



EnergyAustralia

LIGHT THE WAY

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ACCC – Framework for the consistent reporting of natural gas reserves and resources – Consultation Paper – February 2019

EnergyAustralia is one of Australia's largest energy companies with around 2.6 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own, operate and contract an energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 4,500MW of generation in the National Electricity Market.

EnergyAustralia supports the development of a consistent reporting framework for gas reserves and resources to support moves towards greater market transparency. There is currently greater transparency on market demand (aside from LNG export contracts) and it would be beneficial to reconcile this with more informed analysis of gas supply.

Overall we consider it would be useful to determine the total volume contracted at an aggregate level, and on an annual basis, for LNG export compared with total production in Queensland to determine the volume of gas available to service the east coast domestic market. This would include volumes of gas that LNG producers can replace with LNG spot cargoes, or exports intended for the LNG spot market (not long-term commitments). The ACCC's interim gas reports show this volume on a year-ahead basis, but the ability to plan beyond this (e.g. 3 to 5 years) would be useful.

We typically rely on other parties (e.g. EnergyQuest, AEMO) to use available data to produce an accurate overall market supply and demand outlook. This includes determining southern production (e.g. from Gippsland, Moomba, Otway), annual demand by customer type (mass market, industrial and generation) and therefore supply shortfalls. Better predictions of the scale and location of shortfalls would be possible with more transparency over the contracted positions of both producers and buyers. This information need not identify individual parties but should be by production area and enable a reconciliation of annual contracted amounts to expected production.

Further responses to the ACCC's questions, where we have formed a view, are in the attached template. If you would like to discuss this submission, please contact Lawrence Irlam on 03 8628 1655 or Lawrence.irlam@energyaustralia.com.au.

Regards

Sarah Ogilvie
Industry Regulation Leader

	Questions	Feedback
Box 2.2 Questions on categories of reserves		
1.	<p>Do you agree that producers should be required to report on their 1P, 2P and 3P reserves estimates?</p> <p>(a) If so, please explain how you would use this information and the benefit it would provide.</p> <p>(b) If not, please explain why.</p>	Yes, uses of this information are outlined above
2.	<p>Do you agree that producers should be required to break down their 1P, 2P and 3P reserves into developed and undeveloped reserves?</p> <p>(a) If so, please explain how you would use this information and the benefit it would provide.</p> <p>(b) If not, please explain why.</p>	Yes, developed reserves provides an indication of what is coming into the market and undeveloped means it is available.
3.	Should it be mandatory for producers to develop 3P reserves estimates, or should the reporting of this information be optional as it is under the ASX Listing Rules and in other jurisdictions?	We support reporting more information provided regular adjustments are minimised, and the level of detail required is not too onerous.
Box 2.3 Questions on categories of resources		
4.	<p>Do you agree that 1C and 2C contingent resources should be reported?</p> <p>(a) If so, please explain how you would use this information and the benefit it would provide.</p> <p>(b) If not, please explain why.</p>	We expect this information would be useful for our third-party consultants and AEMO.
Box 2.4 Questions on gas field information		
7.	<p>Do you agree that information on the field's stage of development, the type of gas and the nature of the gas field should be reported?</p> <p>(a) If so, please explain how you would use this information and the benefit it would provide.</p> <p>(b) If not, please explain why.</p>	Yes. This information is useful to know as it affects the economics of the particular field.

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9.	Is there any other gas field information that you think should be reported? If so, please explain why you think this is consistent with the objectives of the reporting framework.	Forecasts of expected production from each field on an annual basis at an aggregated level.
Box 2.5 Questions on movement in 2P reserves		
10.	Do you agree that annual movements in 2P reserves should be reported? (a) If so, please explain how you would use this information and the benefit it would provide. (b) If not, please explain why.	Yes. This information is useful to know, particularly if it likely changes which fields will be the marginal price setters based on the cost of production. Write downs will mean gas will need to be found further up the cost chain which only lifts expected production costs.
Box 2.6 Questions on contracted 2P reserves		
13.	Do you agree that if the ACCC and GMRG's recommendation on contracted 2P reserves is implemented that: (a) producers should be required to report the total quantity of 2P reserves that they are contracted to supply as total contract quantities under GSAs at a basin level? If not, please explain why. (b) AEMO should be required to further aggregate the information if there are less than three producers operating in the basin? If not, please explain why.	We would support this for reasons outlined above. We agree they should be aggregated by basin so individual producers do not have to declare their contracted positions.
Box 2.9 Questions on quantities and analytical methods		
18.	Do you agree that reserves and resources should be reported on the basis of sales quantities? If not, please explain why.	Yes
19.	Do you agree that reserves and resources should be reported on a net revenue basis? If not, please explain why.	Yes
20.	Do you agree that producers should be required to disclose the analytical method they have used to estimate their reserves and resources? If not, please explain why.	Yes
Box 2.10 Questions on reserves and resources reporting level		
21.	Do you agree that the reserves and resources information set out in sections 2.2.1-2.2.4 should be reported at a field level? (a) If so, please explain how you would use this information and the benefit it would provide.	Yes. A more informed view of the decline of one field can help translate this information to other fields.

