



Australian Energy Market Commission

DRAFT RULE DETERMINATION

National Gas Amendment (Improvements to Natural Gas Bulletin Board) Rule 2017

Rule Proponent(s)
COAG Energy Council

11 July 2017

**RULE
CHANGE**

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About the AEMC

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

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Summary

Natural gas consumption, supply and use, both for domestic and export purposes, is playing an important role in the broader economy of Australia. As the electricity generation mix in the National Electricity Market changes, the generation of electricity using natural gas is particularly critical, in terms of the role of gas-fired generation in helping to maintain power system security and through its impact on electricity prices.

In gas markets, pricing expectations, operational and investment decisions are not formed in relation to one specific data point. Rather, they require a range of information about gas consumption, supply, transportation, storage and risk management in the short, medium and long-term.

Given this, timely and accurate information informing operational and commercial decisions is becoming significantly more important. Improved information would support more transparent pricing which in turn, should lead to better decisions by market participants. These decisions would include balancing the domestic needs of Australian consumers (including gas-fired generators) against contractual and other international obligations. More efficient gas markets would benefit both businesses and individuals.

In this environment, the Australian Energy Market Commission (AEMC or Commission) has considered a rule change request to make improvements to the Bulletin Board to enhance the breadth and accuracy of information provided to the market. Given the importance of efficiently operating gas markets and the extensive consultation already undertaken on these issues, the Commission has initiated the rule change request under the fast-track process on 14 June 2017. Accordingly this rule change request has commenced with the publication of a draft rule determination.

The Commission has made a draft rule which is the same as the rule proposed by the Council of Australian Governments' Energy Council (COAG Energy Council) in its rule change request. Submissions on the draft determination and draft rule are due by **Tuesday, 22 August 2017**.

The rule change request follows from the east coast wholesale gas market framework review undertaken by the AEMC which examined the design, functions and roles of facilitated gas markets and gas transportation arrangements on the east coast of Australia.

As part of the review, the Commission made a number of recommendations to improve the operation and relevance of the Bulletin Board for participants in the east coast gas market. All of these recommendations were accepted by the COAG Energy Council in August 2016.

Some of the recommendations are captured as part of this rule change request. Others require changes to the National Gas Law and Regulations to be made first, as part of their implementation.

In particular, this rule change request does not capture or require information to be provided by gas fields, large user facilities, liquefied natural gas (LNG) processing facilities or gas supply hub (GSH) compression facilities. Information requirements related to these users cannot be considered in a rule change request until such time as changes are made to the National Gas Law or Regulations.

The following provides a summary of existing and proposed reporting requirements:

	Pipeline	Hub compression	Production	Storage	Integrated storage	Large users	LNG	Reserves
General information								
Nameplate rating	✓	...	✓	✓	✓	-
Planned asset retirements and expansions	✗	...	-
Detailed facility data (location)	✓	...	✓	✓	✓	-
Details of contracted shippers	✓	...	✗	✗	✗	-	-	-
Previous day data								
Daily disaggregated receipt/delivery point ¹	...	-	-	-	-	-	-	-
Daily production/consumption	-	-	✓	-	-	-
Daily storage volume	-	-	-	✓	✓	-	-	-
Daily injections and withdrawals	-	-	-	✓	✓	-	-	-
Daily compression volume	-	...	-	-	-	-	-	-
Forecast and nominations								
Nominations (D)	✓★	✓	✗	✗	✗	-
Intra-day renominations (D)	✓★	✓	✗	✗	✗	-
Forecast nominations (D+1 to D+6)	✓★	✓	✗	✗	✗	-
Capacity outlooks								
Short term capacity outlook (daily)	✓	...	✓	✓	✓	✗	...	-
Medium term capacity outlook	✓	...	✓	✓	✓	✗	...	-
12 month outlook for uncontracted capacity ²	✓	...	✗	✓	✓	-	-	-
Material intra-day changes to capacity	✗	✗	...	-
LCA flag (D to D+2)	✓	...	-	-	-	-	-	-
Other								
Secondary platform capacity data ³	✓	...	-	-	-	-	-	-
2P reserves (annual) ⁴	-	-	-	-	-	-	-	...

1 Currently pipeline operators must provide daily aggregated receipt and delivery point data and monthly disaggregated receipt and delivery point data.
 2 Provided monthly for the next 12 months.
 3 Reported weekly for the previous week.
 4 2P reserves must be updated if an update is reported to the ASX or a government within the year.
 ★ Currently these are reported by delivery point only. It is recommended that these be expanded to include receipt points. Also, pipeline nominations and forecasts are to be aggregated before publication.

KEY

- ✓ Existing
- ✗ Not required
- ... Proposed
- N/A

This rule change request addresses those items located within the blue outlined area above. Those users and requirements located within the red outlined area above require a change to the National Gas Law or Regulations and then a rule change prior to being implemented.

Summary of the draft rule

The draft rule would improve the information provided to the Bulletin Board therefore promoting efficient investment in, and efficient operation and use of gas and gas services and contribute to the achievement of the National Gas Objective (NGO). The draft rule would make substantial improvements so that the Bulletin Board contains the information necessary to assist users in making efficient decisions regarding the use of gas and gas services. Further improvements can be made if and when amendments to the National Gas Law or Regulations as outlined above are made.

The draft rule is the same as the proposed rule provided by the COAG Energy Council as part of its rule change request. There are four main components to the draft rule:

- the Bulletin Board framework
- the Bulletin Board reporting requirements
- the publication of information on the Bulletin Board
- the funding arrangements and future development of the Bulletin Board.

Bulletin Board framework

The confidence of market participants in the information reported on the Bulletin Board would depend on the extent to which the data it relies on provides an accurate and timely picture of gas supply, pipeline flows, storage and demand. Some elements of the current framework are limiting the reliance that can be placed on the information reported on the Bulletin Board.

To address these limitations and instil greater confidence in the Bulletin Board, the draft rule:

- broadens the stated purpose of the Bulletin Board to recognise the important role that information plays in enabling informed and efficient decision making, as well as aiding price discovery and facilitating trade
- improves the reporting framework by:
 - removing the link that currently exists between the obligation to report and the zonal model¹

¹ The NGR requires AEMO to use a zonal model (with production and demand zones defined in the Procedures). This model determines the registration of parties and the reporting and publication of information.

- simplifying the exemption criteria and reducing the minimum reporting threshold to 10 TJ/day for transmission pipelines, production facilities and storage facilities
 - removing the existing distinction between facilities commissioned pre- and post-1 July 2008
 - redrafting the registration provisions to provide greater clarity about who is required to register, when registration is required and the interaction between registration and reporting
 - introducing an information standard for all facilities to employ and classifying the obligation to comply with this standard as both a civil penalty and conduct provision
- strengthens the compliance framework by classifying the obligation to register as a civil penalty provision. Notes are also added to the relevant rules to identify those that are civil penalty or conduct provisions.

The new registration and reporting model aims to provide a clear framework for reporting entities and AEMO to work within. This is reflected in the amended Bulletin Board purpose which identifies the important role of the Bulletin Board in decision making for all participants within the gas market.

The draft rule clarifies and simplifies the registration requirements and provides greater certainty for reporting entities on the expectations for information quality and overall compliance with the Bulletin Board framework. For users of the Bulletin Board, improved clarity on these aspects of the framework would allow them to use the Bulletin Board information with greater confidence.

Reporting requirements

There are a number of significant information gaps and asymmetries across the east coast gas market. This arises, in part, from reporting obligations only applying to certain producers, certain transmission pipelines and storage facilities. These gaps can be expected to adversely affect the price discovery process and the way in which gas and other resources are allocated because trading and other decisions must be made on the basis of incomplete, inaccurate and/or asymmetric information.

To address the information gaps and asymmetries, the Commission's draft rule includes the following improvements to the Bulletin Board:

- facilities that are not connected to the east coast gas market are exempt from registration and reporting requirements until such time as they are connected. The exempt facilities would include those in the Northern Territory and those located in north Queensland

- the existing reporting requirements are amended to:
 - require those facilities that report on their medium-term capacity outlook to also report on planned expansions and asset retirements
 - improve the frequency with which information is reported and alerted to the market in regard to material intra-day changes to a facility's capacity or nominations, with information to be reported as soon as practicable on the gas day
 - require pipeline operators to report nominations and forecasts on both a receipt point (injection) and delivery point (withdrawal) basis
 - require producers to report nominations and forecasts for production facilities
 - remove the obligations for AEMO to publish estimates of the total forecast demand on peak demand days.

Publication of information on the Bulletin Board

The existing Bulletin Board rules require the use of a zonal model to aggregate, report and publish pipeline flow information. This model has resulted in some significant information gaps to emerge over time as the zonal model has not been sufficiently flexible to reflect changes in the market.

The draft rule, therefore, provides that:

- AEMO is responsible for the aggregation of information to be published on the Bulletin Board and that:
 - Bulletin Board pipelines must report actual flows, nominations and forecast information on a disaggregated basis, by receipt and delivery point
 - AEMO must publish its aggregation methodology in the Procedures
- pipeline nomination and forecast information needs to be aggregated by AEMO and published without delay
- pipeline receipt and delivery point actual flows need to be aggregated and published on the following day to provide an overview of actual flows around the market. This information is also to be published in a disaggregated form the following day.

The approach outlined in the draft rule would provide a more flexible approach by allowing details to be set out in the Procedures. This would allow AEMO to amend them from time to time. This flexibility would allow AEMO to efficiently and promptly meet the needs of market participants and maintain the relevance of the information in assisting users with their investment and operational decisions in relation to their use of gas and gas services.

Funding arrangements and future development

Currently, there are cost recovery provisions in the NGR that allow pipeline operators to recover costs of aggregation and information services provided to AEMO. The NGR sets out the methodology for AEMO's costs associated with the Bulletin Board to be recovered from shippers. These provisions are not in line with the general policy approach related to cost recovery in the NGR and the way in which AEMO is able to collect costs relating to its other functions. Further, under the draft rule, pipeline operators no longer perform the aggregation and information service.

As a result, the draft rule:

- removes the pipeline operator cost recovery provision from the NGR
- removes the cost recovery provision for AEMO's Bulletin Board activities from the NGR. This would allow AEMO to incorporate its Bulletin Board costs into its broader fee methodology process.

The Commission acknowledges that there have been limited amendments made to the Bulletin Board to maintain its relevance to the east coast gas market and to continue to meet the needs of market participants. To address this, the Commission considers a periodic review would aid in the identification of issues and potential procedure or rule changes that may be required. Therefore, the draft rule requires AEMO to publish a biennial report on the operation of the Bulletin Board and any potential changes required. The report must be prepared in consultation with Bulletin Board users, the AER and the AEMC.

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1 Introduction and background

On 18 April 2017, the Council of Australian Governments' Energy Council (COAG Energy Council) submitted a rule change request to the Australian Energy Market Commission (AEMC or Commission). The proposed rule, if implemented, would amend Part 18 of the NGR which relates to the information reporting requirements for the Natural Gas Bulletin Board which operates in the east coast gas market.

1.1 Context

1.1.1 COAG Energy Council Vision

In December 2014, the COAG Energy Council published its Australian gas market vision (the vision), which set out a gas market reform agenda for the continued development of Australian's gas market. Within this vision statement, the COAG Energy Council outlines a desired outcome for gas market information:²

“The provision of accurate and transparent market making information on pipeline and large storage facilities operations and capacity, upstream resources, and the actions of producers, export facilities, large consumers and traders.”

The COAG Energy Council has already made some progress in respect of this objective.³ Taking a broader view of information, the COAG Energy Council's ongoing work aims to create a framework for providing and publishing information that would support the creation of a well-functioning market arising from informed decision making by participants.

