

Australian Energy Market Commission

STAGE 2 DRAFT REPORT: INFORMATION PROVISION

East Coast Wholesale Gas Market and Pipeline Frameworks Review

4 December 2015

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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

The Commission has made a number of draft recommendations to improve the operation and relevance of the Bulletin Board for participants in the east coast gas market. The draft recommendations reflect the Commission's recognition of the importance in providing publicly available information on the short- and long-term nature of the market to enable current and prospective gas market participants to make informed decisions.

The package of draft recommendations set out in this report include changes to the current operation of the Bulletin Board as well as required amendments to the National Gas Law (NGL), National Gas Rules (NGR), National Gas (SA) Regulations (Regulations) and Bulletin Board Procedures (Procedures).

Background

An important characteristic of a workably competitive market is that participants have ready access to the information they require to make informed decisions about the prices they expect to see resulting from that market. In gas markets, such pricing expectations are not formed in relation to one specific data point but require a range of information about production and consumption levels, transportation flows, and investment levels in both the short- and long-run. If this characteristic is missing from a market and decisions have to be made on the basis of incomplete, inaccurate, dated or asymmetric information, it may result in an inefficient allocation of resources both in the market and the broader economy.

The east coast gas market has historically operated in quite an opaque manner with gas, transportation and risk management services sold under bilateral contracts that have invariably been treated as confidential by the parties. Information on some key demand and supply fundamentals in the market has also tended to be opaque.

In response, the Natural Gas Services Bulletin Board was created in mid-2008 to provide a more level playing field by requiring information be provided to a central repository for use by all market participants and the public.

With the gas market becoming more dynamic, timely and accurate information to inform operational and commercial decisions, as well as policy decisions, is becoming more important. Information will support gas use and allocation decisions over the short- and long-term, leading to the efficient use of and investment in gas for the long-term interests of consumers – consistent with the national gas objective (NGO). However, the Stage 1 Final Report of the East Coast Gas Review 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 across the economy”.¹ For this reason, Stage 2 of the East Coast Gas Review has focussed on potential improvements to the

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

Bulletin Board, in particular with the aim of establishing it as a 'one-stop-shop' for information on the east coast gas market.²

Purpose and content of the Bulletin Board

Stakeholders and the COAG Energy Council have noted that there are a number of significant information gaps and asymmetries across the gas sector. 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 informational gaps and asymmetries, Commission's draft recommendations include the following improvements to the Bulletin Board:

- The stated purpose of the Bulletin Board in the NGR should be broadened to reflect the important role information plays in enabling informed and efficient decision making, as well as aiding price discovery and facilitating trade.
- The coverage of the Bulletin Board should be expanded to include, among other things, the following information:
 - Upstream activities: Proven and probable reserves should be published.
 - Hub services: The operators of compressors in a gas supply hub should generally be subject to the same reporting obligations as operators of pipelines.
 - Large users (including LNG proponents): Large user facilities that meet the minimum reporting threshold should be required to report the nameplate capacity of their facilities and daily consumption. LNG processing facilities should also be required to report on their facility's short- and medium-term capacity outlook and material intra-day changes in capacity.
- The frequency with which information is reported should be improved by requiring material changes to a facility's capacity during a gas day to be reported as soon as practicable. This information, with updates to pipeline nominations, should be displayed prominently on the Bulletin Board.

Bulletin Board reporting and compliance frameworks

The confidence of market participants in the information reported on the Bulletin Board will depend on the extent to which the reporting and compliance frameworks provide for an accurate and timely picture of gas supply, pipeline flows, storage and demand. The Commission's assessment is that some elements of these frameworks are limiting the reliance that can be placed on information reported on the Bulletin Board.

² AEMC, *East Coast Wholesale Gas Market and Pipeline Frameworks Review*, Stage 1 Final Report, 23 July 2015, p. 176.

In particular, the reporting framework does not currently capture all of the facilities it should and can result in delays in the registration of new facilities. The Commission also has concerns with the strength of the compliance framework and the fact that the reporting framework does not include a clear reporting standard.

