

29 June 2020

Mr John Pierce
Chair
Australian Energy Market Commission

10 Eagle Street
Brisbane QLD 4122
T 07 3347 3100

Rule Change by online lodgement

Dear Mr Pierce

Request for National Gas Rule Change Related to Gas Maintenance Planning

AEMO submits a rule change proposal requesting the AEMC to make Rules under section 295 of the National Gas Law (NGL). The request seeks to improve and clarify AEMO's existing maintenance coordination function in the National Gas Rules (NGR), and to remove inconsistency between the NGL and the NGR.

AEMO requests the AEMC consider making these Rules as proposed. Any queries concerning this rule change proposal should be directed to Kevin Ly, Group Manager - Regulation on Kevin.Ly@aemo.com.au

Yours sincerely



Peter Geers
Chief Strategy and Markets Officer

Attachment: Gas Maintenance Planning Rule Change Proposal

GAS RULE CHANGE PROPOSAL

MAINTENANCE PLANNING

June 2020





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1. SUMMARY

This Rule change proposal sets out the Australian Energy Market Operator's (AEMO) request to the Australian Energy Market Commission (AEMC) to improve and clarify AEMO's existing maintenance coordination function in the National Gas Rules (NGR) and remove inconsistency between the National Gas Law (NGL) and the NGR.

The purpose of this Rule change proposal is to

- Remove inconsistencies in the NGR and provide clarity regarding:
 - How AEMO coordinates maintenance and assesses the threat to system security, consistent with the NGL, Victorian legislation and Australian Standards;
 - Which asset operators are involved in the maintenance coordination process, in accordance with current practice and the NGL.
- Enhance the NGR to be consistent with relevant definitions in the NGL.

AEMO considers that this proposal satisfies the non-controversial test under clause 290 of the National Gas Law (NGL), which defines a *non-controversial Rule* as "a Rule that is unlikely to have a significant effect on a market for gas or the regulation of pipeline services". This Rule change proposal is intended to clarify AEMO's existing maintenance coordination function in accordance with current practice and enhance the NGR to be consistent with the NGL, which is considered to have no detrimental effects on the market or regulation of pipeline services.

2. RELEVANT BACKGROUND/STATEMENT OF ISSUE

2.1 Current framework

Under the NGR 326, AEMO must make maintenance planning procedures (Wholesale Market Maintenance Planning Procedures (Victoria) or 'the Procedure') and is responsible for the coordination of maintenance in the declared transmission system (DTS), and implementation of the Procedure.

NGR 326(1) states that AEMO must, having regard to information provided by Registered participants under NGR 324(4) or otherwise, coordinate all maintenance planned by declared transmission system service provider, interconnected transmission pipeline service providers and Storage Providers to ensure that system security is not threatened as a consequence of the unavailability of equipment undergoing maintenance.

In accordance with the Procedure, AEMO uses a risk-based approach to assess all maintenance activities and ensure compliance with its Gas Safety Case. Any significant impacts are discussed with the relevant parties and if deemed appropriate, AEMO may invite third parties to participate in a risk assessment.

If any maintenance proposed by a service provider or Storage Provider threatens system security, the service provider or Storage Provider must co-operate with AEMO in good faith to minimise any threat to system security. AEMO may direct a service provider or a Storage Provider to cancel, delay or suspend any maintenance in accordance with NGR 326(5).

There is currently an inconsistency between rule 326(1) and 326(4) of the NGR.

While NGR 326(1) requires that AEMO must ensure there is no threat to system security, rules 326(4), (5) and (6) requires service providers and Storage Providers to cooperate with AEMO in good faith to minimise any threat to system security that in AEMO's opinion would be likely to result from proposed maintenance (and associated outages).



In addition, while the Rules require Storage Providers, interconnected transmission pipeline service provider, and the DTS service provider to cooperate with AEMO in good faith to minimise any threat to system security resulting from planned maintenance, Producers are not captured by these obligations.

Additionally, the definition of Producer and Storage Provider in NGR 200 is inconsistent with the NGL.

2.2 Issues with the current Rules and proposed changes

2.2.1 NGR 326(1) – Threats to System Security and Maintenance

As stated above, NGR 326(1) requires that AEMO must ensure there is no threat to system security, while NGR 326(4), (5) and (6) requires AEMO and service providers to cooperate to minimise any threat to system security that would likely result from proposed maintenance or outages.

The Rule requirement to ensure that there is no threat system security as a consequence of proposed maintenance is not realistic, as all outages for proposed maintenance pose some element of risk, which AEMO minimises as far as reasonably practicable through coordination with market participants.