1.1.2 AEMC review of the east coast gas market

As part of this work, the COAG Energy Council tasked the AEMC to undertake a review of the east coast gas market. The East Coast Wholesale Gas Market and Pipeline Frameworks Review⁴ looked at the design, functions and roles of facilitated gas markets and gas transportation arrangements on the east coast of Australia. The Stage 1 Final Report noted that there are "some gaps and asymmetries that may be affecting the efficiency with which gas and other resources are allocated in the market and

² COAG Energy Council, COAG Energy Council Vision, December 2014, p. 4

³ See for example: AEMC, *Enhanced Information for Gas Transmission Pipeline Capacity Trading*, Rule Determination, 17 December 2015, Sydney, which relates to a rule change request submitted by the COAG Energy Council to improve the information provided to the east coast gas market via the Bulletin Board

⁴ See:
<http://www.aemc.gov.au/Markets-Reviews-Advice/East-Coast-Wholesale-Gas-Market-and-Pipeline-Frame>

across the economy."⁵ The report notes the growing call from stakeholders and policy makers for greater transparency and information to help adapt to structural change in the gas industry. As a result, as part of the review the Commission specifically examined information provisions and the Natural Gas Bulletin Board (Bulletin Board) in stage 2 of the review.

1.2 Background

The east coast gas market is evolving and becoming increasingly dynamic. Gas consumption, supply and use, both for domestic and export purposes is playing an important role in the broader economy of Australia. As the electricity generation mix in the National Electricity Market changes, the generation of electricity using natural gas is particularly critical in helping to maintain power system security and through its impact on electricity prices. This suggests that timely and accurate information is required to inform operation and commercial decisions, as well as policy decisions. Improved information would support more transparent pricing which in turn, would lead to better decisions by market participants. These decisions would include balancing the domestic needs of Australian consumers (including gas-fired generators) against contractual and other international obligations.

Historically, the east coast gas market has operated in an opaque manner with gas, transportation and risk management services sold under bilateral contracts that have been treated as confidential by the parties. Further, information on some key demand and supply fundamentals in the market have also tended to be opaque. This has led to there being information gaps in the gas market. As a result, gas consumption, use and transportation decisions have been made on the basis of incomplete, inaccurate, dated or asymmetric information which may lead to an inefficient allocation of resources both in the market and the broader economy.

A regulatory solution in the form of the Bulletin Board was implemented in an attempt to address some of the information gaps in the market. The objective was to create a more level playing field by requiring information to be provided by a central repository for use by all market participants and the public. In addition to the Bulletin Board, there are other steps being taken in the market to improve the level of information provision including publications by AEMO and the Australian Energy Regulator (AER).⁶

As part of the AEMC's review of the east coast gas market, the Commission made a number of recommendations to improve the operation and relevance of the Bulletin Board for participants. All of these recommendations were accepted by the COAG Energy Council in July 2016. A list of the recommendations related to information provisions from the review are set out in Appendix B.

⁵ AEMC, *East Coast Wholesale Gas Market Frameworks and Pipeline Review, Stage 1 Final Report*, 23 July 2015, p. 159

⁶ For a discussion of some of these improvements see the Stage 2 Final Report: Information Provision, p.3

2 Rule change request

This chapter summarises the COAG Energy Council's (the proponent's) rule change request, the issues identified by the proponent and the proposed solution. This chapter also outlines the process the AEMC took to assess the rule change request, and provides detail on how to make a submission on this draft determination and the draft rule.

2.1 Details of the rule change request

On 18 April 2017, the COAG Energy Council submitted a rule change request to the AEMC that would amend Part 18 of the NGR to make improvements to the Bulletin Board to enhance the breadth and accuracy of information provided to the market. The rule change request contains those recommendations contained within the AEMC East Coast Wholesale Gas Market and Pipeline Frameworks Review Stage 2 Final Report: Information Provision which does not require a change to NGL or Regulations before they can be considered in a rule change request. In particular, this rule change request does not capture or require information to be provided by gas fields, large user facilities, liquefied natural gas processing facilities or gas supply hub compression facilities.

The rule change request contains a proposed rule.⁷

The proponent indicated that the purpose of the rule change request is to:

- clarify the purpose of the Bulletin Board
- remove the current zonal model and establish a new reporting model
- exempt remote pipelines from reporting obligations
- include regional pipelines and facilities attached to regional or distribution pipelines
- establish a new registration framework and threshold
- include a reporting standard
- remove the market participant and AEMO cost recovery provisions
- add a new biennial reporting requirement.

The rule change request divides the issues and proposed solutions into four components:

- Bulletin Board framework

⁷ See AEMC website:
<http://www.aemc.gov.au/Rule-Changes/Improvements-to-Natural-Gas-Bulletin-Board>

- Bulletin Board reporting requirements
- publication of information on the Bulletin Board
- funding arrangements and future development of the Bulletin Board.

The proposed solutions included in the rule change request to these issues, given the proposed rule and draft rule are the same, are set out in chapters 4 through 7.

2.2 Rationale for the rule change request

The COAG Energy Council indicates that the objective of the rule change request is to make improvements to the Bulletin Board to instil a greater level of confidence in the reported information and to address information gaps and asymmetries, in particular with the aim of establishing it as 'one-stop-shop' for information on the east coast gas market. The proponent is of the view that the publication of enhanced information would support gas use and investment in gas for the long-term interests of consumers.

The COAG Energy Council has acknowledged the finding of the AEMC in its Stage 2 Final Report: Information Provision that the gas market is opaque and inflexible. Further, the proponent acknowledges that there are significant information gaps and asymmetries across the gas sector that adversely affect the price discovery process and the way in which gas and other resources are allocated. The proponent is of the view that additional and more consistent information should be made available to gas market participants to make price discovery easier, promote liquidity and inform efficient decision making.

2.3 The rule making process to date

On 14 June 2017, the AEMC published a notice that it commenced the rule making process under the fast-track process.⁸ Under the fast-track process there is no first round consultation.

2.4 Consultation on the draft rule determination

The Commission invites submissions on this draft rule determination and draft rule by **22 August 2017**. Following consideration of submissions, the Commission intends to publish its final determination on 3 October 2017.

Any person or body may request that the Commission hold a hearing in relation to the draft rule determination. Any request for a hearing must be made in writing and must be received by the Commission no later than 18 July 2017.

⁸ This notice was published under section 303 of the National Gas Law (NGL).

Submissions and requests for a hearing should quote the project number "GRC0040".
They may be lodged online at www.aemc.gov.au or by mail to:

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

3 Draft rule determination

This chapter outlines the Commission's:

- rule making test for changes to the NGR
- assessment framework for considering the rule change request
- consideration of the rule change request and the draft rule against the NGO.

3.1 Rule making test

Under the NGL, the Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the NGO.

The NGO 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.”⁹

The NGO captures the three dimensions of efficiency: allocative (efficient use of), productive (efficient operation) and dynamic efficiency (efficient investment).

Allocative efficiency is achieved when resources used to produce a given set of goods and services are allocated to their highest value uses. This requires that goods and services are provided, and that consumption decisions are made, on the basis of prices that reflect as closely as possible the opportunity (or marginal) cost of supplying those goods and services.

Productive efficiency is achieved when only the minimum resource inputs are used to produce a given set of goods and services. Achieving productive efficiency is important because it avoids wasting resources which could have been used for producing something else.

Dynamic efficiency is concerned with ensuring allocative and productive efficiencies are sustained over time. This requires markets and supporting regulatory arrangements to provide incentives for firms to innovate and invest at efficient levels over time.

The Commission considers that the relevant aspects of the NGO in the rule change request are:

- efficient use and operation of natural gas services with respect to reliability and security of supply (allocative and productive efficiency)

⁹ See: NGL s.23

- efficient investment in natural gas services (efficient investment).

3.2 Assessment framework

In assessing the rule change request, the Commission considered the trade-off between cost and benefit over time. Quantifying costs and benefits in relation to the provision of information can be difficult. However, qualitative assessments that are associated with efficiency can provide a framework for assessing the rule change request, namely:

- the potential to reduce transaction costs, including search costs
- reductions in information asymmetry that may otherwise impede efficient exchange
- more informed decision making, enabling efficient operational and commercial decisions and appropriate risk management
- efficiency in the production and use of information
- an efficient allocation of tasks and responsibilities, allowing low cost compliance, enforcement, accountability and effective market development
- the balance between transparency and confidentiality.

In applying the assessment framework, there are a number of considerations that were taken into account. For example, it may be necessary to incur costs in order to unlock gains from information provision, provided gains outweigh costs and a transparent and robust process is undertaken. The value of information provided on the Bulletin Board will ultimately be determined by the value that participants and other users gain from it, and therefore it varies depending on their purpose and the availability and cost of alternatives.

The Commission is aware that compliance with the requirements of the Bulletin Board imposes costs on market participants who are required to provide information. The Commission also notes that the Bulletin Board is accessible free of charge. The public good nature of the Bulletin Board could result in a tendency to promote inefficient levels of information provision by those that face little or no cost to comply with the NGR requirements. For this reason, the specific cost burdens of providing information must be weighed against the broadly disseminated benefits of providing the information to anyone who wants to access it, free of charge.

The Commission also examined the potential for some information to be of a confidential nature. It is critical to balance a business's justified claim of confidentiality against the value of the potentially confidential information for users. The most appropriate trade-off between confidentiality, transparency and value was determined.

3.3 Summary of decision

The Commission's draft rule:

- clarifies the purpose of the Bulletin Board
- removes the current zonal model and establishes a new reporting model
- exempts remote pipelines from reporting obligations
- requires regional pipelines and facilities attached to regional or distribution pipelines to report to the Bulletin Board
- establishes a new registration framework and threshold
- includes a reporting standard
- removes the market participant and AEMO cost recovery provisions
- adds a new biennial reporting requirement for AEMO.

The draft rule is the same as the proposed rule submitted by the COAG Energy Council as part of its rule change request.

The Commission considers the draft rule would lead to increased confidence in the information provided on the Bulletin Board and lead to more efficient use, operation and investment in the east coast gas market and therefore, would or is likely to, contribute to the achievement of the NGO.

The new reporting model, which is discussed in detail in chapter 4, aims to provide a clear framework for reporting entities and AEMO to work within. This is reflected in the amended Bulletin Board purpose which identifies the important role of the Bulletin Board in decision making for all participants within the gas market.

The draft rule in relation to the registration framework clarifies and simplifies administrative processes for parties. Further, the reporting standard and compliance arrangements contained in the draft rule would also provide clarity and greater certainty for reporting entities on the expectations for information quality and overall compliance with the Bulletin Board framework. For users of the Bulletin Board, improved clarity on these aspects of the reporting model would allow them to use the Bulletin Board information with greater confidence, as a result of users' ability to rely on the information and use it in their own decision making and their use of gas and gas services.

It is important that information gaps be filled to allow the Bulletin Board to present a reliable and timely picture of gas supply, pipeline flows, storage and demand in the east coast gas market to market participants and Bulletin Board users generally, consistent with achieving the purpose of the Bulletin Board. Bulletin Board users would be able to access relevant information to aid their decision making and should therefore support a better functioning gas market in the short- and long-term.

The draft rule addresses new reporting requirements (see chapter 5). Facilities that may have an impact on the broader market would have an obligation to provide information to the Bulletin Board. However, there are limited exemptions where facilities are not yet connected to the east coast gas market or where, due to technical or operational limitations information provided may be of limited use to the market (that is, distribution pipelines). This would enable relevant information to be available to market participants and Bulletin Board users. It would allow them to make better informed decision in and about the market, without imposing administrative and compliance costs on participants where the information provides limited value.

The draft rule provides that AEMO would be responsible for the aggregation and publication of information (see chapter 6). This provides a more flexible approach than the approach under the current provisions of the NGR. The details would be set out in the Procedures and can be amended from time to time without a rule change request to reflect changes in the market. Such flexibility is important to allow AEMO to efficiently and promptly meet the needs of market participants while ensuring consistency with the purpose of the Bulletin Board.

The administrative burden in managing a cost recovery process for reporting entities and AEMO was considered(see chapter 7). The Commission's draft rule removes the provisions relating to the operation of specific cost recovery processes for Bulletin Board costs. Such provisions are not consistent with the efficient operation of the Bulletin Board, particularly as the costs can be recovered through other means.