To address these concerns and instil a greater level of confidence in the Bulletin Board, the Commission's draft recommendations are that:

- The reporting framework in the NGR should be improved by:
 - removing the link between the obligation to report and the zonal model;
 - no longer mandating the use of the zonal model to aggregate pipeline flow data and giving AEMO greater flexibility to determine how this information is aggregated through the Procedures;
 - replacing the exemption criteria with a minimum reporting threshold (which will be reduced from 20 TJ/day to 10 TJ/day) and removing the distinction that currently exists between facilities commissioned pre- and post-1 July 2008; and
 - redrafting the registration provisions and introducing a reporting standard.
- The compliance framework should be strengthened by classifying the obligation to register as a civil penalty provision in the Regulations. Notes should also be added to the relevant areas of Part 18 of the NGR to identify those provisions that are civil penalty provisions.

Funding arrangements and future developments

Some stakeholders considered that the cost recovery mechanism for Bulletin Board participants is unnecessarily limited to pipeline operators for the provision of 'aggregation and information services' to AEMO. Other stakeholders sought to have the cost recovery rules apply to all parties that provide any information to AEMO for the Bulletin Board. However, as a result of other draft recommendations in this report:

- pipeline operators will not be providing 'aggregation and information services' in the future; and
- the burden of providing information will increasingly be shared by more gas market participants.

As a result, the Commission's draft recommendation is that the market participant cost recovery provisions be removed from the NGR.

The NGR currently sets out the methodology that AEMO is to employ to recover its Bulletin Board costs. However, this provides a governance framework that is inconsistent with those in place for other AEMO activities. In addition, the level of prescription in the NGR has resulted in very little flexibility for AEMO to adjust its

methodology to changing market circumstances. The Commission considers that the inconsistent governance approach is unwarranted. Also, AEMO should be able to incorporate its Bulletin Board costs into its broader fee methodology process.

Accordingly, a draft recommendation is that the current rules on the cost recovery of AEMO's Bulletin Board activities should be removed from the NGR.

A number of stakeholders expressed concern that the Bulletin Board has had limited amendments made to maintain its relevance to the east coast gas market and to meet the needs of market participants. The Commission acknowledges this concern and to provide a framework to assist in the ongoing improvement of the Bulletin Board has set out draft recommendations that AEMO:

- be provided with clearer and more direct responsibility to maintain the relevance of the Bulletin Board over time by requiring it to 'update' the Bulletin Board; and
- publish a biennial report on the Bulletin Board, including relevant information such as a summary of the Bulletin Board work program, performance and usage statistics, compliance and enforcement activities and also identifying any aspects that potentially require amendment. The report is to be prepared in consultation with market participants, Bulletin Board users and the AER and AEMC. It will aid in the identification of minor issues and potential procedure changes as well as potential rule change requests or more substantial concerns that may be considered by the COAG Energy Council.

Next steps

Stakeholders are invited to make submissions to this report, including its recommendations and the specific issues identified. The Commission requests that submissions be lodged by Friday 12 February 2016.

These submissions and other stakeholder engagement will inform the Commission's Stage 2 final report and recommendations on information provision. The Commission anticipates that the final report will then be followed by an implementation phase of undertaking the relevant processes to make amendments to the NGL, NGR, Regulations and Procedures.³

This implementation phase is not contingent upon other recommendations in the East Coast Gas Review or the recommendations in the DWGM Review. Accordingly, it may be prudent for the COAG Energy Council to commence preparatory work prior to the publication of the Stage 2 final report so that these recommendations can be progressed in a timely manner.

Following these processes, the new Bulletin Board reporting framework will commence.

³ Amendments to the NGR and Procedures will be assessed through the relevant AEMC and AEMO public consultation processes having regard to the NGR.