For example, some maintenance outages are required at certain frequencies as per the Australian Standards (AS 2885.3:2018) or Victorian Legislation (Pipelines Act 2005), such as the Brooklyn Compressor Station outages and pigging of pipelines, which may require out of merit gas to satisfy locational demand. In these circumstances, AEMO is required to issue a Notice of a Threat to System Security to inject out of merit order gas to facilitate this maintenance, thereby minimising any threat to system security.

Where proposed equipment maintenance presents a potential risk to the safe operation of the DTS, AEMO completes a risk assessment, using the methodology described in AS 2885.6:2018 (Pipelines – Gas and liquid petroleum, Part 6: Pipeline safety management) and puts in place risk mitigation measures to ensure that the risk to supply is “As Low As Reasonably Practicable” (ALARP), as required under the AEMO Gas Safety Case.

In addition, AEMO works collaboratively with APA and industry participants to schedule planned maintenance activities at a time that minimises market impact and threats to system security. Registered participants are notified as soon as practicable with details of the nature and location of the potential threat either through the Gas Wholesale Consultative Forums, industry conferences or market notices.

In each case, the proposed maintenance approach seeks to minimise any threat to system security, as compared to other options, such as deferring maintenance, particularly when the maintenance is required to meet critical safety requirements.

AEMO therefore proposes that the AEMC amend the wording of NGR 326(1) to achieve consistency with the threshold to minimise any threat to system security in NGR 326(4), (5) and (6) and Australian Standards.

2.2.2 NGR 326(1)(3)(4)(5)(6) and (7) – Directions with regards to maintenance

National Gas Law (NGL) 91BA(1)(e) states that AEMO’s declared system functions are to coordinate the interaction of producers, storage providers and service providers for ensuring a safe, secure, reliable and efficient declared transmission system.

NGR 326 only requires service providers and Storage Providers to co-operate with AEMO in good faith to minimise any threat to system security resulting from proposed maintenance. Although the definition of *maintenance* under NGR 200 includes Producers, Rule 326 does not specify that Producers must coordinate maintenance with AEMO to ensure a safe, secure, reliable and efficient declared transmission, which is inconsistent with NGL 91BA(1)(e).



As Producers are not expressly captured by the requirements of NGR 326, AEMO is currently required to issue Producers with directions under NGL 91BC (which has been necessary in the past) to cancel, delay or suspend maintenance.

To remove this inconsistency, and to ensure that Producers are captured by the maintenance requirements under NGR 326, AEMO proposes that the AEMC introduce a new definition of *DWGM facility operators* in NGR Part 19, 200 Definitions.

Consistent with NGL 91BA(1)(e), the definition would include producers, storage providers and service providers.

This would simplify the Rules by replacing the need to list the various facility types in all relevant Rules with one defined term, *DWGM facility operators*. Consequential amendments to relevant Rules will be needed, as set out in Draft Rule amendments proposed at Appendix A to this proposal.

2.2.3 NGR 200 – Definitions

There is currently an inconsistency in the definition of Producer and Storage Provider in the NGL (Chapter 1, Part 1, Section 2 – Definitions) and Part 19 of the NGR. AEMO proposes that the AEMC remove the definition of Producer and Storage Provider in Part 19, NGR 200. Instead the NGL definitions will apply to Part 19 of the NGR. AEMO also proposes that all references to Producer and Storage Provider throughout Part 19 be changed to “producer” and “storage provider” to align with the NGL.



3. HOW THE PROPOSAL WILL ADDRESS THE ISSUES

3.1 How the proposal will address the issues

AEMO's proposed Rule changes will address the three key issues described above as follows:

- NGR 326(1) – Threats to System Security and Maintenance – the proposed amendments to the wording of NGR 326(1) will ensure consistency with the threshold to minimise any threat to system security under NGR 326(4), (5) and (6); and align the NGR with Australian Standards.
- NGR 326(1), (3), (4), (5), (6) and (7) – Directions with regards to maintenance – the proposed definition of *DWGM facility operators* in NGR 200 will simplify the Rules; reduce the need for AEMO to issue producers with directions under NGL 91BC; and clarify AEMO's current maintenance practice to coordinate will all asset operators to ensure a safe, secure, reliable and efficient declared transmission system.
- NGR 200 – Definitions – the proposed removal of Producer and Storage Provider will ensure that only the NGL definitions will apply to Part 19 of the NGR.