The draft rule provides that AEMO must publish a biennial report on the operation of the Bulletin Board. This new requirement would support the ongoing confidence of participants and users in the reliability of Bulletin Board information. The biennial reports would alert market participants of any changes and developments that may be needed to maintain the relevance of the Bulletin Board information to the market and users. This would serve to support the continuation of well-informed decision-making across the market.

Overall, the draft rule implements changes to the Bulletin Board with the purpose of supporting well informed decision-making and the efficient use of and investment in natural gas and natural gas services and therefore, would or is likely to promote the achievement of the NGO.

4 New framework

The market's confidence in the information reported on the Bulletin Board will depend on the extent to which the framework that underpins it provides for an accurate and timely picture of gas supply, pipeline flows, storage and demand.

The Bulletin Board was implemented in July 2008 following a recommendation by the Gas Market Leaders Group (GMLG) that a web-based system be developed to provide participants and observers ready access to up-to-date information on the demand-supply outlook for key pipelines, production and storage facilities in the east coast.¹⁰ The GMLG's expectation at the time was that the Bulletin Board would improve decision making and trade by providing:

“...readily accessible and updated information to end-users, smaller or potential new market entrants, and market observers (including Governments), on the state of the market, system constraints and market opportunities.¹¹”

The legal architecture that gives effect to the reporting model is set out in chapters 1, 2 and 7 of the NGL, Part 18 of the NGR and the Procedures. This framework has been largely unchanged since it was implemented in July 2008 and applies to all states and territories except Western Australia.¹²

4.1 The purpose of the Bulletin Board

The purpose of the Bulletin Board is defined in rule 142 of the NGR as being to:

- (a) facilitate trade in natural gas and markets for natural gas services through the provision of system and market information which is readily available to all interested parties, including the general public; and
- (b) assist in emergency management through the provision of system and market information.

The current reporting model, decisions about the type of information to be reported on the Bulletin Board and other aspects of the reporting and compliance framework do not have to be made by reference to the purpose of the Bulletin Board. These decisions are made by reference to the NGO.

¹⁰ GMLG, *National Gas Market Development Plan*, June 2006, p.4

¹¹ *ibid.*, p.22. See also, GMLG, *National Gas Market Development Plan - Scope of a National Gas Statement of Opportunities*, 12 August 2008, p. 12

¹² Through a provision in Schedule 1 of the *National Gas Access (Western Australia) Act 2009*, the Western Australia Government has postponed the adoption of the Bulletin Board provisions in the NGL and NGR until a day fixed by the Western Australia Minister for Energy. While these provisions do not currently apply, the Western Australian government has legislated for a Western Australia specific Gas Bulletin Board.

The current purpose of the Bulletin Board does not accurately characterise the purpose of the Bulletin Board. The Bulletin Board no longer has a formal role to play in emergency management and therefore, this part of the purpose is no longer relevant.

Further, the current purpose of the Bulletin Board does not adequately recognise the important role that information can play in enabling market participants and policy makers to make informed and efficient decisions about matters that may not be directly attributable to facilitating trade, such as operational, planning, investment and policy decisions.

Therefore, the draft rule expands the purpose of the Bulletin Board to provide:

“The purpose of the Bulletin Board is to make information available to BB users to facilitate:

- (a) trade in natural gas and natural gas services; and
- (b) informed and efficient decisions in relation to the provision and use of natural gas and natural gas services.¹³”

Expanding the purpose in this way would foster the development of a liquid wholesale gas market. This includes addressing information gaps and asymmetries that are affecting the efficiency with which market participants make decisions that affect operational, planning, and investment decisions.

4.2 Gaps arising from the zonal model and exemption criteria

Currently, the NGL only requires transmission pipelines, production and storage facilities that are defined as 'BB facilities' to comply with the reporting obligations in the NGR. A transmission pipeline, production or storage facility can become a BB facility in one of three ways under the current rules:

- the facility was specified as an initial BB facility in Schedule 2 of the NGR
- the facility was/is commissioned after 1 July 2008
- the facility is declared a BB facility by AEMO under rule 153

and the facility is not the subject of an exemption declaration.

There are currently a number of pipelines, production and storage facilities that are not reporting that should be given their possible impact on the market.

¹³ See draft rule 145

There appears to be several reasons why there are reporting gaps, including:

- a lack of awareness among new entrants about reporting obligations in the NGR
- the link that currently exists between the obligation to report and the zonal model
- the storage facility exemption criteria, which currently allow an exemption to be obtained if the facility is not physically 'connected to' a BB pipeline even though gas flows from (to) the facility to (from) a BB pipeline
- the exclusion of facilities that were operational prior to 1 July 2008 that were not originally identified as BB facilities from the registration and reporting obligations.¹⁴

4.2.1 Removing the link between the obligation to report and the zonal model

Through the operation of the exemption criteria, the obligation for transmission pipelines and production and storage facilities, to report is currently linked to the zonal model. Under the zonal model, if a pipeline is not used to transport gas between one of the production zones and/or demand zones defined in the Procedures, it can obtain an exemption. A storage facility 'connected to' such a pipeline can also obtain an exemption, as can a production facility if the gas it produces only flows into that pipeline.

AEMO is responsible for defining demand and production zones.¹⁵ There are currently 16 demand zones and seven production zones listed in Schedule 2 of the Procedures.¹⁶

The production zones cover all the basins that are currently producing gas in the east coast, including Gippsland,¹⁷ Otway, Cooper,¹⁸ Sydney, and Bowen/Surat basins, although the Bowen/Surat basin only extends to gas supplied into Queensland Gas Pipeline, Roma-Brisbane Pipeline and South West Queensland Pipeline.¹⁹ The demand zones include major demand centres such as Adelaide, the Australian Capital Territory, Sydney, Curtis Island, Ballera and Wallumbilla, as well as the demand supplied by the major transmission pipelines.

The current delineation of these production and demand zones means that facilities in the Northern Territory, parts of north Queensland and regional areas in New South

¹⁴ For example, the Tipton West and Daandine production facilities.

¹⁵ See: NGR, rule 135EA

¹⁶ Natural Gas Bulletin Board Procedures, V6.0

¹⁷ The Bass Basin is included in the Gippsland Basin production zone

¹⁸ Two production zones have been defined for the Cooper Basin: the Ballera and Moomba zones.

¹⁹ The Victorian Declared Transmission System has also been declared a production zone to capture the Dandenong LNG facility.

Wales, Victoria and South Australia are not currently required to comply with reporting obligations.

The east coast gas market is moving away from the traditional point-to-point transportation framework to a more dynamic model with gas flowing bi-directionally on numerous pipelines. As a result, the continued use of the zonal model is problematic given the rise in significant reporting gaps as a result of the use of this model. These reporting gaps appear to be arising due to:

- pipelines (and, by extension, the connected production and storage facilities) that are not connected to a defined production or demand zone are not currently captured by the zonal model and are not therefore required to report even though the pipelines may be an important part of the market
- pipelines that are used to transport gas within a zone are not required to report
- the restriction of the zonal model to production and demand zones has meant gas flows between pipelines or through transit locations are not well captured
- the boundaries of existing zones do not capture all the gas flows and, in the case of demand zones, are not necessarily:
 - aligned with the boundaries of the short-term trading market (STTM)²⁰ locations, or
 - capturing the interconnections that have occurred between the Eastern Gas Pipeline and the Moomba to Sydney Pipeline and between the South Eastern Australia Gas Pipeline and the Moomba to Adelaide Pipeline System.

While it may be possible to amend the NGR and Procedures to address some of the limitations that have arisen under the zonal model (for example, by introducing the concept of a transit zone), this would not prevent other gaps emerging in the future, particularly as the market continues to evolve. Reliance on rule changes to manage future developments is also not ideal. For these reasons the link between the zonal model and the obligation to report that is currently in the NGR should be removed.

This change would have an impact on facilities in the Northern Territory, northern Queensland and regional areas. This is discussed in detail in section 5.2.

4.2.2 Exemption criteria

Currently, facilities with a nameplate capacity rating less than 20 TJ/day can seek an exemption from reporting.

²⁰ The STTM is a market-based wholesale gas balancing mechanism established at defined gas hubs in Sydney, Adelaide and Brisbane.

An exemption can also be sought in the following circumstances:

- **a transmission pipeline:** if:
 - the pipeline does not transport gas between production and demand zones, between demand zones or production zones²¹; or
 - the pipeline only delivers gas to an injection point on the BB pipeline²²
- **a production facility:** if gas from the facility does not flow directly or indirectly into a BB pipeline²³
- **a storage facility:** if it is not connected to a BB pipeline.²⁴

The following observations can be made in relation to the other exemption criteria:

- The exemption criteria related to storage and production facilities has resulted in facilities located in distribution systems being treated differently from those connected to a transmission pipeline. It has resulted in facilities, such as Camden Production Facility and Newcastle Gas Storage Facility, being exempt from reporting.
- The storage facility exemption has resulted, to date, in two storage facilities, both of which have sizable storage, being exempt from reporting requirements. These facilities are the Silver Springs Storage Facility and the Newcastle Gas Storage Facility.²⁵
- The transmission pipeline exemption to date does not appear to have been used and the policy rationale for such an exemption is not clear.

Given the information gaps and asymmetries that have arisen in relation to the current exemption framework, the exemption provisions should be simplified. Therefore, the draft rule replaces the existing exemption provisions with a minimum reporting threshold based on nameplate capacity ratings.

Simplifying the exemption criteria in this manner would mean that all transmission pipelines, production and storage facilities that exceed the minimum reporting threshold would be captured by the reporting framework regardless of whether they are connected to a transmission or distribution pipeline, or to a production or demand zone.

21 See: NGR rule 149(5)(b)

22 See: NGR Rule 159(5)(c)

23 See: NGR rule 157(7)(a)

24 See: NGR rule 150(5)(c)

25 The storage (withdrawal) capacity of the Silver Springs Gas Storage Facility is 35 PJ (30 TJ/day) while the capacity of the Newcastle Gas Storage Facility is 1.5 PJ (120 TJ/day). Core Energy Group, *Gas Participant Information on Gas Production, Processing, Transmission, LNG and Storage Facilities*, March 2016

The draft rule sets the minimum reporting threshold to 10 TJ/day.²⁶ The 10 TJ/day threshold, as compared to the current 20 TJ/day threshold, would provide a more accurate picture of gas production, storage, pipeline flows and consumption in the each coast. Further, this level is consistent with the reporting threshold used in Western Australia.

4.2.3 Facilities commissioned prior to 1 July 2008

Facilities that were operational before Part 18 of the NGR came into effect, but were not identified in the original list of BB facilities, are not currently required to apply to AEMO for registration. However, rule 153 of the NGR, in effect, provides AEMO with discretion to require those facilities that were not required to register under this limitation, to become registered. There is no clear rationale or reasoning for the limitation on registration. As a result, the draft rule removes this limitation and requires all facilities, regardless of when they were commissioned, be required to be registered and report if they satisfy the minimum reporting threshold. Given the draft rule removes the limitation on facilities commissioned prior to 1 July 2008 being required to apply for registration, the draft rule also removes AEMO's power to declare a facility a BB facility under rule 153.

4.3 Registration requirements

Under the NGR:

- BB facilities and BB shippers are required to apply to AEMO for registration under Part 18²⁷
- AEMO is required to maintain up-to-date registers of BB facilities and BB facilities that have been declared exempt.²⁸

BB facilities that are not subject to an exemption are required by ss.223 and 228A of the NGL to comply with the reporting obligations in Division 5 Part 18 of the NGR and the Procedures. Section 224 further provides that a person cannot rely on a duty of confidence to avoid compliance with these obligations.

The current registration provisions are ambiguous and circular. For example, rule 147(2) states that if a person becomes a pipeline operator after the commencement of the NGR then it must apply for registration as soon as practicable. The definition of pipeline operator in rule 117, however, presumes that the pipeline is already a BB pipeline. In addition, rule 153 allows AEMO to declare a pipeline or facility to be a BB facility but the definitions in rule 141, in effect, deems any facility commissioned after 1 July 2008 a BB facility.