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	(b) If not, please explain why and set out what reporting level you think should be adopted.	
Box 2.11 Questions on the frequency and timing of reporting		
22.	Do you agree that the frequency of reporting should be annual? If not, please explain why.	Yes
23.	<p>Do you agree that producers should also be required to report on any material changes in reserves and resources estimates that occur within the year?</p> <p>(a) If so:</p> <ul style="list-style-type: none"> i. do you think there should be any limitation on the requirement to report changes (for example, should the requirement be limited to changes in reserves and resources that are advised to the ASX and/or government agencies, or should it be limited to material changes in reserves and resources)? ii. do you think the threshold for material changes should be set at +/- 10% or do you think another threshold would be more appropriate? <p>(b) If not, please explain why.</p>	Yes
24.	Do you think that all producers should be required to report their reserves and resources as at a fixed date? If not, please explain why and the option you believe should be employed.	Yes
Box 3.1 Questions on the manner in which reserves are to be estimated		
29.	Do you agree that producers should be required to estimate their reserves on the basis of forecast economic conditions? If not, please explain why.	Yes. So we can assess whether we feel these reserves will make it to market if we don't agree with their forecast pricing assumptions.
Box 3.3 Questions on gas price assumptions to be used for uncontracted reserves		
30.	<p>Do you think that:</p> <p>(a) Producers should be responsible for determining the forecast gas prices they will assume when estimating uncontracted reserves and required to disclose these assumptions (i.e. Option 2)?</p> <ul style="list-style-type: none"> i. If so, please explain why. 	We prefer AEMO's option 2 because LNG netback price is based on a spot market and not what term contracts are being bought and sold at. There is currently little liquidity in the JKM spot price and price assumption that were once linked to LNG netback price as a function of Brent may not be relevant moving forward. We would rather be able to see where the producers feel they will produce gas to allow us to

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	<ul style="list-style-type: none"> ii. If not, please explain why. (b) Producers should be required to use a mandated common gas price assumption when estimating uncontracted reserves (i.e. Option 1)? <ul style="list-style-type: none"> i. If so, please explain why and set out: <ul style="list-style-type: none"> a. the benefits you think this would provide over the producer-determined assumptions? b. how you think the forecast common gas price assumption should be determined? ii. If not, please explain why. (c) Producers should be responsible for determining the forecast gas prices they will assume when estimating uncontracted reserves and not required to disclose their assumptions (i.e. Option 3)? <ul style="list-style-type: none"> i. If so, please explain why and set out how do you think this option would address the concerns outlined in section 3.1? ii. If not, please explain why. 	<p>determine where the marginal price of gas is from the producers, and to determine what a producer's next option is i.e. leave it the ground, sell it internationally on LNG market or sell back to domestic market. That is, it will give us more wholesale price transparency.</p>
31.	<p>If Option 2 is implemented, do you think that the disclosure requirements in section 3.6 will impose sufficient discipline on producers, or do you think the gas price assumptions used by producers should be required to satisfy a test that would be overseen by the AER? If you think the gas price assumptions should be subject to a test, please set out:</p> <ul style="list-style-type: none"> (a) what form you think the test should take and if the test should apply to the gas price assumptions or the method used to determine the gas price assumptions (b) how you think the test should be enforced by the AER (for example, should the AER have the power to require producers to re-estimate their reserves using an alternative price assumption). 	<p>We agree a test is required to ensure producers do not use unrealistic price forecasts which distort their reserves.</p>