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1 Introduction

1.1 Context

In December 2014, the Council of Australian Governments (COAG) Energy Council published its Australian Gas Market Vision (the Vision), which sets out a gas market reform agenda for the continued development of Australia's gas market. Within the Vision statement, the COAG Energy Council outlines a desired outcome for gas market information:⁴

“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. Projects such as the COAG Energy Council's Gas Transmission Pipeline Capacity Trading process and the subsequent submission of the Enhanced Information for Gas Transmission Pipeline Capacity Trading rule change request (now under assessment by the AEMC), and AEMO's redevelopment of the Bulletin Board, have or will increase the amount of information available to the market. Taking a broader view of information, the COAG Energy Council's ongoing work aims to create a framework for providing and publishing information that will support the creation of a wholesale reference price that reflects market fundamentals.

The AEMC's East Coast Wholesale Gas Market and Pipeline Frameworks Review (East Coast Gas Review), undertaken at the request of the COAG Energy Council, is reviewing the design, functions and roles of facilitated gas markets and gas transportation arrangements on the east coast of Australia. It will develop a clear path forward for gas market development in Australia, consistent with the COAG Energy Council's Vision.

The Stage 1 Final Report of the East Coast Gas Review 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 across the economy”.⁵ The report noted the growing call from stakeholders and policy makers for greater transparency and information to help adapt to structural change in the gas industry.

The gas market is becoming more dynamic, suggesting that timely and accurate information to inform operational and commercial decisions, as well as policy decisions, is becoming more important. Information will support gas use and allocation decisions over the short- and long-term, leading to the efficient use of and investment in gas for the long-term interests of consumers – consistent with the

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

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

national gas objective (NGO). To pursue this goal, the Stage 1 Final Report stated that a closer examination of the specific informational needs of the market, and the means of providing that information, will be conducted within the Stage 2 East Coast Gas Review Information Provision work stream.

The first phase of this work has now been completed. This report provides draft recommendations for the future development of the Bulletin Board that are consistent with the COAG Energy Council's Vision for the information needs of the east coast gas market.

1.2 The role of information

An important characteristic of a workably competitive market is that participants have ready access to the information they require to make informed and efficient decisions about consumption, production, transportation, investment and risk management in both the short- and long-run. If this characteristic is missing from a market and decisions have to be made on the basis of incomplete, inaccurate, dated or asymmetric information, it may result in an inefficient allocation of resources both in the market and the broader economy.

Information can be produced through the competitive process (for example, by businesses voluntarily providing information in order to attract customers, or through the publication of prices). Alternatively, information may be provided to a market through a legal framework, such as requiring businesses to provide a central information provider with information, who then makes this publicly available.

The east coast gas market has historically operated in quite an opaque manner with gas, transportation and risk management services sold under bilateral contracts that have invariably been treated as confidential by the parties. Information on some key demand and supply fundamentals in the market has also tended to be opaque. As a result, historically there have been information gaps in the gas market.

In response, a regulatory solution – in the form of the Natural Gas Services Bulletin Board – was implemented. The objective was to create a more level playing field by requiring information be provided to a central repository for use by all market participants and the public. The Bulletin Board has become an important, although not the only, source of market information. For this reason, Stage 2 of the East Coast Gas Review has focused on potential improvements to the Bulletin Board, in particular with the aim of establishing it as a 'one-stop-shop' for information on the east coast gas market.⁶

While the Commission has focused on the Bulletin Board, it should be acknowledged that a number of steps have already been recently taken to improve upon the initial arrangements put in place in 2008 regarding the provision of information in the east coast gas market. These are:

⁶ AEMC, *East Coast Wholesale Gas Market and Pipeline Frameworks Review*, Stage 1 Final Report, 23 July 2015, p. 176.