²⁶ See draft rules 149-151

²⁷ See: NGR rule 147

²⁸ See: NGR rule 148 and 154

Further, it is unclear from the provisions:

- what the purpose of registration is
- when a new facility should become registered and if registration attaches to the facility operator or the facility
- how the registration provisions interact with the reporting obligations and exemption provisions.

The registration requirement provisions in the NGR need to be replaced in their entirety to remedy the issues identified. In particular, the draft rule²⁹ clearly specifies:

- **who is required to apply to AEMO for registration:** the draft rule requires facilities that satisfy the definition of a BB facility to apply for registration. In effect, this means that transmission pipelines and storage and production facilities that do not satisfy the minimum reporting threshold do not have to register
- **who and what are to be registered:** the draft rule requires the operators of BB facilities to apply for registration as the facility operator and to register their BB facilities
- **what is to occur if there are multiple owners of a BB facility:** the draft rule provides for the following to occur if a facility is owned by more than one facility operator:
 - the joint owners of a BB facility (referred to as a facility operator group) is to appoint one member of the group to be the responsible facility operator for that facility. The responsible facility operator can then apply, on behalf of itself and all other members of the group, to:
 - register itself and other members of the group and the facility
 - register the responsible facility operator as the BB reporting entity for the BB facility, which means it would then be responsible for complying with the reporting obligations in Division 5 Part 18 of the NGR
- **changes to information:** the draft rule requires facility operators to notify AEMO of any changes to the identity of the facility operator of facility operator group
- **revocation of registration:** the draft rule provides provisions for registered facility operators to apply to revoke the registration of a BB facility if circumstances change such that they no longer meet the definition of a BB facility

²⁹ See draft rules 150-163

- **when a BB facility would be required to be registered:** Table 4.1 sets out when a facility would be required to register under the draft rule registration provisions.

Table 4.1 When a BB facility would be required to register

Facility	Registration required	When registration would be required		
		Facilities and shippers that are already registered	Facilities in existence when final rules come into effect that are not already registered	New facilities (or existing facility that later meet the reporting threshold due to expansion)
Transmission pipelines	Registration only required if the facility satisfies the minimum reporting threshold	These facilities would remain registered	Facilities would have 20 business days after the commencement of the final rules to apply for registration	Facilities to register 20 days prior to the facility or expansion being commissioned
Production facilities				
Storage facilities				

Under the draft rule, registration would act as a trigger for BB facilities to commence reporting in accordance with the obligations set out in Division 5. The clarity of these provisions and the registration requirements would support the provision of relevant information to AEMO and meeting the amended purpose of the Bulletin Board.

The original rationale for the provision requiring BB shippers to register is not clear, but it is likely to have reflected the need for AEMO to be able to identify BB shippers for the purposes of:

- recovering the costs AEMO incurs in operating and maintaining the Bulletin Board as required by rule 191 of the NGR
- the emergency management functions that used to be performed by the Bulletin Board.

As the Bulletin Board no longer plays an emergency management function and the changes to the funding arrangements (discussed in chapter 7), the rationale that may have existed for requiring BB shippers to register does not appear to apply anymore. Therefore, the draft rule does not require BB shippers to register, but does allow them to voluntarily register if they decide to do so. Those BB shippers that decide to voluntarily register would become BB participants for the purpose of the Bulletin Board, which means they would be able to access those parts of the Bulletin Board that are limited to BB participants (such as the ability to upload data to AEMO).³⁰

Registered BB facilities and BB shippers would be required to provide contact details to AEMO for publication on the Bulletin Board and to inform AEMO as soon as reasonably practicable of any changes to these details. Users that are party to a contract

³⁰ See: draft rule 162

with a service provider of a transmission pipeline would also be required to provide their contact details to AEMO and inform AEMO of any changes, where they have elected not to become a registered BB shipper. It is appropriate to extend the contract detail provisions to these users so that parties seeking access to secondary capacity on pipelines can readily access and contact the relevant parties.³¹

The registration provisions in the draft rule provide clarity and certainty to BB participants and the market in relation to who and when registration is required and when reporting obligations are triggered. This further improves the efficient operation of the Bulletin Board and the value to the market of the information contained on the Bulletin Board.

4.4 Information standard

Under the NGR, the information that reporting entities provides to AEMO under Division 5 Part 18 does not have to comply with a particular information standard. Rather, the NGL and NGR require that:

- the information provided to AEMO must not be knowingly false or misleading³²
- immunity from any civil monetary liability for acts or omissions in giving AEMO Bulletin Board information will not be available if the act or omission was made in bad faith or through negligence³³
- estimates of daily production, storage and short-term capacity outlook must be made in "good faith".³⁴

As a result of the lack of a reporting standard, the information provided to the Bulletin Board may be inaccurate and there is the potential for information not to be submitted in a timely manner. Therefore, it is necessary to:

- monitor the accuracy and timeliness of the information reported by BB reporting entities and address any issues that arise on a timely basis
- clearly define the information standard that reporting entities should comply with when providing information.

While the AER and AEMO have taken a number of steps to improve the quality of information reported on the Bulletin Board, it is still possible that erroneous information would be published. Therefore, it is appropriate for AEMO to conduct periodic reviews of the information published on the Bulletin Board and work with reporting entities and, where relevant, the AER to resolve any issues identified.

31 See: draft rule 163

32 See, NGL s.225

33 See: NGL s.226

34 See, NGR rule 141

The standards implied by ss.225 and 226 of the NGL and the "good faith" reference in rule 141 of the NGR establish too low a standard for reporting and could adversely affect the market's confidence in the information reported on the Bulletin Board. Therefore, the draft rule contains an information standard which the Commission is recommending be classified as both a civil penalty and conduct provision (this is similar to the approach for the STTM information standard).

The draft rule provides the following form for the information standard:³⁵

"The BB information standard means the practices, methods and acts that would reasonably be expected from an experienced and competent person engaged in the ownership, operation or control of a BB facility in Australia of that type acting with all due skill, diligence, prudence and foresight and in compliance with all applicable legislation (including these rules), authorisations and industry codes of practice."

This information standard would apply to information provided by reporting entities under Part 18 of the NGR and the Procedures. The standard would also apply to any updates of information provided to AEMO.

4.5 Compliance framework

The AER is required to monitor, investigate and enforce compliance with the NGL, NGR and Procedures.³⁶ The AER has a range of tools it can employ in its enforcement and compliance capacity, including:

- commencing civil proceedings in the Federal Court and seeking:
 - an injunction or an order that the BB facility cease or remedy the conduct and/or
 - an order that a penalty be paid if a civil penalty provision has been breached.³⁷
- issuing an infringement notice if the AER has reason to believe the facility has breached a civil penalty provision³⁸
- seeking an administrative resolution, which may include a voluntary commitment by a BB facility to rectify non-compliance.

Currently, the only provisions relating to the Bulletin Board which may attract a civil penalty are:

³⁵ See draft rule 164(2)

³⁶ See: NGL, s. 27

³⁷ The civil penalty provisions are set out in s.3 of the NGL. The maximum civil penalty is \$20,000 for individuals (\$100,000 for body corporates), plus \$2,000 (\$10,000) for every day it continues.

³⁸ The maximum infringement notice is \$4,000 for individuals and \$20,000 for body corporates.

- section 223 of the NGL which states that a person defined in the section (which include pipeline service providers, users of scheme or non-scheme pipelines, producers and storage providers) or the Regulations that is in possession or control of information relating to natural gas services is required by the NGR to provide AEMO with information, must do so in accordance with the NGR
- section 225 of the NGL which states that Bulletin Board information provided to AEMO must not be knowingly false or misleading.

Although no provisions in Part 18 of the NGR or the Procedures are classified as civil penalty provisions in the Regulations, breaches of the Bulletin Board reporting obligations in the NGR would fall within the scope of s.223(2) of the NGL. This is because they would constitute a failure to provide information in accordance with the NGR. Breaches of the Procedures would also fall within the scope of s.223(2) if the NGR requires they be complied with.

Breaches of the registration and exemption provisions in Division 3 Part 18 of the NGR, on the other hand, would not fall within the scope of s.223(2) as they do not require the provision of information of the nature contemplated in s. 223.

In addition to the remedies outlined above, BB facilities can be subject to a civil monetary liability for an act or omission that is made in bad faith or through negligence under s. 226 of the NGL.³⁹ A civil monetary liability is a liability for damages, compensation or any other monetary amount that can be recovered by way of civil proceedings.

A person other than the AER may institute proceedings in respect of a breach of a provision that is a conduct provision.⁴⁰

However, in contrast to some other parts of the NGR, Part 18 of the NGR does not currently contain any conduct provisions. If a person is found to be in breach of a conduct provision the court may:⁴¹

- make an order that the person in breach cease the act, activity or practice within a specific period, remedy the breach, prevent the recurrence of the breach or implement a specified program
- grant an injunction to restrain the person from engaging in the conduct.

If the person that institutes proceedings suffers loss or damage as a result of the conduct by the person in breach of the conduct provision then they can recover the

³⁹ The maximum civil monetary liability that a court can order is currently \$400,000 for each person who suffers a loss as a result (capped at \$20 million for a prescribed 12-month period).

⁴⁰ See: NGL, s.229(2)

⁴¹ See, NGL, s.232

amount of loss or damage through an action in a court of competent jurisdiction.⁴² The amount of damages that may be claimed is limited by s.226 of the NGL.

While the AER is responsible for enforcing compliance with the Bulletin Board provisions, under s.91A of the NGL, AEMO has a statutory function to investigate breaches or possible breaches of the procedures it makes under the NGR, including the Bulletin Board Procedures. AEMO is also empowered to direct a person to comply with the Procedures if it has a reason to believe they are not complying.⁴³ If the person does not comply with such a direction, then this would constitute a breach of the NGR and AEMO can refer it to the AER. AEMO has no other function or power in relation to enforcing the NGL, NGR or Procedures.

The market's confidence in the information reported on the Bulletin Board would depend on:

- the strength of the compliance framework that underpins it and the incentives it provides facilities to register and comply with reporting obligations
- the level of awareness reporting entities have of the consequences of any breach of the Bulletin Board provisions in the NGL, NGR and Procedures.

Although currently breaches of the reporting obligations in Division 5 Part 18 are subject to civil penalty provisions, the registration provisions are not. This may not have been a significant issue to date, however, it can be expected to become more of an issue going forward. This is due to the new reporting model where registration would act as a trigger for reporting by BB facilities. The operators of new facilities may therefore have an incentive to delay registration for as long as possible to avoid the reporting obligation during this period. This would, in turn, give rise to information asymmetries and could have broader reaching implications for other market participants. It is for this reason that the Commission is recommending that the obligation for facility operators to register themselves and their facilities and to advise AEMO of any changes, be classified as civil penalty provisions.⁴⁴

The other concern regarding the compliance framework is that the level of awareness among reporting entities of the consequences of any breach of the Bulletin Board provision may be low. Unlike other parts of the NGR, the Bulletin Board provisions in the NGR do not contain notes at the end of the relevant provisions to identify those provisions that could attract a civil penalty or are conduct provisions. To remedy this, and raise the level of awareness among reporting entities, the draft rule contains notes indicating which provisions are or recommended to be subject to civil penalties or conduct provisions.

The classification of these provisions as civil penalty or conduct provisions is appropriate given the reliance that market participants and policy makers may place

42 See, NGL, s.233

43 See, NGL, s.228A

44 See draft rules 150-151

on information that is reported on the Bulletin Board when making decisions. It is critical to instilling confidence in the information reported on the Bulletin Board and achieving the purpose of the Bulletin Board.

5 New reporting requirements

5.1 Overview of existing reporting requirements

There is no single source that captures all of the information that market participants in the east coast gas market require to make informed and efficient decisions. Participants must currently source information from the Bulletin Board, various publications and reports by AEMO, the AER, state and Commonwealth agencies and other public announcements.⁴⁵

Gas market information is not only fragmented across multiple platforms, but the information available is not sufficient to support the price discovery process and enable participants to make informed and timely decisions.