3.2 AEMO Procedure changes

Subsequent to the new Rules being implemented, AEMO will commence a procedure change consultation process to reflect the new Rules and definition in the Wholesale Market Maintenance Planning Procedures (Victoria).

3.3 Stakeholder engagement

AEMO presented the draft maintenance Rule change proposal to the Gas Wholesale Consultative Forum (GWCF) on 12 June 2018. No issues were raised, or feedback provided during the June 2018 meeting, and no subsequent feedback was received by AEMO from Forum members.

AEMO presented the draft maintenance Rule change proposal again to the GWCF on 19 March 2020 with minor changes to take into account upcoming NGR and NGL changes. Any further changes relating to the upcoming NGR and NGL changes will occur later in the year. The purpose of the Rule change remains unchanged from June 2018.

Stakeholders were provided until end of March 2020 to provide feedback on the Rule change proposal to AEMO. No issues were raised, or feedback provided during the March 2020 meeting, and no subsequent feedback was received by AEMO from Forum members.

Meeting documents can be found in Appendix B.



4. PROPOSED RULE

4.1 Description of the proposed Rule

AEMO's proposed draft Rule can be found in full in Appendix A, which proposes changes to existing NGR (version 55) in order to remove inconsistencies, and improve and clarify AEMO's existing maintenance coordination function.

The proposed changes will remove inconsistencies regarding how AEMO coordinates maintenance and assesses the impacts on system security, and enhance the NGR to be consistent with the NGL, Australian Standards and current practice.



5. HOW THE PROPOSED RULE CONTRIBUTES TO THE NATIONAL GAS OBJECTIVE (NGO)

The National Gas Objective (NGO) states:

“The objective of this Law is to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.”

AEMO considers that the proposed changes to the existing Rules are consistent with the NGO. The changes will improve the safe, reliable and secure supply of natural gas by clarifying and enhancing AEMO’s maintenance coordination function, and facilitating its more efficient operation.

AEMO has not identified any adverse impacts on price or competition. The proposed changes seek to remove inconsistencies within the NGL, NGR, Australian Standards and Victorian legislation to reflect current maintenance practices, and therefore would not change the operation of the Declared Wholesale Gas Market or the Declared Transmission System.



6. EXPECTED BENEFITS AND COSTS OF THE PROPOSED RULE

There are no financial implications regarding this Rule change proposal as this proposal is designed to align the Rules with the NGL, Australian Standards, legislation and current practice. On the other hand, the proposed Rule change will provide clarity to market participants; reduce the administrative and operational costs associated with AEMO issuing directions to Producers; and improve the safe, reliable and secure supply of natural gas.



APPENDIX A. DRAFT RULE

Below are the proposed amendments to Part 19 of the National Gas Rules. It is noted that any further references to Producer and Storage Provider in other parts of the Part should also be changed to “producer” and “storage provider” to align with the NGL. The below draft amends version 55 of the National Gas Rules.

Part 19

200 Definitions

DWGM facility operators mean service providers, producers and storage providers.

Maintenance means work carried out by *DWGM facility operators* ~~service providers, Producers and Storage Providers~~ that, in AEMO’s opinion, may affect:

- (a) AEMO’s ability to supply gas through the declared transmission system; or
- (b) AEMO’s ability to operate the declared transmission system; or
- (c) declared transmission system capacity; or
- (d) system security; or
- (e) the efficient operation of the declared transmission system generally.

~~Producer means a producer whose gas production facility is connected to the declared transmission system.~~

~~Storage Provider means a person who owns or operates a storage facility.~~

216 Failure to conform to scheduling instructions

[...]

(4) A Market Participant is not obliged to comply with a scheduling instruction issued in respect of a bid:

(a) [Deleted]

(b) if, in the case of the Market Participant, not being a *DWGM facility operator* ~~Producer, Storage Provider, or interconnected transmission pipeline service provider~~, having ordered a quantity of gas from a producer or other person to enable it to comply with that bid and that producer or other person was only required, under the terms of its contract with that Market Participant, to use its reasonable endeavours to deliver that quantity of gas and that producer or other person does not in fact deliver that quantity of gas; or

(c) if, in the case of the Market Participant also being a *DWGM facility operator* ~~Producer, Storage Provider or interconnected transmission pipeline service provider~~, that Market Participant has used its reasonable endeavours to deliver that quantity of gas but has not in fact delivered that quantity of gas provided that Market Participant has made its bid in good faith.

324 Participant disclosure obligations

[...]



