



Response template for PPC on GSOO Procedure changes for Hydrogen

Email responses to: GWCF_Correspondence@aemo.com.au

Review comments submitted by: *Australia Pacific LNG Pty Ltd (APLNG)*

Confidential: No

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Please complete sections 1, 2 and 3.

Section 1 - General Comments on the Procedure changes

Topic	Please Provide Response Here
<p>Remove the requirement for changes to survey templates and the GSOO timeline to be raised for discussion at a relevant industry forum. Instead, AEMO will inform GSOO reporting entities of changes to the GSOO timeline or survey templates via email and will publish changes on the AEMO website.</p>	<p>APLNG would welcome the opportunity to continue collaborating on improving the GSOO in the future.</p> <p>APLNG has appreciated consultation with AEMO through relevant industry forums on changes to survey templates in the past. APLNG views that it would be helpful for GSOO reporting entities that have practical experience of responding to surveys to be able to raise concerns or offer improvements that could assist with timely completion by GSOO reporting entities and processing by AEMO (including, ideally, to facilitate the earlier release of GSOO report / data than the current end-March release date).</p> <p>APLNG therefore proposes that AEMO continues to consult on changes to the survey templates.</p>

Section 2 – Specific Question from PPC

Topic	Please Provide Response Here
<p>Question 1: What do participants consider to be a material change in the context of the GSOO Procedures?</p>	<p>APLNG submits that:</p> <ul style="list-style-type: none"> • A one-size-fits-all threshold approach to defining ‘material change’ in the context of the GSOO Procedures could likely create unintended consequences. <p>The scope, scale and complexity of each individual GSOO reporting entity’s business and operations will vary dramatically from other GSOO reporting entities.</p> <p>For small gas producers with limited facilities / infrastructure that only sell into the domestic market under a limited number of gas sales agreements:</p> <ul style="list-style-type: none"> ○ a ‘material change’ in their GSOO survey information is unlikely to constitute significant and new information relevant to GSOO that would then support a decision by AEMO to publish a supplement to the GSOO; ○ however, to capture ‘material change’ on a consistent basis would likely necessitate that AEMO set a relatively low threshold for the definition in order for all ‘material changes’ to AEMO survey responses, irrespective of the scope, scale and complexity of the GSOO reporting entity’s business or operations; ○ with a ‘material change’ having been notified, AEMO would still have to validate that it was not significant in the broader GSOO context, which will likely be an inefficient use of AEMO resource; ○ any additional reporting obligation that arises as a consequence will likely add compliance resource requirements and administrative cost and burden, which will further inflate the cost of production of gas supply that can service the east coast gas market. <p>For a large gas producer that is also LNG exporter such as APLNG, with significant facilities / infrastructure and a complex gas supply portfolio which supports sales to multiple customers in the domestic and international markets:</p> <ul style="list-style-type: none"> ○ there will be constant changes in actual data versus the forecast data that APLNG submits in its GSOO survey;

- however, changes in one set of data submitted as part of its GSOO survey may be (and can often be planned to be) offset by changes to another set of data, such that the net effect as it relates to GSOO is negligible. By way of example, if following the submission of its GSOO survey APLNG forecasts a decline in production from one field within its gas supply portfolio, it may make decisions to (and subsequently reforecast) an increase in supply from another field within its portfolio to arrest any overall decline in its contracted gas supply position;
- equally, due to the scope, scale and complexity of APLNG's business and operations, a relatively low threshold for the definition of 'material change' could result in APLNG making routine (potentially near continuous) notifications to AEMO on matters that would be material in the context of a small gas producer's business, but which are not material in the context of APLNG's business and operations and would also not have a material impact on the GSOO.

APLNG understands the purpose of requiring GSOO reporting entities update their survey responses for material change would be to inform AEMO on whether there are significant changes to the gas market that would justify publication by AEMO of a supplement the GSOO.

To achieve this purpose, the updates by GSOO reporting entities need to be relevant, and APLNG considers this will be best achieved by GSOO reporting entities applying their own judgment to their own business and operating circumstances when considering their GSOO survey responses.

APLNG has its own assurance plan and has or is in the course of developing internal procedures to monitor compliance with all its reporting obligations. In the context of the GSOO Procedures, APLNG will make periodic checks on the key data points that could trigger a 'material change' to the information provided in its GSOO survey, and trigger updates to APLNG's GSOO survey responses when appropriate, all of which have are designed to meet the existing requirements of the GSOO Procedures.

APLNG feels that this practical fit-for-purpose approach would be more effective than AEMO imposing a one-size-fits-all threshold.