Some steps are being taken to reduce the degree of fragmentation by making the Bulletin Board more of a 'one-stop shop' for market related information. To this end, the following recent additional information has been included on the Bulletin Board:

- a market pricing tab, which contains links to the facilitated markets pricing information on AEMO's website and the AER's weekly gas report
- a planning table, which contains links to the Gas Statement of Opportunities (GSOO) and National Gas Forecasting Report (NGFR).

While steps have been taken to increase transparency in this market, there are still significant information gaps and asymmetries. The below table sets out the information that is currently required to be published on the Bulletin Board.⁴⁶

⁴⁵ For example, the AER provides the Weekly Gas Market Report, the Quarterly Compliance Report and regulatory decisions for pipelines subject to full regulation. Government reports include state and Commonwealth reports on gas resources and major project and the Upstream Petroleum Resources Working Group's annual report on unconventional reserves and resources production.

⁴⁶ This contains the new requirements introduced under the Enhanced Information for Gas Transmission Pipeline Capacity Trading final rule which commenced on 6 October 2016.

Table 5.1 Information currently reported on the Bulletin Board

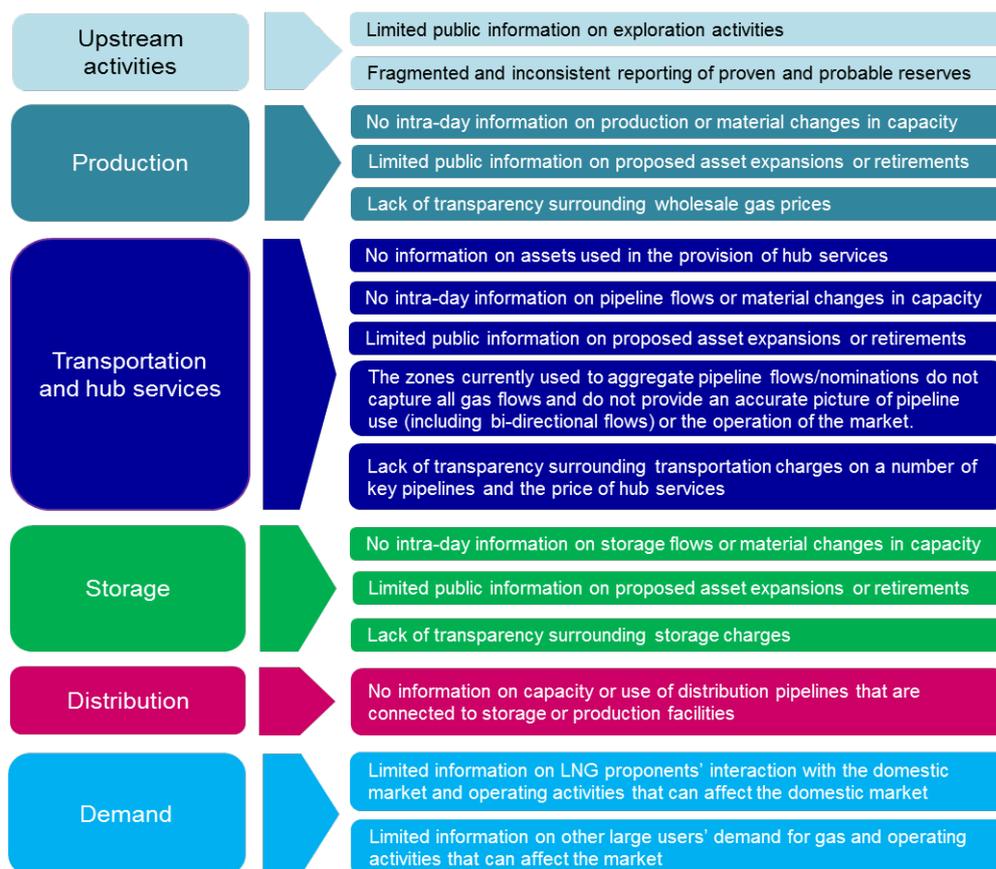
Information		Frequency	BB transmission pipelines	BB storage facilities	BB production facilities
Capacity related information	Nameplate capacity	Annual (or as soon as reasonably practicable if changes)	✓	✓	✓
	7-day capacity outlook	Daily	✓	✓	✓
	Medium-term capacity outlook	As issued	✓	✓	✓
	3-day linepack capacity adequacy (LCA) outlook flag	Daily	✓	x	x
Actual pipeline deliveries, storage flows, production		Daily	Aggregated by demand and production zone	Net flows out of storage facility	✓
7-day forecast for pipeline flows (supply nominations for current gas day and material intra-day renominations)		Daily (or as soon as practicable if material intra-day changes)	aggregated delivery nominations by zone	N/A	N/A
contact details		As soon as practicable if changes	✓	✓	✓
Other information	Standing peak day demand forecasts				
	Listing service for spare gas and pipeline capacity and links to APA's and Jemena's capacity listing service				
	Registration and exemption related notices				
	Emergency protocols				
	Bulletin Board Procedures and guides				
Secondary capacity trading information	12-month outlook for uncontracted capacity	Monthly	✓	✓	x
	Contact details of shippers with contracted capacity	Updates as applicable	✓	x	x

Information		Frequency	BB transmission pipelines	BB storage facilities	BB production facilities
	Data from secondary capacity trading platforms	Week after	✓	x	x
Detailed facility data		As applicable	✓	✓	✓
Aggregated and disaggregated receipt/delivery point flow data by zone		Aggregated day after Disaggregated monthly	✓	x	x
More detailed and standardised medium-term capacity outlook		As issued	✓	✓	✓
Actual storage volumes, aggregated injections and withdrawals and 7-day forecast		Daily	x	✓	x

Source: AEMC analysis

Although information is being provided under the current provisions of the NGR, the following gaps in the information provided to the Bulletin Board has been identified:

Figure 5.1 Information gaps across the supply chain



Source: AEMC analysis

The effect of these information gaps and asymmetries can be difficult to quantify. However, in broad terms they can be expected to adversely affect the price discovery process and the way in which gas and other resources are allocated. This is because decisions have to be made on the basis of incomplete, inaccurate, dated and/or asymmetric information. As the demand-supply balance in the market continues to tighten and the trade and flow of gas becomes more dynamic, these effects are likely to become more acute and have longer lasting consequences for market participants. They may also affect related markets, such as the National Electricity Market and the broader economy.

In this rule change request, given the NGL has not yet been amended to include gas fields, large user facilities, LNG processing facilities and GSH compression facilities in s.223, any information gap that results from the unavailability of this information would not be addressed at this time.

5.2 Facilities in new locations

The draft rule provides that gas pipelines and facilities are required to report to the Bulletin Board based on a minimum reporting threshold rather than whether those pipelines carry gas into or out of particular zones and the facilities attached to those pipelines.

As a result, unless exemptions exist in the NGR the reporting framework would capture pipelines and facilities that are located in:⁴⁷

- regional areas
- the Northern Territory
- north Queensland.

Further, given the draft rule removes the exemptions for production and storage facilities that are not connected to a BB pipeline, production and storage facilities would be required to register and report to the Bulletin Board if they exceed minimum reporting thresholds. This is regardless of whether they are connected to a transmission or distribution pipeline.

5.2.1 Regional pipelines and facilities

As the draft rule removes the link between reporting and the zonal model, regional pipelines and facilities attached to those pipelines would be required to report Bulletin Board information to AEMO.

It is appropriate that regional pipelines and facilities connected to the east coast system be included in the Bulletin Board reporting framework. Pipelines and facilities that meet the minimum reporting threshold are able to impact trading decisions and flows across the east coast gas system, in particular on the pipelines connected to those regional pipelines and facilities. Publishing information about regional pipelines and facilities is expected to help industry participants understand the wider east coast gas market dynamics and make the most efficient decisions.⁴⁸

The draft rule therefore appears to capture five regional pipelines in New South Wales, South Australia, Victoria and Queensland:⁴⁹

- Central West Pipeline (Marsden to Dubbo)
- Central Ranges Pipeline (Dubbo to Tamworth)
- Cheepie to Barcaldine Gas Pipeline
- South East South Australia Pipeline
- the South East Pipeline System.

⁴⁷ The Bulletin Board does not currently contain any information on gas flows in these locations because the Procedures do not include any zones defined for those regions. Pipeline and facilities in those locations could be included under the current framework by amending the Procedures.

⁴⁸ This finding is supported by the ACCC. ACCC, *Inquiry into the east coast gas market*, April 2016, p. 154

⁴⁹ It is difficult to ascertain what pipelines would be captured as a result of the draft rules as the nameplate capacity information is not currently publicly available

The majority of these pipelines are owned by service providers that are already subject to reporting obligations; however, the draft rule would result in some service providers to have to provide information that were not previously captured by the Bulletin Board reporting requirements.

Production and storage facilities that are attached to these pipelines that meet the minimum reporting threshold would also be captured by the reporting requirements. The inclusion of these facilities is consistent with the purpose of the Bulletin Board.

No further changes are required in the draft rule to give effect to the requirement for regional pipelines and facilities to provide information to the Bulletin Board. This is due to the removal of the link between the zonal model and reporting requirements which results in these facilities automatically being captured under the reporting requirements. The inclusion of these regional pipelines and facilities is appropriate and would contribute to the efficiency of the operation of the market and increase the confidence of Bulletin Board users in relation to the information provided.

5.2.2 Pipelines and facilities not connected to the east coast gas system

Like regional pipelines and facilities, non-connected pipelines and facilities are currently not required to report to the Bulletin Board because there are no zones defined in the Procedures for those regions.

As a result of the draft rule removing the link between reporting and the zonal model, pipelines and facilities in the Northern Territory and north Queensland would be required to report to the Bulletin Board.

The pipelines in the Northern Territory and north Queensland that could be captured, to the extent they satisfy the minimum reporting threshold, include:

- the North Queensland Gas Pipeline
- Amadeus Gas Pipeline
- Palm Valley to Alice Spring Pipeline
- Daly Waters to McArthur River Pipeline
- the Bonaparte Pipeline
- Wickham Point Pipeline.

Reporting requirements would also extend to facilities that are connected to these pipelines.

Currently there may be little natural gas and natural gas service trading activity in the Northern Territory and north Queensland. However, including these areas in the Bulletin Board reporting framework may improve transparency and may encourage more efficient trading activity in these areas.

For example:

- information about the location, nameplate capacity and capacity changes of pipelines and facilities would provide local participants with key information that may affect them
- utilisation and demand information would inform planning and investment decisions in those areas.

While potentially improving transparency and encouraging trade, the costs may outweigh the benefits of requiring remote pipelines to report until such time as they are interconnected.

When remote pipelines and facilities become connected to the east coast gas system, it would become clearer that the benefits of reporting outweigh the costs. When these pipelines and facilities become connected, the activity on these pipelines and facilities could impact on the rest of the gas market.

Given the uncertain benefits and certainty that costs would be imposed from requiring these non-connected pipelines and facilities to provide information to the Bulletin Board prior to then becoming connected, the draft rule provides an exemption for:⁵⁰

- pipelines and facilities in the Northern Territory
- pipelines and facilities in other jurisdictions that are remote. A pipeline or facility is remote if it is not directly or indirectly connected to:
 - an STTM or declared wholesale gas market (DWGM)⁵¹ pipeline
 - a pipeline at which gas is sold through a trading exchange.⁵²

There may be some benefit to requiring a remote pipeline or facility to begin reporting to the Bulletin Board prior to being connected where connection is planned in the short-term. Such a requirement may allow market participants to gather information and analyse the possible impact the pipeline or facility would have on the market once connected. However, the draft rule does not contain such a requirement at this time. Such a requirement would add complexity including determining the appropriate trigger for the reporting obligation to commence. Further, the benefits of such reporting (prior to connection) are not clear and these pipelines or facilities would be required to provide information to the market once they become connected.

⁵⁰ See draft rules 141,143 and 144

⁵¹ The declared wholesale gas market (DWGM) operates in Victoria and was established to enable competitive, dynamic trading based on injections into and withdrawals from the transmission system. For more information see:
<https://www.aemo.com.au/Gas/Declared-Wholesale-Gas-Market-DWGM>

⁵² An example of a remote pipeline is the North Queensland Pipeline. The use of the term 'indirectly' in the draft rule means that, for example, the GLNG and APLNG pipelines would not be considered remote pipelines because they are connected to the Queensland Gas pipeline, which is connected to the Roma and Brisbane Pipeline (an STTM pipeline).

