Record of oral submission to the Australian Competition and Consumer Commission (ACCC)

Macquarie Mereenie & Ors application for authorisation

Submission: AGL Energy Ltd (AGL)

Date of submission: Wednesday, 27 October 2021

- There is a long standing relationship between AGL and the joint venture parties. On 11 December 2019 the parties entered a Gas Supply Agreement (**GSA**) to supply up to 21.9 PJ of gas over three years from 1 January 2020. There was a two-to-three-year period in which AGL tried to gain traction and progress the GSA, as acquiring gas from the Mereenie joint venture is aligned with AGL's ideology to support junior producers to enter the market.
- In 2015, AGL first engaged with Central Petroleum Limited (**Central**) around the time when the NT Government selected the Jemena proposed Northern Gas Pipeline route through to Mt Isa.
- AGL has held discussions and/or entered into agreements to obtain gas from the Mereenie field through Central, Macquarie and the JV Participants collectively.
- Given current market prices, the economics for gas to travel from Mereenie to locations beyond Mt Isa, including Moomba and Wallumbilla, or the broader east coast are challenged, this is due to a combination of the commodity cost of gas, the high costs of transmission from the Mereenie field and gas processing for nitrogen removal services with gas losses of approximately 6.7%.
- As a general proposition, AGL does not support joint marketing. However, in this instance, AGL holds the view it is better to engage with the parties jointly with their interests aligned, especially when only discussing a small quantity of gas. Due to the difficulties in communication with Central and Macquarie Mereenie Pty Ltd (**Macquarie**) when they are separately marketing, there is a high likelihood of missed opportunities for supply and lower volumes of gas purchased.
- With separate marketing, there is a compounding of the administrative time and cost burden associated with deal capture and contract management, including, legal fees, resource use and time spent negotiating with two individual suppliers rather than having a single negotiation with the parties. This results in insufficient margin to justify investment, likewise the economics associated with the negotiation and aggregation of small parcels of gas is often challenged. AGL is generally supportive of separate/equity marketing, but in this instance, dealing with small producers in relation to small quantities of gas, it is difficult to engage with the Mereenie joint venture participants separately.
- Due to the relatively small quantities of uncontracted, and as available gas supplied from the Mereenie field, joint marketing does not increase the Mereenie joint venture participants' market power but instead creates good, healthy competition between producers and re-sellers. The Applicants face price constraints and unequal competition with gas supplied from Moomba and Wallumbilla, and this mitigates a monopoly and makes the Applicants price takers.
- AGL sees benefits from engaging with the Mereenie joint venture participants jointly because Macquarie and Central have very different risk profiles which made

separate negotiations difficult, and the process of negotiating with the parties under joint marketing was substantially streamlined for AGL. Conducting separate negotiations with Macquarie and Central was much more difficult as the parties could not communicate effectively, creating delays in the negotiations; it was hard for AGL to do business with each entity separately.

- AGL engaged with AGIG in mid to late 2020 and is supportive of gas coming by a southern route to Moomba, however AGIG would need sufficient quantities to justify the Amadeus to Moomba Gas Pipeline.
- If the Mereenie joint venture had material volumes of gas to market in the future, AGL would have different views about whether it is appropriate to permit joint marketing.