



National Gas Amendment (DWGM interim LNG storage measures) Rule 2022 No. 4

under the National Gas Law to the extent applied by:

- (a) the National Gas (South Australia) Act 2008 of South Australia;
- (b) the National Gas (ACT) Act 2008 of the Australian Capital Territory;
- (c) the National Gas (New South Wales) Act 2000 of New South Wales;
- (d) the National Gas (Queensland) Act 2008 of Queensland;
- (e) the National Gas (Tasmania) Act 2008 of Tasmania;
- (f) the National Gas (Victoria) Act 2008 of Victoria;
- (g) the National Gas (Northern Territory) Act 2008 of Northern Territory;
- (h) the National Gas Access (WA) Act 2009 of Western Australia; and
- (i) the Australian Energy Market Act 2004 of the Commonwealth.

The Australian Energy Market Commission makes the following Rule under the National Gas Law.

Anna Collyer
Chairperson
Australian Energy Market Commission

National Gas Amendment (DWGM interim LNG storage measures) Rule 2022 No. 4

1 Title of Rule

This Rule is the *National Gas Amendment (DWGM interim LNG storage measures) Rule 2022 No. 4*.

2 Commencement

Schedules 1 and 2 of this Rule commence operation on 15 December 2022.
Schedule 3 of this Rule commences operation on 2 July 2026.

3 Amendment to the National Gas Rules

The National Gas Rules are amended as set out in Schedule 1.

4 Savings and Transitional Amendment to the National Gas Rules

The National Gas Rules are amended as set out in Schedule 2.

5 Amendment to the National Gas Rules

The National Gas Rules are amended as set out in Schedule 3.

Schedule 1 Amendment to the National Gas Rules

(Clause 3)

[1] Rule 200 Definitions

In rule 200, insert the following definitions in alphabetical order:

interim LNG storage measure account – See rule 286B.

LNG reserve procedures means the Procedures made under rule 286A.

LNG storage agreement means an agreement under which an LNG Storage Provider grants LNG storage capacity.

non-market LNG storage capacity means storage capacity in the LNG storage facility at Dandenong that is not available to be contracted to Market Participants as LNG storage capacity, but does not include the operational LNG storage capacity.

operational LNG storage capacity means storage capacity in the LNG storage facility at Dandenong that is used for facility operation and safety (including tank integrity) which, unless otherwise agreed between AEMO and the LNG Storage Provider, is taken to be 79 TJ of the storage nameplate rating (as defined in Part 18) of the facility.

relevant year means each of 2023, 2024 and 2025.

uncontracted LNG storage capacity means any storage capacity in the LNG storage facility at Dandenong, excluding the operational LNG storage capacity and the non-market storage capacity, that is available to be contracted to Market Participants as LNG storage capacity but that is uncontracted.

[2] Rule 200 Definitions

In rule 200, in the definition of "LNG storage capacity", after "any other person pursuant to an" omit "LNG storage".

[3] Rule 206 Gas scheduling

At the end of rule 206(4), insert:

Note:

The gas scheduling procedures also cover the manner in which AEMO utilises the LNG reserve under rule 285.

[4] Rule 279 Obligations of an LNG storage provider

In the title of rule 279, omit "storage provider" and substitute "Storage Provider".

[5] Rule 281 LNG storage capacity

In rule 281(5), omit "LNG storage provider" and substitute "LNG Storage Provider".

[6] Rule 281 LNG storage capacity

In subrule 281(5)(b), omit "and".

[7] Rule 281 LNG storage capacity

In rule 281(5)(c), omit "." and substitute "; and".

[8] Rule 281 LNG storage capacity

After subrule 281(5)(c), insert:

- (d) the amount of uncontracted LNG storage capacity.