5.2.3 Facilities connected to a distribution pipeline

The draft rule removes the exemption for a production or storage facility that is not connected to a BB pipeline. The term BB pipeline is currently defined in the NGR as a BB transmission pipeline and therefore explicitly excludes distribution pipelines.

The activity of facilities located within a distribution pipeline system that meet the minimum reporting threshold are able to impact local markets in the same way as facilities located on a transmission pipeline. Therefore, the reporting obligations should be applied consistently and these activities should be reported regardless of location on the east coast gas system. This would assist in achieving a fuller view of the overall east coast gas market.

5.2.4 Distribution pipelines

Information related to gas flows on distribution pipelines is not currently reported on the Bulletin Board. Given the recommendation that facilities within a distribution pipeline system should report to the Bulletin Board, the Commission has considered whether there is value in requiring reporting by distribution pipelines that are connected to these facilities.

There may be some practical difficulties with distribution trunk lines reporting in the same manner as transmission pipelines:

- distribution pipeline systems are not necessarily operated commercially as point-to-point pipelines and individual pipelines within the system do not have shippers, transportation agreements or delivery and receipt point nominations that can be reported
- the Wilton to Newcastle trunk line does not currently experience congestion and so additional reporting by the distribution pipeline may provide little additional value to the market at this point in time.

Therefore, the draft rule does not require certain distribution pipelines to report the same information as transmission pipelines at this time. As the market continues to evolve and become more dynamic, it may be appropriate at some point in the future for this issue to be re-examined to determine if the benefit to the market of providing information, in some form, may outweigh the costs and the practical difficulties.

5.3 Other changes to existing reporting requirements

5.3.1 Planned expansions and asset retirements

The market would benefit from receiving information from facility operators on planned expansions and asset retirements that would affect the facility's capacity. The type of information would enable market participants to make more informed

decisions about the use of these assets over the medium-term and investment in their own facilities.

Therefore, the draft rule requires facility operators to:

- report on any planned expansions or asset retirements that would affect the facility's capacity on an annual basis at the same time the facility operator reports to AEMO on the nameplate capacity rating
- report on any changes that occur during the year as soon as reasonably practicable after the facility operator becomes aware of any planned expansions or asset retirements that would affect the facility's capacity.⁵³

5.3.2 Frequency of information provision

The information reported on the Bulletin Board can be improved during the day when actual outcomes deviate from expectations. For example, this could occur when renominations result in a facility's expected use changing, or when there is an outage, or some other event results in a facility's short-term capacity outlook changing.

Although the information gaps arising from these issues are dealt with to some extent in the Procedures, the coverage of these provisions is not as extensive as they need to be under the new reporting model. For example, the Procedures currently only require BB pipelines to revise their nominations if there has been a material change during the gas day.

In the case of short-term capacity outlooks, the Procedures also provide facility operators too much discretion to determine whether they will report changes during the day. This is a limitation in the current reporting obligations that could have broader reaching consequences in the market, particularly if some participants become aware of the change in capacity while others do not. This could lead to inefficiencies in the market.

To overcome these limitations, the draft rule contains provisions which require BB pipelines, BB storage facilities and BB production facilities to report any material intra-day changes in nominations and short-term capacity outlooks, where material is defined as the greater of 10 per cent nameplate capacity rating or 30 TJ.

Given the value of this information in allowing market participants to make informed decisions, the information should be prominently displayed on the front page of the Bulletin Board, so that users are made aware of short-term changes throughout the gas day.

⁵³ See, draft rule 181

5.3.3 Reporting of pipeline nominations and forecasts by receipt point

Currently, the NGR requires pipeline operators to report actual gas flows by both receipt and delivery point. Pipeline nominations and forecasts are, however, still only reported on a delivery point basis. It is not currently possible therefore to determine how much gas is forecast to be supplied into the pipeline from the information currently available on the Bulletin Board.

This is a gap in the current reporting obligations that could have broader reaching consequences for trade in both gas and pipeline capacity. The draft rule therefore contains a requirement on pipeline operators to report nominations and forecasts on both a receipt and delivery point basis.⁵⁴

This new requirement would provide greater visibility about expected supply side flows but would also provide market participants with greater insights into pipeline linepack and the direction of pipeline flows. This approach is consistent with the approach used in Western Australia, where pipeline operators are required to report nominations and forecasts by both receipt and delivery point.⁵⁵

5.3.4 Reporting of producer nominations and forecasts

Another reporting gap is that the NGR does not currently require producers to report their aggregated nominations or forecasts. This is in direct contrast to pipeline operators and storage providers who are currently required to report this information.

In those cases where a production facility is the only one supplying gas into a pipeline receipt point, this information should be captured by the nomination and forecast information reported by the pipeline operator. However, there may be locations in the east coast where producers are supplying gas into a receipt point that is also used to supply gas from other pipelines or storage facilities. There may also be locations where gas can be supplied into a pipeline from a production facility and from a pipeline into a production facility with this position potentially changing during the course of the day. The nominations and forecasts reported for these types of receipt points would not provide a clear indication of how much gas is expected to be supplied from the production facility relative to supply from other facilities.

If an incident was to occur at the production facility, it may take some time for the market to determine what the implications for supply into the market actually are, which could, in turn affect trade in gas and pipeline capacity.

⁵⁴ See draft rule 183

⁵⁵ See: <https://gbb.imowa.com.au/#reports/forecastFlow>

To address this gap, the draft rule requires that production facilities are to provide:

- the aggregated nominations for gas day D that would be supplied into a particular receipt point
- the aggregated forecast supplies for gas day D + 1 to D + 6, if it has been provided with forecast supplies by its customers.⁵⁶

The draft rule does not contain an exemption from this requirement where the production facility is the only one supplying gas into a pipeline receipt point; however, this information may already be provided by the pipeline operator.

5.3.5 Peak demand forecasts

Under the NGR, peak demand forecasts are required to be published for each Bulletin Board demand zone. However:

- more comprehensive peak day demand forecasts are developed as part of the GSOO and the NGFR
- the forecasts developed under the NGR can be confusing and of limited value because the delineation of the Bulletin Board demand zones differs from the zones used in the NGFR and GSOO, and in some cases the forecast represents peak demand while in other cases it represents peak flow or peak net flows.⁵⁷

The NGFR and GSOO are better vehicles to deal with any peak day demand forecasting and notes that AEMO would need to amend the way peak demand is calculated for the Bulletin Board in any event given the removal of the zonal model. Therefore, the draft rule removes the provision requiring the publication of peak demand forecasts on the Bulletin Board.

⁵⁶ See draft rule 185

⁵⁷ For example, the peak day demand forecast for the Sydney demand zone represents peak demand, while for the Carpentaria Gas Pipeline demand zone it represents peak flow and for the South West Queensland Pipeline demand zone it presents peak net flow.

6 Publication of Information on the Bulletin Board

The draft rule contains provisions which provide for:

- AEMO being the responsible party for the aggregation of information to be published on the Bulletin Board
- BB pipelines reporting actual flows, nominations and forecast information on a disaggregated basis by receipt and delivery point
- AEMO publishing the aggregation methodology in the BB Procedures, which must be developed in consultation with stakeholders.

The draft rule also provides for certain publication requirements:

- pipeline nominations and forecast information needs to be aggregated and published on the Bulletin Board without delay
- pipeline actual receipt and delivery point flows need to be aggregated and published each day for the previous day to provide an overview of actual flows around the market. This information would also be published on a disaggregated basis.

6.1 Current method of aggregation and timing

Under the current reporting framework, pipeline flow information is aggregated by the pipeline operator based on the zonal model and reported to AEMO for publication on the Bulletin Board.⁵⁸ The NGR does not contain any timing requirements for AEMO to publish the data it has received. However, information is typically published shortly after it is received. Nomination and forecast information is provided to AEMO by 7pm each day, typically with a rolling seven day outlook.

Various stakeholders, including AEMO and APA carried out some work to address deficiencies in the zonal model. This included developing alternative zonal designs (for example, the transit zone design and pipeline-to-pipeline zone design).⁵⁹ However, AEMO's ability to successfully address these deficiencies has been limited by the fact that the NGR currently restricts the scope of the zonal model to production and demand zones. This limitation is of concern given the gaps that have emerged under this model and its apparent inability to respond to changes in the market.

⁵⁸ See: NGR, rule 173(1) and 174(1)

⁵⁹ The alternative zonal designs included: (a) a pure demand and production zone design, which is based on the existing framework but with new zones added as required; (b) a pipeline-to-pipeline zone design, which amends the existing demand and production zone framework by introducing pipeline-to-pipeline zones to capture the movement of gas between pipelines; and (c) a gas transit zone design, which amends the existing demand and production zone framework by introducing gas transit zones at locations where gas is exchanged but not consumed.

6.2 Aggregation model under the draft rule

While the current zonal model does not provide a complete presentation of gas flows around the market, zones may be useful for providing an overview and broad understanding of flows on the Bulletin Board. However, as gas markets change over time, it is important that any aggregation methodology is flexible enough to maintain the relevance of information for the market.

It is necessary to remove the requirement in the NGR for pipeline flow information to be aggregated using the zonal model given the new reporting model. Further, AEMO should be given greater flexibility to determine the appropriate aggregation method. The aggregation method should be developed through AEMO's procedures.

In order for AEMO to aggregate information on the Bulletin Board in a useful manner it is necessary that adequate information is provided. Therefore, the Commission's draft rule contains provision which require:⁶⁰

- BB pipelines to provide AEMO with actual and forecast flow information, disaggregated by receipt and delivery point
- AEMO to publish this information (in aggregated and disaggregated forms) on the Bulletin Board in accordance with the following time frames:
 - pipeline nominations for the gas day and week ahead forecasts: aggregated information is to be published the day before the gas day and disaggregated information is not to be published
 - pipeline actual daily receipt and delivery point gas flows for the gas day: aggregated and disaggregated information to be published the next day.

The draft rule gives AEMO the responsibility for aggregating pipeline flows rather than the BB pipelines. This allows Bulletin Board users to access and analyse the data. It also allows AEMO to recut the data at a later date if the aggregation method changes so historic trends can be examined.

Aggregation by AEMO would enable the receipt and delivery point actual and forecast flow information to be presented in a more manageable form on the Bulletin Board. This would provide a more accurate and complete picture of gas flows in the east coast gas market and be more useful to Bulletin Board users.

6.3 Confidential information

The draft rule requires BB pipelines to report pipeline forecasts, nominations and actual gas flows for each receipt and delivery point.

⁶⁰ See draft rule, rules 183, 187, 193-196

Where a gas user (including a small gas user) is the only party at a delivery point or located on a single user pipeline,⁶¹ any receipt and delivery point data reported by the BB pipeline can be linked to that gas user by any person who accesses information from the Bulletin Board. This means that the impacts on gas users must be taken into account when considering the publication of disaggregated information from pipelines on the Bulletin Board. There are several options for managing the publication of information that may have competitive impacts:

- information can be aggregated such that it cannot be connected to a single user
- information can be published with a time lag.

There may be competitive impacts on participants in other markets where disaggregated information is provided to the market. For example, the publication of disaggregated nomination and forecast information could reveal a gas-fired generator's intended electricity generation. This could affect competition in the National Electricity Market as the forecast information would indicate how much electricity the gas-fired generator may be intending to bid into the electricity market. This may then affect the bidding activity of other participants in the National Electricity Market and the market price of electricity. Accordingly, the draft rule provides that nomination and forecast information from pipelines is only published in aggregated form. The aggregated flow information is sufficient to provide the market with an overview of the expected gas flows.

It is not necessary to publish disaggregated information or forecast information with a time lag. This is because once actual pipeline flows are published the forecast information is superseded by that information, which is more relevant to market participants. Therefore publishing forecast information with a time lag would increase the administrative burden without improving the information available to the market.

