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Energy Ministers Secretariat
GPO Box 2013
Canberra ACT 2601

By email: gas@industry.gov.au

RE: Proposed regulatory amendments to extend AEMO's functions and powers

Esso Australia Resources Pty Ltd (**Esso**) welcomes the opportunity to provide comments to the Energy Ministers Secretariat on its 'Proposed regulatory amendments to extend AEMO's functions and powers to manage east coast gas supply adequacy' (**regulatory amendments**) consultation.

Esso, on behalf of its joint venture partners, Woodside Energy (Bass Strait) Pty Ltd and Mitsui E&P Australia Pty Ltd, operates a network of 23 offshore installations, 600 km of pipelines and three gas plants in Longford, Victoria. Esso has been supplying natural gas for over 50 years and currently markets gas to major wholesale gas retailers and large industrial users in Victoria and New South Wales. In addition to natural gas, Esso is a major supplier of ethane feedstock, liquefied petroleum gas, condensate and crude to refineries, petrochemical producers and consumers in Victoria and global markets.

Esso supports the submission made by the Australian Petroleum Production & Exploration Association (**APPEA**) and echoes APPEA's concerns in relation to the breadth and lack of definition associated with AEMO's proposed directive powers, the lack of industry consultation on proposed amendments and the short timeframe for consultation.

In addition, Esso has the following comments in relation to proposed capacity reporting, maintenance reporting and AEMO's trading powers.

In relation to uncontracted capacity, the regulatory amendments propose that "Each BB reporting entity must provide a forecast … to AEMO: … (d) in relation to the total capacity for a BB production facility, the aggregate production, including the proportion that is uncontracted". Gippsland Basin Joint Venture and Kipper Unit Joint Venture participants separately market natural gas processed at Longford. Esso, as operator of the Longford BB production facility, has no visibility of participants' contracted positions. Esso therefore suggests that this reporting requirement be modified such that it does not apply to joint venture facilities where participants separately market gas.

Esso notes the proposal for Bulletin Board reporting entities to "Provide a forecast of … details of any maintenance work expected to be conducted in relation to each natural gas industry facility over a period of 24 months". Per part 3.1.b of AEMO's Wholesale Market Maintenance Planning Procedures (Victoria) v3.0, maintenance outlooks are currently required to be provided "for each month in the 12 month period commencing on each 1 January, provided by 30 September in the immediately preceding year". As such, the proposed regulatory amendments will not be consistent with current Victoria Declared Wholesale Gas Market reporting requirements.

In addition, Esso's experience with expanding and extending forecast maintenance reporting is that it results in a substantial additional reporting burden on reporting entities and is of limited utility (or even counter-productive) to market participants given historical inaccuracies in forecast timing, duration and magnitude of capacity reductions beyond 12 months. Esso suggests any change to forecast maintenance reporting should align with the scope and processes detailed in the Victorian maintenance procedures cited above.

Esso has in principle concerns with AEMO simultaneously operating facilitated markets and trading in gas and associated services in these markets. Even if proposed trading activities are very limited and well-defined, this situation gives rise to potential role conflicts and market distortion.

Esso is of the view that AEMO's proposed trading and compensation activities should be funded via direct grants from government. The imposition of these costs on market participants has the potential to create sub-optimal incentives that could structurally change the way market participants buy and sell gas. For example, funding based on facilitated market trading activity could result in market participants favouring bilateral arrangements over facilitated market trade which would reduce facilitated market liquidity.

Esso appreciates the Energy Ministers Secretariat's consideration of its comments.

Yours sincerely,

DocuSigned by:
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Stephen Del Monaco
Commercial Operations & Gas Market Regulation Manager
Esso Australia Pty Ltd
For and on behalf of Esso Australia Resources Pty Ltd