

13 December 2016



Our Reference: APLNG - COR - 0011459
Your Reference: GPR0002

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

Victorian Declared Wholesale Gas Market Draft Final Report

Dear Sir,

Australia Pacific LNG (APLNG) is pleased to be able to provide this submission regarding the AEMC's Declared Wholesale Gas Market (DWGM) Draft Final Report. APLNG is a Queensland gas producer supplying a large percentage of Queensland's domestic needs as well as exporting LNG under contract to China and Japan.

APLNG continues to support regulatory changes that will assist in the development of a competitive and transparent wholesale east coast gas market to achieve the COAG Vision and the National Gas Objective. APLNG agrees with the AEMC's observations that the DWGM does not meet these objectives and, without the full participation of the Victorian gas market, the Vision and the NGO will not be fulfilled.

APLNG supports the development of the Southern Hub and AEMC's 5 recommendations in the DWGM Draft Final Report. These DWGM reform changes should progress with the rest of the east coast market reforms to create a separate commodity, transport capacity and balancing market for Victoria. In APLNG's view, an important benefit of the implementation of these reforms for all east coast market participants is that transport access between Victoria's market carriage and the other contractual carriage arrangements would become more seamless.

As evidenced in the UK and Europe, an entry-exit model is a proven and successful model and APLNG considers that Victoria's Declared Transmissions System (DTS) is ideally suited for this type of capacity allocation and for a market-based balancing mechanism. Of the balancing regimes outlined for the Southern Hub which include a continuous balancing or a cash out mechanism, APLNG believes that either could work as long as the rules are clear. APLNG also supports the baseline and day ahead capacity auctions which would align the transport availability as closely as possible to the Northern Hub. APLNG also believes that it is important that the Victorian reforms are implemented in a similar timeframe to the rest of the east coast reforms. As the DWGM is already directly affected by the other east coast changes, APLNG supports a minimal transitional period for these reforms.

Thank you for the opportunity to make this submission on the Declared Wholesale Gas Market Draft Final Report and share APLNG's views on the future gas market. If you require further information relating to our submission, please contact Deidre McEntee on (07) 3021 3303.

Yours sincerely,

A handwritten signature in blue ink that reads "DMcEntee".

Deidre M. McEntee
Senior Commercial Negotiator
Australia Pacific LNG Pty Ltd