- Improve the quality of planning and investment related information – In 2014 AEMO published its first National Gas Forecasting Report (NGFR) and has also made a number of improvements to the Gas Statement of Opportunities (GSOO).
- Improve the functionality and usability of the Bulletin Board – AEMO commenced work on this project in 2014 and the first phase of the redevelopment, which included redesigning the Bulletin Board interface and developing a capacity listing service, was completed in late 2014. More recent changes have included providing links to the facilitated market prices, the AER's weekly gas report and the GSOO and NGFR.
- Improve the quality of some of the information reported on the Bulletin Board – Over the last year the AER has worked with coal seam gas (CSG) producers to improve the quality of the information they provide to the Bulletin Board.
- Address some of the informational gaps on the Bulletin Board – In May 2014, the AEMC made a rule to amend the NGR to increase the level of short- and medium-term capacity outlook information to be published on the Bulletin Board. The AEMC also made a rule amending the Bulletin Board emergency information page in March 2015.
- Provide support for pipeline capacity trading – Over 2015 the AEMC has assessed a rule change request on the Bulletin Board information requirements for supporting gas transmission pipeline capacity trading. AEMO has also amended the Bulletin Board to link into its own transmission capacity trading listing service as well as providing users with the ability to connect to the transmission capacity trading listing services provided by APA Group and Jemena.

While these steps have been taken to reduce information barriers in the gas market, stakeholders have commented that there are still some significant informational gaps and asymmetries.⁷ These are becoming more apparent as market participants try to adjust to the changes underway in the market. For this reason, consideration of these gaps and asymmetries has been an important part of this stage of the Commission's East Coast Gas Review.

1.3 Assessment framework

The assessment framework for considering the information needs of the gas market, particularly in terms of the development of the Bulletin Board, is centred on the national gas objective (NGO), which is:⁸

“...to promote efficient investment in, and efficient operation and use of, natural gas services for the long-term interests of consumers of natural gas

⁷ AEMC, *East Coast Wholesale Gas Market and Pipeline Frameworks Review*, Stage 1 Final Report, 23 July 2015, pp. 172-180.

⁸ NGL, s. 23.

with respect to price, quality, safety, reliability and security of supply of natural gas.”

The NGO pertains to long-term efficiency, which would be achieved through a trade-off between cost and benefit over time.

Quantifying costs and benefits in information provision can be difficult. Nevertheless, qualitative assessments that are associated with efficiency can be appropriate, such as:

- the potential to reduce transaction costs, including search costs;
- reductions in information asymmetry that may otherwise impede efficient exchange;
- better 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; and
- the balance between transparency and confidentiality.

In applying the assessment framework, there are a number of considerations that the Commission may take 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 fair and robust process is undertaken. The value of information provided on the Bulletin Board is ultimately 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 AEMC is aware that compliance with the requirements of the Bulletin Board imposes costs on some market participants, including shippers, on whom fees have been levied to recover AEMO's costs of operating the Bulletin Board. It also notes that the Bulletin Board is required to be publicly accessible and so the use of the Bulletin Board requires no direct cost for users – it is accessible free of charge to all that visit the website. This 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 in complying with Bulletin Board requirements. For this reason, the specific cost burdens of providing information must be weighed against the broadly disseminated benefits of providing that information.

The Commission must also consider the potential for some information to be of a confidential nature. However, it is critical that businesses with a claim of information confidentiality provide clear justification for such a claim. It is also important that information users articulate the value of such information. There is a need to determine the most appropriate trade-off between confidentiality, transparency and value.

The current considerations of the Commission regarding the provision of information in the east coast gas market have had regard to the NGO as articulated through the assessment framework above. However, it should be noted that any future rule change requests that propose amendments to the Bulletin Board provisions of the National Gas Rules (NGR) will be assessed through the AEMC's consultative rule change process under the National Gas Law (NGL) and against the NGO. Implementation of the Commission's draft recommendations will also require some changes to the National Gas Law (NGL), National Gas (SA) Regulations (Regulations) and the Bulletin Board Procedures (Procedures). The balance between which provisions and requirements are to be located in the NGR and which in the Procedures is also a matter for consideration.

1.4 Stakeholder engagement

As part of the Stage 2 East Coast Gas Review, the Commission established the Information Provision Working Group (working group) to assist it in consideration of the issues and details in developing the Bulletin Board. While it was not required to form any consensus views, the working group was requested to provide relevant information and feedback on the issues and their potential solutions. Members of the working group included representatives from producers, pipeline owners, shippers, Bulletin Board users, large gas users, AEMO, AER and governments.