[9] Rule 282 [Deleted]

Omit rule 282, including the heading, and substitute:

282 Uncontracted LNG storage capacity

- (1) At all times during the relevant years, AEMO and an LNG Storage Provider must have in force an LNG storage agreement under which AEMO may contract for use of the uncontracted LNG storage capacity to satisfy AEMO's obligations under subrule (3).
- (2) The LNG storage agreement under subrule (1) must:
 - (a) be consistent with this rule, rule 285(1) and rules 286(3) and (4);
 - (b) allow AEMO to relinquish its contracted capacity from time to time where required by rule 286(1); and
 - (c) otherwise be on substantially the same terms (including as to price and price structure) as the 2022 LNG storage agreement, subject to variations that:
 - (i) are reasonably necessary for the safe and reliable operation of the LNG storage facility; or
 - (ii) give effect to terms of the 2022 LNG storage agreement providing for variation in specified circumstances or applying specified methodologies, as if the 2022 LNG storage agreement had continued through the relevant years.
- (3) If, at the end of 1 March of any relevant year, there is any uncontracted LNG storage capacity in relation to an LNG storage facility for the upcoming winter months, AEMO must:
 - (a) contract for use of the uncontracted LNG storage capacity; and
 - (b) subject to any relinquishment of capacity to a Market Participant in accordance with rule 286(1), purchase gas for storage on its behalf as LNG, with the objective of achieving the target level determined in

accordance with subrule (4) by the start of the winter months in the relevant year.

- (4) The target level is a quantity of LNG stock held on AEMO's behalf utilising the LNG reserve (taking into account capacity contracted in accordance with this rule and any other capacity contracted by AEMO) that is:
 - (a) the highest level reasonably possible; or
 - (b) such other level determined by AEMO and approved by the Minister of the adoptive jurisdiction under subrule (5).
- (5) For the purposes of subrule (4)(b), AEMO may, if it considers that there are extraordinary circumstances warranting a target level that is less than the highest level reasonably possible, apply to the Minister of the adoptive jurisdiction for approval of a different target level.
- (6) AEMO may contract for use of any uncontracted LNG storage capacity for the winter months of a relevant year that becomes available after 1 March of that year.
- (7) AEMO may purchase further gas for storage on its behalf as LNG stock during or after the winter months of the relevant year that AEMO considers reasonably necessary having regard to forecast market conditions and whether AEMO considers it reasonably necessary to mitigate the risk of potential threats to system security.
- (8) This rule does not:
 - (a) prevent AEMO and an LNG storage provider from agreeing to amend an LNG storage agreement under which AEMO already holds LNG storage capacity to satisfy the requirements of this rule; or
 - (b) affect AEMO's power to enter into LNG storage agreements at any other time or for any other purpose.
- (9) In this rule, **2022 LNG storage agreement** means the LNG storage agreement between AEMO and the LNG Storage Provider for the LNG storage facility at Dandenong dated 20 January 2022 as varied by agreement dated 1 July 2022.

[10] Rule 284 Vaporisation of LNG and LNG injection bids

In rule 284(2), omit "LNG storage provider" and substitute "LNG Storage Provider".

[11] Rule 285 [Deleted]

Omit rule 285, including the heading, and substitute:

285 Utilising the LNG reserve

- (1) Subject to subrule (2), where AEMO wishes to inject gas from its LNG reserve for the purposes of rule 343(1), AEMO may, in any relevant year:
 - (a) include the quantity to be injected in the applicable operating schedule and where applicable, pricing schedule; or
 - (b) use other means available to it to arrange for injection of gas from its LNG reserve.
- (2) Except as provided for in rules 286(4) and (5), AEMO:
 - (a) must not include gas from the LNG reserve in a pricing schedule unless:
 - (i) all available Market Participant bids have already been scheduled (but allowing for rounding to whole GJs); and
 - (ii) the market price in the pricing schedule would otherwise have been at VoLL;
 - (b) must not include gas from the LNG reserve in an operating schedule unless:
 - (i) the gas is already included in the relevant pricing schedule in accordance with paragraph (a); or
 - (ii) all Market Participant LNG injection bids for the injection of gas from the same LNG storage facility have already been scheduled (but, to avoid doubt, allowing for accredited constraints in accordance with rule 215(1)(b) and for rounding to whole GJs); and
 - (c) if including gas from the LNG reserve in a pricing schedule or operating schedule, must include the gas at a price equal to VoLL.
- (3) The gas scheduling procedures must contain procedures relating to the injection of gas from the LNG reserve.
- (4) Without limiting subrule (3), the gas scheduling procedures:
 - (a) must explain the steps AEMO will take to ensure that where it proposes to include gas from the LNG reserve in a pricing schedule or operating schedule, the gas will only be scheduled in accordance with subrule (2); and
 - (b) may allow AEMO to do any of the following:
 - (i) use LNG injection bids and accreditation as a means by which gas from the LNG reserve is incorporated into a pricing schedule or an operating schedule;

