



7 April 2016

Our Reference:
Your Reference: GRC0036

Mr John Pierce
Chairman
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney 2000

**Re: National Gas Amendment (Gas Day Harmonisation) Rule 2016
Consultation Paper**

Dear Sir,

Australia Pacific LNG (APLNG) is pleased to be able to provide this submission regarding the AEMC's Rule Change consultation for the National Gas Amendment for the harmonisation of the Gas Day.

Background

APLNG is a coal seam gas (CSG) to liquefied natural gas (LNG) project conducted through an incorporated joint venture among ConocoPhillips, Origin Energy and Sinopec. APLNG is also a significant supplier of gas into the Queensland domestic market, currently supplying a large percentage of Queensland's needs. The business is currently increasing its gas production to supply both its ongoing domestic gas business and an export market through its LNG facility on Curtis Island, near Gladstone. The LNG facility has a capacity of 9 million tonnes per year and exports the LNG to customers in Japan and China. Our LNG exports, which commenced earlier this year, are not expected to impact the existing domestic contracts and the business has sufficient reserves to meet its LNG and domestic commitments.

APLNG supports the principle of harmonising the gas day across the east coast market for its potential benefit of enhancing the efficient operation of facilitated markets. However, we have two major concerns with the selection of 6:00 am AEST and the impact to our business. These are:

1. All contracts may not be amended

As discussed, APLNG is a major supplier of gas into the Queensland gas market under numerous long term supply contracts. We assume that most/all of the gas pipelines and gas consumers in Queensland will desire to change to the 6:00 am Gas Day start because of their direct or indirect connection to the Wallumbilla GSH. However, this is not certain. APLNG is concerned that our customers that are not involved with the Wallumbilla GSH will want to remain at the Gas Day start in

our current contract (typically 8:00am). If this is the case, we will have to predict the volumes for our nomination to the transporting pipeline 2 hours ahead of our customer's binding nomination. This will put APLNG at a large disadvantage in trying to serve its customers. We suggest that this Rule Change should be universally applied to all gas transportation and gas sales contracts in the east coast market.

2. Operational impact of change to 6:00am

The intent of the "Gas Day" in the gas market/contract was to align any required operational changes with the start of a normal work day. A move to 6:00am AEST will have a significant impact on APLNG operations. With the start of its second LNG train later this year, APLNG will be producing over 1,800 TJ/d. This involves over 1000 gas wells and thousands of meters for both the gas and associated water operations, which cover a significant part of southeast Queensland. To transport this gas to market, APLNG also operates 13 gas processing/compression plants.

Upfront impact of change

APLNG has tried to assess the cost and complexity to make a Gas Day time change. It would involve numerous system changes to all its meters and control systems. Our initial estimate is that it would take at least 9 to 12 months to implement and cost up to \$10 million. Due to the risk of this universal control scheme modification, this change would have to have a phased implementation and be coordinated both internally and externally to accommodate customers. Over the period of implementation, manual reconciliation of all metering would have to be performed which would further add to the cost.

Ongoing impacts of change

Although APLNG operates/monitors most of its facilities from 2 central control rooms, there are older assets that are still manually operated. In addition, more significant operational changes involving compression or large volumes still are still performed with an operator in attendance. APLNG's shift change and start of day "toolbox" (safety) meeting currently begins at 6:00 am. In part, this start time is due to the need for travel time and preparation to be in place for any potential operational changes for the current Gas Day start. Moving the Gas Day earlier may adversely impact our operations and raises a safety concern with our remote operations.

APLNG hopes the AEMC considers these concerns in its determination to change the hour of the Gas Day for Queensland. APLNG strongly prefers the Gas Day to start at 8:00 am AEST or would like the AEMC to consider a time later in the day.

Thank you for the opportunity to make this submission on the Gas Day Harmonisation Rule Change and share APLNG's views. If you require further information relating to our submission, please contact me at (07) 3021 3303 or deidre.mcentee@aplng.com.

Yours sincerely,



Deidre McEntee
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