Four working group meetings were held over August to October 2015. These meetings considered:

- the role of information provision, content and coverage of Bulletin Board information;
- impediments to information provision – the reporting framework;
- the purpose of the Bulletin Board and improving the accuracy of information; and
- cost recovery arrangements and the ongoing relevance of the Bulletin Board.

Contributions from members, and the working group as a whole, have significantly assisted the Commission's assessment of the issues related to information provision and its formation of its draft recommendations. In preparing this report, the Commission has also had regard to submissions and information provided during the course of the East Coast Gas Review to date. This includes submissions made in response to the working group discussion papers published on 18 September 2015.

1.5 About this document and next steps

This report discusses the aspects on information provision in the context of the East Coast Gas Review. Following the conclusions set out in the Stage 1 Final Report, the Commission has focused on the development of the Bulletin Board as a 'one-stop-shop' including any operational improvements that could aid in achieving this. The

Commission has also considered the potential for any changes that could improve stakeholders' interactions with the Bulletin Board and AEMO as operator of the Bulletin Board.

The remaining chapters of this report examine:

- the purpose and content of the Bulletin Board;
- the reporting and compliance frameworks that underpin the Bulletin Board; and
- funding arrangements and future developments.

These chapters are followed by: Appendix A – a collation of the draft recommendations set out in this report; Appendix B – specific issues that stakeholders are invited to address in their submissions; and Appendix C – abbreviations.

Stakeholders are invited to make submissions to this report, including its draft recommendations and the specific issues identified. The Commission requests that submissions be lodged electronically via the AEMC's website by 12 February 2016 and quote project number GPR0003.

All submissions received during the course of this review will be published, subject to any claims for confidentiality.

Submissions received in response to this report, as well as other stakeholder engagement, will inform the Commission's Stage 2 final report and recommendations on information provision. The Commission anticipates that this will then be followed by the relevant processes to make amendments to the NGL, NGR, Regulations and Bulletin Board Procedures as recommended in the report. Following these processes, the new Bulletin Board reporting framework will commence.

2 Purpose and content of the Bulletin Board

Box 2.1 Summary of findings and draft recommendations

The Commission is aware that the east coast gas market has historically operated in a relatively opaque manner. While steps have been taken to increase the level of transparency in the market, there are still a number of significant information gaps and asymmetries.

Quantifying the effect of these information gaps and asymmetries can be difficult. 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 because decisions must be made on the basis of incomplete, inaccurate and/or asymmetric information.

To address these issues, the Commission recommends the following improvements to the Bulletin Board:

- The stated purpose of the Bulletin Board in the NGR should be broadened to reflect the important role information plays in enabling informed and efficient decision making, as well as aiding price discovery and facilitating trade.
- The coverage of the Bulletin Board should be expanded to include, among other things, the following information:
 - Upstream activities: Producers should be required to report on their proven and probable reserves.
 - Hub services: The operators of compressors in a gas supply hub should be subject to similar reporting obligations as operators of pipelines.
 - Large users (including LNG proponents): Large user facilities that meet the minimum reporting threshold should be required to report the nameplate capacity of their facilities and daily consumption. LNG processing facilities should also be required to report on their facility's short- and medium-term capacity outlook and material intra-day changes in capacity.
- The frequency with which information is reported should be improved by requiring material changes to a facility's capacity during a gas day to be reported as soon as practicable. This information, along with updates to pipeline nominations, should be displayed prominently on the Bulletin Board.

The implementation of these recommendations will require substantial changes to be made the NGR and the Procedures. Revisions to the Regulations will also be required in some cases.

2.1 Introduction

Policy makers and market participants have taken a number of steps over the last ten years to reduce the informational barriers in the east coast gas market. Notwithstanding these developments, concerns have been raised by the COAG Energy Council,⁹ market participants¹⁰ and earlier reviews¹¹ about the informational gaps and asymmetries that are still present in the market, and the adverse effect they could have on the efficiency with which gas and other resources are allocated.