The draft rule does not provide for a delay in the publication of actual pipeline receipt and delivery point information. Each day, this information would be published for the previous gas day.

The publication of both disaggregated actual pipeline flows and aggregated actual pipeline flows is necessary. These serve different purposes - the aggregated data would provide a useful and understandable representation of gas flows around the market, while the disaggregated information would enable more detailed assessment and analytics by interested parties.⁶²

The draft rule promotes equal treatment among gas users and a consistent approach to the publication of gas information, establishing a level playing field for participants reporting to the Bulletin Board. It also supports the publication of reliable market information and improves confidence in the Bulletin Board. Finally, the framework

⁶¹ A gas user may be located within a distribution pipeline system, it may be one of several parties at a delivery point, it may be the only party at a delivery point, or it could be located on a single user pipeline.

⁶² See: draft rules 193-195.

created under the draft rule is administratively simpler than developing a complex exemption framework and therefore, reduces the administrative burden associated with the draft rule.

6.4 Bidirectional pipelines

Under the current reporting model, pipeline flows are reported on a net basis. For example, if gas nominations are 50 TJ in one direction and 30 TJ in the other direction, it is reported as 20 TJ. As a consequence, the Bulletin Board may not accurately reflect the utilisation of or nominations on these pipelines.

Further, greater clarity regarding the meaning of positive and negative pipelines flows would be beneficial. It is noted that AEMO publishes a schedule of default pipeline flow directions on the Bulletin Board.⁶³ This information is currently not easily located and when historical information is downloaded, it is unclear whether the default direction has changed over time.

The draft rule does not specifically address this issue. However, given that AEMO would be required to prepare and consult on new Procedures, it may want to consider ways to present information on the Bulletin Board to provide a meaningful representation of the direction and quantity of gas flows.⁶⁴ On bidirectional pipelines, AEMO may consider:

- providing a breakdown of pipeline flows in each direction
- adopting a fixed standard for the assumed direction of bidirectional pipelines.

This improved clarity would greatly assist participants to understand what positive or negative flows on a pipeline represents, as well as have a better understanding of gas demand in each direction instead of a net flow.

⁶³ Rule 173(4) of the NGR allows for the Procedures to specify default directions for nomination and forecast information.

⁶⁴ In addition, the publication of actual pipeline receipt and delivery point information would enable third parties to provide additional analysis of pipeline flows.

7 Funding arrangements and future development

The draft rule contains two revisions to the funding arrangements related to the Bulletin Board:

- the pipeline operator cost recovery provisions are removed from the NGR
- the cost recovery provisions for AEMO's Bulletin Board activities are removed from the NGR.

The draft rule also contains provisions which require AEMO to publish a biennial report on the operation of the Bulletin Board and any potential changes required.

7.1 Cost recovery - market participants

Under the current provisions of the NGR, pipeline operators are permitted to recover the costs of providing 'aggregation and information services' related to the information they provide to AEMO.⁶⁵

The role and relevance of the existing cost recovery provisions given other changes contained in the draft rule were considered, in particular, the requirement that AEMO rather than the pipeline operator would be responsible for the aggregation of information provided by the pipeline operators. Further, given that additional parties would be required to provide information to AEMO, the Commission examined whether the cost recovery provisions should be broadened to allow additional market participants to recover their costs.

The Commission is of the view that:

- new cost recovery provisions should not be introduced to allow any market participant to recover the cost of providing any information to AEMO for publication on the Bulletin Board - this is a cost of doing business
- the existing cost recovery provisions for pipeline operators⁶⁶ in regard to providing 'aggregation and information services' for AEMO should be removed from the NGR.

It is clear from the current NGR provisions that generally the cost of providing Bulletin Board information should not be recompensed, but the cost of providing the specific aggregation and information services to AEMO may be recovered. Therefore, extending the current NGR provisions to provide a general cost recovery mechanism appears inconsistent with the current policy approach in the NGR.

Under the draft rule, more parties would be required to provide information for the Bulletin Board to AEMO. These parties would incur costs to comply with these new

⁶⁵ The information provided by pipeline operators is pursuant to rules 173 and 196

⁶⁶ See: NGR rules 197 and 198

requirements. Further, participants that are already providing information for the Bulletin Board may be required to provide additional information under the draft rule. This may result in increased administrative and compliance costs for these participants.

Information provision aims to improve the function and decision making across the market. This purpose benefits consumers of gas by enhancing the ability of market participants to make efficient and well-informed decisions. The value of this information is enhanced if the coverage of information reporting is broad and relevant to participants. The draft rule results in the burden of information provision being increasingly shared by market participants along the supply chain and providing information would become a 'cost of doing business' in the east coast gas market.

The administrative and operational costs associated with a specific Bulletin Board cost recovery mechanism are not justified. Given the expansion of the number of reporting entities that would arise from implementation of the draft rule, the costs associated with a cost recovery mechanism, which would be recovered from market participants, may exceed the benefits arising from the ability of the market participants to recover its costs.

The existing cost recovery provisions for pipeline operators providing 'aggregation and information services' for AEMO, should be removed from the NGR. In general, the cost of providing information is a cost of doing business. However, it is recognised that the aggregation and information services provided by pipeline operators benefit AEMO in conducting its role as operator of the Bulletin Board. However, it is noted that:

- the draft rule no longer requires pipeline operators to carry out the aggregation service for AEMO
- the cost of providing the aggregation and information services would be expected to be relatively minor
- the available cost recovery provisions do not appear to have been used by a pipeline operator to date.

7.2 Cost recovery - AEMO

Under the NGR, AEMO recovers the costs for operating and maintaining the Bulletin Board from shippers that use Bulletin Board pipelines.⁶⁷ AEMO must notify each shipper of estimated and actual Bulletin Board costs and issue each shipper with a tax invoice showing the amount that the Bulletin Board shipper is being charged, which is based on the proportion of gas transported by individual shippers.

The specific requirements for recovery of AEMO's Bulletin Board costs are in contrast to the provisions relating to the recovery of AEMO's costs for the facilitated gas markets. For these markets, the NGR specifies that AEMO must "develop, review and

⁶⁷ See: NGR rule 191

publish" the structure of participant fees for time periods AEMO considers appropriate.⁶⁸ The participant fees should be sufficient to cover AEMO's budgets revenue requirements, and must be consulted on in accordance with the extended consultative procedures. In determining the structure of market participant fees, AEMO must have regard to the NGR and the following principles:

- the fees structure should be simple
- the fee components reflect the extent of involvement of a registered participant
- the fee structure should not unreasonably discriminate against a category of registered participant.⁶⁹

To date, the current approach has provided a clear method for the levying of fees to fund a public good service - the Bulletin Board. It has been a relatively low cost method of recovering costs. This is because Bulletin Board shippers are readily identifiable and the formulas for determined the fees are clearly set out in the NGR. Shippers may be able to pass on the costs of the fees to end users, who ultimately benefit from the Bulletin Board.

In practice, this mechanism has resulted in the Bulletin Board being funded mainly by the major pipeline shippers (and ultimately their users). The major shippers, historically, were entities such as AGL, EnergyAustralia and Origin. However, now that the LNG pipelines are commissioned, the relatively large throughput of the shippers on those pipelines would result in them becoming the major contributors to the cost of the Bulletin Board under the current framework.

The Bulletin Board is only one component of AEMO's functions and services across the electricity and gas sectors, and the approach used to provide for the recovery of Bulletin Board costs is at odds with other AEMO activities. In general, the governance framework provides for AEMO to have the responsibility for determining its fee methodology. A consultative review process is used to assist it in the development of an appropriate methodology. These reviews have tended to be carried out in three yearly intervals. This process is the most appropriate forum to consider stakeholder views on the manner of calculation and collection of Bulletin Board costs.

There does not appear to be any reason, formed at the time of commencing the Bulletin Board or more recently, for why the AEMO Bulletin Board cost recovery arrangements are specified in the NGR as they are. Further, there does not appear to be any reason why the generally applicable AEMO methodology could not also apply to the recovery of Bulletin Board costs.

The use of one cost methodology and process for all gas activities would be practical and administratively efficient for AEMO to apply and for all stakeholders to participate in. Therefore, the general AEMO cost recovery framework should also include its Bulletin Board costs - the specific requirements for collecting costs related to

⁶⁸ See: NGR rule 135CA(1)

⁶⁹ See: NGR Rule 135CA(4)

the Bulletin Board have been removed. This provides the benefit of a single, governance framework for AEMO's gas market related costs to be recovered.

7.3 Future development of the Bulletin Board

As set out in s.219 of the NGL, AEMO has the following Bulletin Board functions:

- “(a) to collect and collate Bulletin Board information;
- (b) to collect and collate other information in relation to the natural gas services for inclusion on the Bulletin Board;
- (c) to derive from information of the type mentioned in (a) and (b) information for inclusion on the Bulletin Board;
- (d) to publish information on the Bulletin Board of the kinds that may or must be included on the Bulletin Board under the rules;
- (e) to manage information of the type mentioned in (a), (b), and (c); and
- (f) other functions conferred on AEMO in its capacity as the operator of the Bulletin Board by the NGL, NGR or any other law prescribed by the Regulations for the purposes of this paragraph.”

In addition:

- AEMO may make Bulletin Board procedures⁷⁰
- AEMO must maintain the Bulletin Board in accordance with the NGL, NGR and the Procedures.⁷¹

In contrast to other parts of the NGR which provide for periodic reviews, Part 18 of the NGR does not currently provide for a periodic review of the Bulletin Board.⁷²

The ongoing responsibility of AEMO to maintain the relevance of the Bulletin Board is of significant importance to the market and its users. AEMO can continue to maintain the relevance of the Bulletin Board through the provisions contained in the NGR (currently rule 144, under the draft rule it is rule 146). The purpose of the Bulletin Board (draft rule 145) should be referenced by AEMO in maintaining the Bulletin Board.

⁷⁰ See: NGL ss. 227 and 228

⁷¹ See: NGR, rule 144

⁷² For example, in the STTM, reviews of market parameters such as the administered price cap and the cumulative price threshold must occur no later than five years after the last review of these parameters was completed. If a corresponding value in another Australian gas market or the National Electricity Market is reviewed and the review finds that the value should be changed, AEMO must, in consultation with interested parties, determine whether to conduct a review of the market parameter. The Victorian Declared Whole Gas Market does not feature similar provisions.

The draft rule also contains a requirement for AEMO to conduct a biennial report on the Bulletin Board to help maintain its relevance. A frequency of two years would not create a burden for AEMO that outweighs the benefit of providing a report on the Bulletin Board operations and timely identification of appropriate changes for further consideration by stakeholders.⁷³

The draft rule (draft rule 149) provides that AEMO's biennial report should be published and, at a minimum, includes information on:

- AEMO's recent and planned Bulletin Board work program
- usage and performance of the Bulletin Board
- any recommended changes to the Bulletin Board.

To aid in the preparation of the biennial report on the Bulletin Board, AEMO must consult with Bulletin Board users, the AER and the AEMC. It is important that all interested parties have the opportunity to participate in the consultation process for the report.

⁷³ Procedure changes or rule change requests may follow the biennial report.

8 Transitional arrangements

Stakeholders are invited to comment on the following transitional arrangements which assume that a final rule is made in October 2017:

- AEMO must prepare and implement the necessary Bulletin Board Procedures by 30 April 2018;
- the commencement date for the final rule would be 30 September 2018.

The time frames proposed factor the following:

- AEMO's Bulletin Board Procedures would require substantial changes to incorporate all of the requirements associated with the final rule (assuming it is in substantially the same form as the draft rule)
- AEMO would need to develop a new aggregation methodology
- AEMO would need to determine an appropriate method to collect fees associated with the Bulletin Board including the market participants who would be required to pay fees
- AEMO would need to undertake significant consultation on the new aggregation methodology, the fee collection methodology and the new Bulletin Board Procedures
- AEMO and market participants would need to develop or change IT systems to implement the final rule and Bulletin Board Procedures, which work may commence at a high-level prior to the Bulletin Board Procedures being finalised but will require the details of the Bulletin Board Procedure prior to being fully completed
- market participants would need to develop internal policies and procedures to ensure compliance with the final rule and Bulletin Board Procedures
- new market participants who are required to become registered and provide information under the final rule and Bulletin Board procedures would need to be made aware of the new requirements and determine what is required to ensure compliance
- AER would need to consider and determine if any policies or processes require amending so it can adequately monitor and ensure compliance with the requirements of the final rule and Bulletin Board procedures.