- (ii) impose conditions in relation to the scheduling of gas from the LNG reserve; and
- (iii) provide a demand forecast in respect of gas AEMO withdraws for liquefaction.

[12] Rule 286 [Deleted]

Omit rule 286, including the heading, and substitute:

286 Relinquishment of LNG reserve and disposal of AEMO's LNG stock

- (1) AEMO must, subject to subrule (2), relinquish any part of the LNG reserve (but not the associated LNG stock) to an LNG Storage Provider, if the relinquishment is requested by the LNG Storage Provider to satisfy a request for services to be provided to a Market Participant by means of the LNG Storage Provider's LNG storage facility.
- (2) Subrule (1) does not require AEMO to relinquish any LNG reserve to the extent that would breach its safety plan or any other applicable legislative or regulatory instrument.
- (3) AEMO may, in accordance with the LNG reserve procedures and where relinquishment has occurred under subrule (1), transfer to a Market Participant any part of the LNG stock held on behalf of AEMO corresponding to the services to be provided by the LNG Storage Provider to the Market Participant by means of the LNG storage facility.
- (4) Where AEMO has a contractual obligation or an obligation under a regulatory instrument to reduce the quantity of LNG stock held in the LNG storage facility on its behalf, AEMO may inject gas from the LNG reserve by including the quantity to be injected in the applicable pricing schedule and operating schedule.
- (5) Where AEMO wishes to reduce the quantity of LNG stock held on its behalf in accordance with subrule (4), AEMO must:
 - (a) use LNG injection bids with a bid price of \$0; and
 - (b) to the extent reasonably possible, schedule the gas at times and over a period that minimises any impacts on the Market reasonably foreseeable to AEMO.

[13] New rule 286A LNG reserve procedures

After rule 286, insert a new rule:

286A LNG reserve procedures

- (1) AEMO must make Procedures (**LNG reserve procedures**) relating to contracting for LNG storage capacity under rule 282, the acquisition of gas for storage on its behalf as LNG stock, the disposal or reduction of the LNG stock held on its behalf under rule 286 and cost recovery and return of proceeds under rule 286B.
- (2) Without limiting subrule (1), the LNG reserve procedures must:
 - (a) deal with the publication of information under rule 286C;
 - (b) subject to subrule (3), specify the terms and conditions on which LNG stock is to be transferred to a Market Participant under rule 286(3);
 - (c) subject to subrule (3), specify the methodology to be used by AEMO to determine the price of LNG stock transferred to a Market Participant under rule 286(3);
 - (d) provide information to explain the arrangements for cost recovery and return of proceeds under rule 286B; and
 - (e) include the methodology required by rule 286B(8).
- (3) The methodology to be used by AEMO for determining the price of LNG stock transferred to a Market Participant under rule 286(3) must:
 - (a) reflect the market price over a defined period; and
 - (b) provide for AEMO to recover the costs of liquefaction and any other direct costs reasonably expected to be avoided by a Market Participant as a result of the LNG transfer.

