



Ms Daniela Moraes
Senior Adviser
Australian Energy Market Commission
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Sydney NSW 2000

Lodged online: www.aemc.gov.au

15 April 2021

Reference: EMO0041 Review of the Gas Supply Guarantee

Dear Ms Moraes,

I am writing to you to provide a formal submission on behalf of the APA Group (**APA**) to the Australian Energy Market Commission (**AEMC**) on the Consultation Paper: Review of the Gas Supply Guarantee dated 11 March 2021 (**Consultation Paper**).

We thank the AEMC for the opportunity to comment on this review and appreciate your time to discuss and share APA's preliminary views on the 22 March 2021.

The Gas Supply Guarantee (**GSG**) was established in 2017 following a supply interruption to gas fired generation in South Australia. This coincided with a time of significant structural shift in the East Coast Gas markets, which has since seen the introduction of many initiatives including new products and services, market platforms, transparency and regulatory measures as well as supply commitments and agreements. The fact that the GSG hasn't been triggered could suggest that the market has sufficiently changed and is now more flexible and responsive such that the mechanism is not required.

Generally in instances of supply disruptions, the market will correct itself via shippers and Gas Power Generators (GPG) having commercial interruptible and as available agreements with alternative suppliers or transporters. Should this not be the case, it is not unusual for third party shippers and transporters to assist through bilateral arrangements to address shortfalls. In such situations, APA would do as much as is reasonably possible and within safe operating limits to facilitate additional supply, including operating above standing capacity for short periods should this be possible.

APA has introduced a suite of short term products that could assist in such situations including loan products and access to firm pipeline and compression capacity on a short term, day ahead or within day firm basis via a streamlined transaction notice mechanism for shippers that have contractual arrangements in place with APA. Since 2018, a significant number of customers have signed up to these arrangements providing an increased population of potential facilitators of short term gas transportation between Queensland and southern markets. These arrangements can be facilitated through standing agreements direct with GPGs or producers or through third parties.

In addition to market responses, enhanced planning and forecasting of East Coast supply and demand in recent years and a more stringent focus on predicting supply shortfalls, has meant many issues have been averted before materialising.

This is not to say that shortfalls from supply disruptions, extreme demand and weather events won't occur in the future, however it is APA's view that a formal obligation embedded in regulation is not warranted based on how the market has functioned since the GSG was introduced. The fundamental purpose of the GSG is to bring market participants together to collectively address a shortfall situation through a market response. This is not dissimilar to existing processes with contingency gas events in the Short Term Trading Markets (**STTM**).

It is APA's view that continuation of the mechanism is not warranted in the current market, however should the AEMC determine its continuation be necessary then it should remain a non-binding commitment similar to the current GSG.

We thank the AEMC for engaging with industry on this review, and should you wish to discuss APA's submission further please don't hesitate to contact Beck Mason, Markets Manager on (07) 3512 5854 or marketsmanager@apa.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Jamieson', with a long horizontal flourish extending to the right.

John Jamieson
General Manager Market Services