The Commission recognises that the time frame associated with the Bulletin Board Procedures would likely require AEMO to begin examining and developing the Procedure prior to any final determination being published on the rule change request. This is appropriate and would facilitate a smoother and timelier implementation of the rule.

The transitional provisions above indicate that any final rule would not commence for a year. If the final rule is made in substantially the same form as the draft rule, the Commission seeks stakeholder views on whether there would be value in providing some or all of the information required under the rule to the market in advance of AEMO's IT system being completed. If there is value in providing this information to the market, the Commission is interested in what options may exist for this information to be provided.

Abbreviations

AEMC or Commission	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
BB Production Facilities	Bulletin Board Production Facilities
Bulletin Board	Natural Gas Bulletin Board
COAG Energy Council	Council of Australian Governments' Energy Council
DWGM	Declared Wholesale Gas Market
GMLG	Gas Market Leaders Group
GSH	Gas Supply Hub
GSOO	Gas Statement of Opportunities
LNG	Liquefied Natural Gas
MCE	Ministerial Council on Energy
NGFR	National Gas Forecasting Report
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
Procedures	Bulletin Board Procedures
Regulations	National Gas (SA) Regulations
STTM	Short-Term Trading Market

Legal requirements under the NGL

This appendix sets out the relevant legal requirements under the NGL for the AEMC to make this draft rule determination.

A.1 Draft rule determination

In accordance with s.308 of the NGL the Commission has made this draft rule determination in relation to the rule proposed by the COAG Energy Council.

The Commission's reasons for making this draft rule determination are set out in section 3.3.

A copy of the draft rule is attached to and published with this draft determination. The key features are discussed in chapters 4 through 7.

A.2 Power to make the rule

The Commission is satisfied that the draft rule falls within the subject matter which the Commission may make rules. The draft rule falls within s.74 of the NGL as it relates to regulating the collection, use, disclosure, copying, recording, management and publication of information in relation to natural gas services.⁷⁴ Further, the draft rule falls within the matters set out in schedule 1 to the NGL as it relates to:

- fees payable to AEMO for services provided, or statutory functions performed under this Law, the Rules or the Procedures⁷⁵
- the Natural Gas Bulletin Board.⁷⁶

A.3 Commission's considerations

In assessing the rule change request, the Commission considered:

- it powers under the NGL to make the rule
- the rule change request
- the AEMC East Coast Wholesale Gas Market and Pipeline Frameworks Review, Stage 2 Final Report: Information Provision, including stakeholder submissions on the relevant issues raised in the review
- the Commission's analysis as to the ways in which the proposed rule would or is likely to, contribute to the NGO

⁷⁴ See: NGL s.74(1)(a)(iii)

⁷⁵ See: schedule 1; 55K

⁷⁶ See: schedule 1; 56-68

- the COAG Energy Council's Australian Gas Market Vision.

There is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request.⁷⁷

The Commission may only make a rule that has effect with respect to an adoptive jurisdiction if satisfied that the proposed rule is compatible with the proper performance of AEMO's declared system functions.⁷⁸ The draft rule is compatible with AEMO's declared system functions as it does not affect the performance of those functions.

A.4 Civil penalties

The Commission's draft rule amends Part 18 of the NGR which currently does not contain any civil penalty provisions except for the reporting obligations provisions; however this civil penalty arises as a result of the operation of section 223 of the NGL.

The Commission cannot create new civil penalty provisions. However, it may recommend to the COAG Energy Council that new or existing provisions of the NGR be classified as civil penalty provisions. The new provisions that the Commission is recommending to the COAG Energy Council as civil penalty provisions are:

- rule 150: registration obligations of facility operators
- rule 151: obligation to register BB facilities
- rule 156: change of operator
- rule 157: change to facility operator group
- rule 164(1) and (4): standard for information or data given under Part 18 of the NGR or BB procedures.

The Commission considers that the new provisions should be classified as civil penalty provisions to provide the market with greater confidence in the information reported on the Bulletin Board. This confidence is developed and maintained through an effective compliance framework and incentives to ensure reporting entities comply with the requirements of the NGR.

⁷⁷ Under s.225 of the NGL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for energy. On 1 July 2011 the MCE was amalgamated with the Ministerial Council on Mineral and Petroleum Resources. The amalgamated council is now called the COAG Energy Council.

⁷⁸ See: NGL s. 295(4)

A.5 Conduct provisions

The Commission cannot create new conduct provisions. However, it can recommend to the COAG Energy Council that new or existing provisions of the NGR be classified as conduct provisions. The new provision that the Commission is recommending to the COAG Energy Council as a conduct provision is:

- rule 164(1): which requires a BB reporting entity to submit information or data in accordance with the BB information standard.

The Commission considers the new provision should be classified as a conduct provision as it would allow persons other than the AER to institute proceedings if there is a breach of the information standard. This would serve to further strengthen the compliance framework.

A.6 Civil penalty and conduct provisions for the Declared Wholesale Gas Market

The Commission can recommend that new or existing provisions of the NGR be classified as civil penalty provisions and/or conduct provisions, as the case may be, in relation to the Declared Wholesale Gas Market by notifying the Victorian Minister of the policy rationale for the recommendations.

The Commission is recommending the following rules be classified as civil penalty provisions for the declared wholesale gas market:

- rule 150: registration obligations of facility operators
- rule 151: obligation to register BB facilities
- rule 156: change of operator
- rule 157 change to facility operator group
- rule 164(1) and (4): standard for information or data given under Part 18 of the NGR or BB procedures.

Further, the Commission is recommending that rule 164(4) be classified as a conduct provision for the declared wholesale gas market.

The classification of these rules as civil penalty and/or conduct provisions, as the case may be, in the Commission's view would strengthen the compliance framework, both in terms of AER enforcement and other persons being able to initiate proceedings. This should then lead to increased confidence in the information and data on the Bulletin Board.

B Stage 2 Final Report: Information provision recommendations

The package of recommendations contained in the Stage 2 Final Report: Information provision includes changes to the current operation of the Bulletin Board as well as required amendments to the NGL, Regulations, NGR and the Procedures. The full set of recommendations is set out below.⁷⁹

Recommendation A: Broaden the stated purpose of the Bulletin Board to recognise the important role that information plays in enabling informed and efficient decision making, as well as aiding price discovery and facilitating trade.

Recommendation B: Improve the reporting framework by:

- removing the link that currently exists between the obligation to report and the zonal model
- simplifying the exemption criteria in Part 18 of the NGR by:
 - removing the existing exemption criteria
 - reducing the minimum reporting threshold to 10 TJ/day for transmission pipelines, production facilities, storage facilities, GSH compression facilities and large user facilities
 - only allowing large users to seek an exemption from reporting, with an annual exemption from reporting daily consumption available if the large user can demonstrate to AEMO that it satisfies the annual reporting exemption criteria
- removing the distribution that currently exists in Part 18 of the NGR between facilities commissioned pre- and post-1 July 2008
- redrafting the registration provisions to provide greater clarity about who is required to apply for registration, who and what are required to be registered, when registration is required and the interaction between registration and reporting
- introducing an information standard for all facilities to employ and classifying the obligation to comply with this standard as both a civil penalty and conduct provision. This standard will require the facility or field operator to act with all due skill, diligence, prudence and foresight and in compliance with all applicable legislation, authorisations, industry codes of practice and in the case of information or data about proved and probable reserves, SPE-PRMS.

⁷⁹ See: AEMC 2016, East Coast Wholesale Gas Market and Pipeline Frameworks Review, Stage 2 final report: information provision, 23 May 2016. pp. 114-118

Recommendation C: Strengthen the compliance framework by classifying the obligation to register as a civil penalty provision. Notes should also be added to the relevant rules to identify those that are civil penalty or conduct provisions.

Recommendation D: The entities that are required to report Bulletin Board information to AEMO should be expanded to include:

- the operators of gas fields with 2P reserves - these operators will be required to report their 2P reserves on an annual basis (or more frequently if a revised estimate is subsequently reported to the ASX or a government agency)
- the operators of GSH compression facilities - these operators will be subject to similar reporting obligations as operators of BB transmission pipelines
- large users - the operators of large user facilities (including LNG facilities) are to report the nameplate capacity of their facilities and daily consumption. The operators of LNG processing facilities will also report on their facility's short- and medium-term capacity outlook and material intra-day capacity charges.

Recommendation E: A consequence of the removal of the zonal model from Part 18 of the NGR is that regional pipelines and facilities attached to those pipelines would be required to report Bulletin Board information to AEMO. It also means that facilities in the Northern Territory and north Queensland around Moranbah and Townsville would be required to report. However, the Commission's recommendation was that these remote, unconnected, pipelines and facilities be excluded from the Bulletin Board framework until such time as they are connected to the primary east coast gas system of pipelines and facilities.

Recommendation F: Amend the existing reporting requirements to:

- require those facilities that report on their medium-term capacity outlook to also report on planned expansions and asset retirements
- improve the frequency with which information is reported and alerted to the market in regard to material intra-day changes to a facility's capacity or nominations, with information to be reported as soon as practicable on the gas day
- require pipeline operators to report nominations and forecasts on both a receipt point (injection) and delivery point (withdrawal) basis
- require producers to report nominations and forecasts for production facilities
- remove the obligation for AEMO to publish estimates of the total forecast demand on peak demand days.

Recommendation G: That AEMO be responsible for the aggregation of information to be published on the Bulletin Board and that:

- BB pipelines must report actual flows, nominations and forecast information on a disaggregated basis, by receipt and delivery point
- AEMO must publish its aggregation methodology in the Procedures, in consultation with stakeholders.

Under this recommended approach different types of information would be published at different times:

- pipeline nomination and forecast information would be aggregated and published without delay. This information would not be published in disaggregated form because aggregated information is sufficient to provide an overview of expected gas flows. In addition, it may have competitive impacts for gas-fired generators in the NEM
- pipeline receipt and delivery point actual flows would be aggregated and published on the following day to provide an overview of actual flows around the market. It would also be published in a disaggregated form
- large user actual gas use data would be published on the following day. In addition, AEMO would aggregate large user gas use to provide an overview of different types of demand across the market (for example, by user type).

Recommendation H: That AEMO progress the following actions under the current framework immediately to improve the information available on the Bulletin Board, including that AEMO:

- adopt a fixed and consistent standard for the assumed direction of bidirectional pipelines
- add further pricing information to the Bulletin Board:
 - actual price and volume data for the Gas Supply Hub, STTM and DWGM
 - ABS Price Index - if the ABS develops a wholesale gas price index then this could be included on the Bulletin Board
 - the voluntary publication of pipeline, storage facility and hub service charges - which could take the form of a link to the owner's website, or a document or spreadsheet
- create a notice board segment within the Bulletin Board to provide market participants with the ability to notify each other of opportunities, such as an open season for a pipeline expansion or an auction of pipeline capacity
- AEMO to add links to the Bulletin Board for the following types of public information:
 - APPEA industry statistics, which, among other things includes statistics on CSG wells and drilling activities

- the Upstream Petroleum Resources Working Group's annual report on unconventional gas reserves, resources, production, forecasts and drilling rates
- other reports prepared by the Office of the Chief Economic, Geoscience Australia, and other Commonwealth, state or territory government agencies on upstream activities
- AER's quarterly compliance report and regulatory decisions for pipelines subject to full regulation.

Recommendation I: The pipeline operator cost recovery provisions be removed from the NGR.

Recommendation J: The cost recovery provisions for AEMO's Bulletin Board activities be removed from the NGR.

Recommendation K: AEMO be required to publish a biennial report on the operation of the Bulletin Board and any potential changes required. The report is to be prepared in consultation with Bulletin Board users, the AER and the AEMC.