analysis of options to deliver, at least cost, a harmonised gas day start time for the eastern market.

We look forward to working with the AEMC to progress this initiative. Please contact Adam Welch, Senior Policy Adviser, at awelch@appea.com.au or 08 9426 7205, to discuss any aspect of APPEA's submission.

Yours sincerely

A handwritten signature in black ink that reads "Damian Dwyer". The signature is written in a cursive style with a long, sweeping underline.

Damian Dwyer
Director – Economics