- **Imposing a definition of 'material change' will add to the new compliance resource requirements and business and administrative costs that are already overwhelming for all gas producers in the east coast gas market, and which may have no material benefit in terms of providing significant and new information to AEMO to that which it would otherwise have access to.**

As noted above, the existing GSOO Procedures enable GSOO reporting entities to apply a fit-for-purpose approach to monitoring for 'material changes' in the information that has been submitted as part of their GSOO survey responses in a manner that takes into consideration the scope, scale and complexity of their businesses and operations.

If AEMO were to amend the existing GSOO procedures to incorporate a definition of 'material change':

- The assurance plans and internal procedures that GSOO reporting entities have developed or are in the course of developing would have to be reviewed, revised, re-approved and communicated to all relevant personnel within its organisation with associated training;
- Based on APLNG's experience of recent regulatory changes in the east coast domestic market, external legal advice would have to be sought on how best to interpret the strict requirements of the new definition; and
- As a potentially heightened form of self-reporting, GSOO reporting entities (particularly large producers such as APLNG) would have to implement a program of near continuous self-monitoring against its most recent response to the GSOO survey, as opposed to taking a practical approach of reporting by exception on matters that trigger a 'material change' in the context of their own internal compliance procedures.

All of the above takes time to process and implement, pending which APLNG would be faced with continued uncertainty as to the precise nature of business and operating requirements that it needs to establish in order to ensure compliance with the GSOO Procedure (along with the many other new or amended regulatory instruments that it is subject to).

On a practical note, AEMO receives a routine feed of additional up-to-date information subsequent to that response for much of the information provided by APLNG as part of its GSOO survey response. This information can enable AEMO to identify changes that it views as material in the context of the GSOO. APLNG appreciates that this routine and ongoing information exchange does not in and of itself release APLNG from its duty to follow the GSOO Procedure if it identifies a 'material change' in the information that it has submitted. Rather APLNG notes that the existing mandatory reporting obligations that exist for GSOO reporting entities already create a basis by which AEMO can assess whether potentially 'material changes' by those entities are in fact being notified.

APLNG acknowledges that there are certain classes of information provided to AEMO as part of a GSOO survey response that are not refreshed until the subsequent GSOO survey response. An example for APLNG would be its forecast of its domestic sales contract position. APLNG is also required to provide data to the ACCC on an ongoing basis, including now through s.53ZT notices. In the interests of efficiency for east coast gas producers and for AEMO and the ACCC, APLNG queries if the

regulators could implement a data sharing arrangement that would support the GSOO, and in the case of the ACCC the Gas Inquiry (2017-30), and support consistency of data and conclusions that are provided to the Government and the public through different reports.

Conclusion

APLNG does not view that a change to the GSOO Procedures to incorporate a definition of ‘material change’ is required, and that the imposition of a definition would likely have unintended consequences for APLNG and potentially all other GSOO reporting entities (or a sub-set thereof depending on how ‘material change’ was defined).

Further, in recent months APLNG has responded to an unprecedented number of consultations from Government and regulators which, in many cases, seek to adjust relatively new regulations that have only just been implemented. The uncertainty that is arising from this near continuous evolution of regulation that APLNG is subject to has had a significant destabilising impact on APLNG’s business, which potentially strains against the purpose of GSOO which is to enable persons to make informed decisions about investment in pipeline capacity and other aspects of the natural gas industry (and in APLNG’s view, when taken together, could ultimately interfere with the adequacy of gas supplies in the east coast gas market).

Noting that the predominant purpose of this Proposed Procedure Change is to implement the AEMC’s hydrogen review, APLNG implores the AEMC to provide for a period of regulatory stability and enable gas producers to set up to meet the requirements of the now mandatory GSOO Procedures as they exist today.

Section 3 – Feedback on the documentation changes in the Procedures

Participants are to complete the relevant columns below in order to record their response.

GSOO Procedures

Procedure Clause #	Issue / Comment	Proposed text Red-strikeout means delete and <u>blue underline</u> means insert	AEMO Response (AEMO only)
3.3 (j)	APLNG does not support AEMO making changes to the survey templates unilaterally. Rather, APLNG would prefer that AEMO continues to consult on changes to the survey templates. APLNG has appreciated being consulted by AEMO in the past and would welcome the opportunity to continue collaborating on improving the GSOO in the future.	(j) AEMO will notify, via email, GSOO reporting entities of changes to the GSOO timeline or GSOO survey templates. <u>AEMO will raise survey templates for discussion at a relevant industry forum, such as the Gas Wholesale Consultative Forum, ahead of notifying GSOO reporting entities, via email, of changes to the GSOO timeline or GSOO survey templates.</u>	
3.6.1 (a)	APLNG does not support a material change update requirement.	If a GSOO reporting entity becomes aware that a GSOO survey response contains an error, <u>or</u> is missing information or there has been a material change to the information in its GSOO survey response , the GSOO reporting entity must, as soon as practicable:	