[14] New rule 286B Cost recovery and return of proceeds

After rule 286A, insert:

286B Cost recovery and return of proceeds

- (1) AEMO must determine imbalance payments, deviation payments, ancillary payments and uplift payments in respect of:
 - (a) gas withdrawn from the market to be stored as LNG stock on AEMO's behalf; and
 - (b) gas injected from the LNG reserve and included in an operating schedule or pricing schedule in accordance with rule 285 or 286, as if AEMO were a Market Participant for the purposes of those calculations.
- (2) AEMO must maintain an interim LNG storage measure account in accordance with subrule (3).

- (3) AEMO must include in the interim LNG storage measure account in respect of each month in each relevant year:
- (a) the costs incurred by AEMO in performing its obligations under rule 282 in respect of the month;
 - (b) the amounts payable by AEMO during the month as a result of including gas from the LNG reserve in a pricing schedule or operating schedule; and
 - (c) the proceeds received by AEMO during the month as a result of including gas from the LNG reserve in a pricing schedule or operating schedule or transferring LNG stock.
- (4) AEMO must clear the balance on the interim LNG storage measure account after the end of each month by charging or making payments to Market Participants in accordance with this rule. For this purpose:
- (a) a positive balance for a month represents the interim LNG storage measure account having accrued a net cost to AEMO over the month; and
 - (b) a negative balance for a month represents the interim LNG storage measure account having accrued net proceeds to AEMO over the month.
- (5) If the balance of the interim LNG storage measure account for a month is positive, each Market Participant must pay AEMO an amount calculated as follows:
- $$\text{LNGCP} = (\text{LNGA} \times \text{AF})$$
- where:
- LNGCP is the amount that the Market Participant must pay to AEMO in respect of the month;
- LNGA is the amount of the positive balance for the month; and
- AF is the allocation factor for the Market Participant for the relevant year in which the month falls, determined in accordance with subrule (7).
- (6) If the balance of the interim LNG storage measure account for a month is negative, AEMO must pay each Market Participant an amount calculated as follows:
- $$\text{LNGCD} = (\text{NLNGA} \times \text{AF})$$
- where:
- LNGCD is the amount that AEMO must pay to the Market Participant in respect of the month;
- NLNGA is the amount of the negative balance for the month; and
- AF is the allocation factor for the Market Participant for the relevant year in which the month falls, determined in accordance with subrule (7).

- (7) AEMO must determine the allocation factor for each Market Participant for each relevant year in accordance with the LNG reserve procedures and must notify to each Market Participant its allocation factor promptly after it is determined.
- (8) The LNG reserve procedures must specify a methodology to be used by AEMO to determine the allocation factor for each Market Participant for each relevant year that:
 - (a) calculates a fixed allocation factor for all months in the relevant year;
 - (b) subject to paragraph (c), is based on the Market Participant's share of total actual withdrawals from the declared transmission system, in the financial year ending prior to the start of the relevant year, by all Market Participants for whom allocation factors are being determined; and
 - (c) allows the interim LNG storage measure account to be cleared each month.

Note:

The allocation factor for a Market Participant must be between 0 and 1 and under paragraph (c), the allocation factors applicable at any time will add to 1.

- (9) Despite subrule (8)(a), the methodology in the LNG reserve procedures may provide for recalculation of the allocation factors for remaining Market Participants where, after calculation of the allocation factors for a relevant year, a Market Participant is deregistered or suspended from participation in the Market.
- (10) Any amount that a Market Participant or AEMO must pay pursuant to this rule must be included by AEMO in the Market Participant's settlement statement for the billing period following the end of the relevant month.