- (4) **DWGM facility operators** ~~declared transmission system service provider, interconnected transmission pipeline service providers, and Storage Providers~~ must include the following additional forecasts, where relevant to the operation or security of the declared transmission system, with the information provided to AEMO under subrule (2):
- (a) the availability of equipment;
 - (b) details of any constraints on the availability of equipment;
 - (c) the time and duration of any proposed maintenance;
 - (d) full details of the proposed maintenance;
 - (e) the longest period likely to be required to recall into operation relevant equipment during the course of maintenance; and
 - (f) operational requirements for maintenance to be performed including:
 - (i) the gas pressure under which the maintenance will be performed;
 - (ii) gas requirements for testing; and
 - (iii) compressor test operations required,
- and this additional information must be provided to AEMO in accordance with subrule (1) and also in the form of week-ahead forecasts commencing from Monday in each week which must be provided to AEMO by no later than the immediately preceding Wednesday **unless otherwise agreed under an operating agreement under NGR 277.**

326 Maintenance Planning

- (1) AEMO must, having regard to information provided by Registered participants (under rule 324(4) or otherwise), coordinate all maintenance planned by the **DWGM facility operators** ~~declared transmission system service provider, interconnected transmission pipeline service providers, and Storage Providers~~ to **minimise any threats to system security** ~~ensure that system security is not threatened~~ as a consequence of the unavailability of equipment undergoing maintenance.
- (3) A **DWGM facility operator** ~~service provider or Storage Provider~~ that has provided information under rule 324(4), concerning time and duration of proposed maintenance, must act in accordance with those forecasts unless:
- (a) those forecasts are updated in the manner specified in the maintenance planning procedures more than 5 days before that maintenance is due to commence; or
 - (b) if the update is to occur within 5 days of the day on which that maintenance was due to commence, consent to an update has been obtained from AEMO in the manner specified in the maintenance planning procedures.
- (4) If AEMO believes that any maintenance proposed by a **DWGM facility operator** ~~service provider or Storage Provider~~ will threaten system security, AEMO must notify the **DWGM facility operator** ~~service provider or Storage Provider~~ and that **DWGM facility operator** ~~service provider or Storage Provider~~ must co-operate with AEMO in good faith to minimise any threat to system security that in AEMO's reasonable opinion would be likely to result from that proposed maintenance.
- (5) AEMO may direct a **DWGM facility operator** ~~service provider or Storage Provider~~ to cancel, delay or suspend any maintenance if in AEMO's reasonable opinion:
- (a) the **DWGM facility operator** ~~service provider or Storage Provider~~ is conducting or proposing to conduct maintenance in a way that does not minimise threats to system security; and
 - (b) the relevant equipment will not be materially damaged by deferring that maintenance.
- (6) If equipment owned or operated by a **DWGM facility operator** ~~service provider or a Storage Provider~~ breaks down or is likely to break down, and the breakdown threatens or could threaten system security, the **DWGM facility operator** ~~service provider or Storage Provider~~:



- (a) must immediately provide AEMO with full details of:
 - (i) the breakdown or threatened breakdown; and
 - (ii) its proposed response to the breakdown or threatened breakdown; and
 - (b) must co-operate with AEMO in good faith to minimise the threat to system security.
- (7) If AEMO becomes aware of defective equipment that could adversely affect system security, AEMO must promptly provide all relevant DWGM facility operators ~~service providers and Storage Providers~~ with full details of the defect.



APPENDIX B. MEETING PAPERS

The relevant Gas Wholesale Consultative Forum documents can be found:

12 June 2018

- Paper 5, Maintenance Rule Change Proposal
 - https://aemo.com.au/-/media/files/stakeholder_consultation/working_groups/wholesale/gwcf/2018/gwcf-meeting-21--meeting-pack---12-june-2018.zip
- GWCF meeting minutes
 - https://aemo.com.au/-/media/files/stakeholder_consultation/working_groups/wholesale/gwcf/2018/gwcf-meeting-21--meeting-minutes---12-june-2018.pdf

19 March 2020

- Agenda Item 7 - GWCF – Maintenance Rule Change Paper – March 2020
 - https://aemo.com.au/-/media/files/stakeholder_consultation/working_groups/wholesale/gwcf/2020/gwcf-meeting-26-meeting-pack-19-march-2020.zip?la=en
- GWCF meeting minutes
 - https://aemo.com.au/-/media/files/stakeholder_consultation/working_groups/wholesale/gwcf/2020/gwcf-meeting-26-meeting-minutes-19-march-2020.pdf?la=en