



16 April 2021

Australian Energy Market Commission
GPO Box 2603
SYDNEY NSW 2001

By upload: <https://www.aemc.gov.au/contact-us/lodge-submission>

Reference: EMO0041

Review of the Gas Supply Guarantee

Origin welcomes the opportunity to comment on the Australian Energy Market Commission (AEMC) review of the Gas Supply Guarantee (Guarantee). Our views on key aspects of the Consultation Paper are provided below.

There is no need to extend the Guarantee beyond its expiry

Origin does not consider there is a need to extend the Guarantee beyond its current expiry date. We note the mechanism has never been utilised and that there is also no certainty it would be effective if it were ever called on. Several recent market reports also indicate an improved supply outlook, further negating the need for mechanisms such as the Guarantee. Some of these reports and their findings include:

- The Australian Energy Market Operator (AEMO) Gas Statement of Opportunities (GSOO) forecasts – AEMO's 2021 report found that "There is now projected to be sufficient supply to address the near-term shortfall forecasts of recent GSOOs"¹
- The Australian Competition and Consumer Commission (ACCC) January 2021 interim report - Expected production from 2P reserves will be sufficient to meet forecast demand until 2026²
- AEMC 2020 Biennial Liquidity Review - Total trading volume has increased 2.2 times between 2017 and 2019 at the Wallumbilla Hub³

Several market initiatives highlight the additional ways for Gas-Powered Generators to secure gas

In Origin's view, there are also many initiatives or market features that demonstrate the varied options available to gas generators in obtaining gas supply, which again reduces the need for the Guarantee. Some of these include:

- Short Term Trading Market (STTM) Contingency Gas – A protocol under which AEMO organises industry discussions to bring additional gas to STTM's in emergency situations, including those caused by high gas-powered generation demand. Given the Guarantee also facilitates industry discussions, it seems unnecessary to have two separate processes.

¹ AEMO. *Gas Statement of Opportunities 2021*. Pg 3

² ACCC. *Gas inquiry 2017-2015: January 2021 Interim Report*. Pg 17

³ AEMC. 2020 Biennial Review into Liquidity in Wholesale and Gas Pipeline Trading Markets. Pg 48

- Disparity between gas and electricity market price caps – The differences in the price caps provides an incentive for GPG to arbitrage between markets to ensure operation at times of high demand in the NEM.
- NEM directions protocol – When reliability is an issue in the NEM, AEMO can direct generators to produce additional MW's. In these circumstances, GPG operators are paid their fuel costs meaning commercial concerns about gas supply are likely to be redundant.
- NEM 2025 program – Work currently underway by the Energy Security Board / AEMC aims to strengthen security and/or reliability price signals in the NEM. This will ensure operators of GPG have price signals with which to determine how best to procure gas supply.
- Day Ahead Auction – The short-term auctioning of contracted by unominated gas pipeline capacity provides GPG with another avenue to access gas transport.
- Heads of Agreement (HOA) – Under the HOA the LNG producers have agreed to market gas domestically before selling overseas, which could provide an additional source of supply for GPG.

If you wish to discuss any aspects of this submission further, please contact Tom Strokon at Thomas.Strokon@originenergy.com.au or on 0436 673 335.

Yours Sincerely,



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