[15] New rule 286C Information about the use of AEMO's LNG reserve

After rule 286B, insert:

286C Information about the use of AEMO's LNG reserve

- (1) AEMO must, in accordance with the LNG reserve procedures, publish each liquefaction schedule it agrees with an LNG Storage Provider including any material updates.
- (2) AEMO must, in accordance with the LNG reserve procedures, publish a report by each date specified in subrule (3) that sets out:
 - (a) how much LNG stock is held on behalf of AEMO at the start of the period; and
 - (b) the following information about the six month period just ending:

- (i) the amount of LNG storage capacity procured by AEMO and any amount relinquished;
 - (ii) the quantity of gas procured by AEMO for storage on its behalf as LNG stock, any quantity of gas injected from the LNG reserve and any quantity of LNG stock transferred to a Market Participant;
 - (iii) the costs incurred by AEMO in procuring LNG storage capacity, gas and associated services, or in connection with the injection of gas from its LNG reserve, with a breakdown by cost category; and
 - (iv) any amounts received by AEMO in connection with the injection of gas from its LNG reserve or transfer of LNG stock to a Market Participant, with a breakdown by payment category.
- (3) The reports must be published by 1 May in each relevant year and 2026 and by 1 November in each relevant year.

Schedule 2 Savings and Transitional Amendment to the National Gas Rules

(Clause 4)

[1] New Part 18 Transitional provisions consequent on the National Gas Amendment (DWGM interim LNG storage measures) Rule 2022 No. 4

After Part 17 in Schedule 1, insert:

Part 18 Transitional provisions consequent on the National Gas Amendment (DWGM interim LNG storage measures) Rule 2022 No.4

90 Definitions

(1) Unless otherwise specified, terms defined in the new DWGM rules have the same meaning when used in this Part.

(2) For the purposes of this Part:

Amending Rule means the *National Gas Amendment (DWGM interim LNG storage measures) Rule 2022*.

commencement date means the date of commencement of schedule 1 of the Amending Rule.

new DWGM rules means Part 19 as in force immediately after the commencement date.

new LNG storage agreement means the LNG storage agreement required by, and that satisfies the requirements of, rules 282(1) and (2) of the new DWGM rules.

91 Commencement of rule 282

(1) For rule 282(1) of the new DWGM rules, AEMO and an LNG Storage Provider are not required to have the new LNG storage agreement in force until 28 February 2023.

(2) Despite subrule (1), AEMO and an LNG Storage Provider must, at the request of AEMO, use reasonable endeavours to agree by 14 February 2023 a liquefaction schedule that will allow AEMO to commence storing LNG under the new LNG storage agreement on and from 1 March 2023 or earlier if agreed.

92 Establishing an agreement for use of uncontracted LNG storage capacity

- (1) AEMO and an LNG Storage Provider must negotiate in good faith with a view to reaching agreement on the terms of the new LNG storage agreement as soon as practicable after the commencement of schedule 2 of the Amending Rule.
- (2) Without limitation to subrule (1), an LNG Storage Provider must give to AEMO an offer that complies with subrule (4) within 5 business days after a request from AEMO, if that request is made after 5 January 2023.
- (3) An LNG Storage Provider must give to AEMO a revised offer that complies with subrule (4) and that reflects the outcome of good faith negotiations within a reasonable time of a request from AEMO for the revised offer and in any event not later than 5 business days after the request.
- (4) An offer under subrule (2) and any revised offer under subrule (3) must be in a form that, if accepted by AEMO, will give rise to a binding LNG storage agreement that satisfies the requirements of rules 282(1) and (2) of the new DWGM rules.

93 Reference to arbitration

- (1) If AEMO and an LNG Storage Provider have not entered into the new LNG storage agreement by 1 February 2023, AEMO or the LNG Storage Provider may refer the matter to the AER for resolution as a rule dispute by a Dispute resolution panel comprised of a single arbitrator, by giving notice to the AER and to the other at any time after that date.
- (2) If there is a referral to the AER under subrule (1), AEMO and the LNG Storage Provider must negotiate in good faith to agree who is to be the arbitrator and must promptly notify the AER if agreement is reached.
- (3) If AEMO and the LNG Storage Provider do not notify the AER under subrule (2) within 5 business days after the notice under subrule (1), the AER must select the arbitrator after consultation with AEMO and the LNG Storage Provider.
- (4) The arbitrator selected by the AER must be a person that is:
 - (a) independent of the parties to the dispute; and
 - (b) properly qualified to act in the resolution of the dispute.
- (5) The arbitrator may be a person that is also a member of a pool of arbitrators under another Part of the Rules.
- (6) The AER must use reasonable endeavours to refer the matter for resolution by the arbitrator agreed by the parties or selected by the AER (as applicable) within 15 business days after the notice under subrule (1).

- (7) The dispute must be heard and determined in Victoria.
- (8) Unless the arbitration is terminated in accordance with the procedural provisions applicable to the arbitration, the arbitrator must determine the terms and conditions of the new LNG storage agreement.

Note:

For the procedural provisions applicable to the arbitration, refer to section 270B of the *NGL*.

- (9) Where the arbitrator determines the terms and conditions of the new LNG storage agreement, an agreement between AEMO and the LNG Storage Provider on the terms determined by the arbitrator is taken to come into effect on and from the date specified in the determination.
- (10) The arbitrator may, at the request of AEMO or the LNG Storage Provider, make an interim determination specifying the terms and conditions of an LNG storage agreement to apply on a temporary basis until the new LNG storage agreement comes into effect.
- (11) The arbitrator may give directions as to the procedures to apply to enable the arbitrator to make an interim determination.
- (12) If the arbitrator makes an interim determination, an agreement between AEMO and the LNG Storage Provider is taken to come into effect on the terms determined by the arbitrator in the interim determination on and from the date specified in the interim determination until the new LNG storage agreement comes into effect.
- (13) The arbitrator's final determination may, in addition to the matters contemplated by subrule (8), determine adjustments to be made between AEMO and the LNG Storage Provider to account for differences between the terms and conditions of the LNG storage agreement determined under an interim determination and the terms and conditions of the new LNG storage agreement determined under the final determination.
- (14) Each party must bear its own costs of an arbitration under this rule.
- (15) Part 15C does not apply to an arbitration under this rule.

94 Initial Procedures

AEMO must make and publish the initial LNG reserve procedures and the amended gas scheduling procedures relating to the utilisation of the LNG reserve by 1 March 2023.

95 Revised statements after 30 June 2026

Despite the repeal by schedule 3 of the Amending Rule of any provisions inserted by schedule 1 of the Amending Rule, AEMO may continue to

include in revised statements amounts arising under or in respect of the repealed provisions.

Schedule 3 Amendment to the National Gas Rules

(Clause 5)

[1] Rule 200 Definitions

In rule 200, omit the following definitions: **interim LNG storage measure account**, **LNG reserve procedures**, **non-market LNG storage capacity**, **operational LNG storage capacity**, **relevant year**, **uncontracted LNG storage capacity**.

[2] Rule 206 Gas scheduling

After rule 206(4), omit the note.

[3] Rule 281 LNG storage capacity

In rule 281(5)(b), omit ";" and substitute "; and".

[4] Rule 281 LNG storage capacity

In rule 281(5)(c), omit "; and" and substitute ".".

[5] Rule 281 LNG storage capacity

Omit rule 281(5)(d).

[6] Rule 282 Uncontracted LNG storage capacity

Omit rule 282, including the heading, and substitute "[Deleted]".

[7] Rule 285 Utilising the LNG reserve

Omit rule 285, including the heading, and substitute "[Deleted]".

[8] Rule 286 Relinquishment of LNG reserve and disposal of AEMO's LNG stock

Omit rule 286, including the heading, and substitute "[Deleted]".

[9] Rule 286A LNG reserve procedures

Omit rule 286A, including the heading, and substitute "[Deleted]".

[10] Rule 286B Cost recovery and return of proceeds

Omit rule 286B, including the heading, and substitute "[Deleted]".

[11] Rule 286C Information about the use of AEMO's LNG reserve

Omit rule 286C, including the heading, and substitute "[Deleted]".

[END OF RULE AS MADE]