To address these concerns, some stakeholders have called for a greater level of transparency in the market and for specific improvements to be made to the Bulletin Board to support the price discovery process and enable more informed and efficient decision making. The suggested improvements to the Bulletin Board include:

- making the Bulletin Board more of a one-stop shop for market based information;
- clearly specifying the purpose of the Bulletin Board in the NGR;
- expanding the coverage of the Bulletin Board to capture key demand and supply fundamentals; and
- increasing the frequency with which some information is reported.

The COAG Energy Council has also called for further reform in this area and, in doing so, has placed particular emphasis on the market's need for:¹²

“...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 concerns that stakeholders have raised about the informational gaps and asymmetries in the east coast market and the suggested improvements to the Bulletin Board are considered in further detail in the remainder of this chapter, which is structured as follows:

- section 2.2 provides an overview of the information that is currently available to market participants, the current coverage of the Bulletin Board and how the content of the Bulletin Board compares with the information available in other markets;

⁹ COAG Energy Council Vision, December 2014, pp. 3-4.

¹⁰ Submissions to Stage 1 Discussion Paper: GDFSAE, p. 4; Group of Leading Energy Companies and Major Users, p. 2; ERM Power, p. 11; and Alinta, pp. 3-4.

¹¹ See for example, Department of Industry, *Eastern Australian Domestic Gas Market Study*, 2014, pp. 15-16, 64 and 89-90; K Lowe Consulting, *Gas Market Scoping Study, A report for the AEMC*, July 2013, p. 128.

¹² COAG Energy Council Vision, December 2014, p. 4.

- section 2.3 sets out stakeholders' views on the informational barriers that are currently present in the market, the purpose of the Bulletin Board and the improvements that could be made to the content of the Bulletin Board;
- section 2.4 considers the extent to which the purpose of the Bulletin Board needs to be refined and changes are required to the coverage of the Bulletin Board and the frequency with which some information is reported; and
- section 2.5 summarises the Commission's draft recommendations on the improvements that could be made to the Bulletin Board.

2.2 Background

Table 2.1 sets out the primary sources of information that participants in the east coast gas market can currently have recourse to when making decisions about trade, consumption, production, transportation, risk management, planning and investment. In addition to this information, market participants can also pay to access the services provided by information aggregators (for example, EnergyQuest and Energy Edge), and price reporting agencies (such as Argus).

As Table 2.1 reveals, there is no single source that currently captures all of the information that market participants require to make informed and efficient decisions. Steps are, however, being taken to reduce the degree of fragmentation by making the Bulletin Board more of a one-stop-shop for market related information, as highlighted by the recent addition of the following information to 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;¹³ and
- a planning tab, which contains links to the Gas Statement of Opportunities (GSOO) and National Gas Forecasting Report (NGFR).

The remainder of this section provides an overview of the Bulletin Board and how the content of the Bulletin Board compares with the information provided to participants in other markets.

¹³ The Commission understands that AEMO has included links as a transitional measure and that it intends to include actual price and volume information on the Bulletin Board when the next redevelopment occurs.

Table 2.1 Primary information resources

	Upstream			Transmission Pipelines			Hub Facilities	Storage Facilities		Facilitated Market Prices	Demand
	Exploration activities, resources and reserves	Production (capacity, production, outlook)	Bilateral wholesale gas prices	Pipeline (capacity, utilisation, outlook)	Secondary capacity	Transport costs	Capacity, utilisation, outlook	Storage (capacity, utilisation, outlook)	Storage costs	Prices, injection and withdrawal	Current and outlook
Bulletin Board	x	BB facilities only (daily)	x	BB facilities only (daily)	Listing service (gas also)	x	x	BB facilities only (daily)	x	Recently added links to prices on AEMO website	Recently added links to GSOO and NGFR
Annual GSOO and NGFR	✓ (annual)		x	✓ (annual)	x	Estimates for some pipelines	x	✓	x		Aggregated historic and forecast demand (annual)
AEMO's website/trading platforms	x	x	x	x	x	x	x	x	x	✓	x
AER reports¹	x	x	x	x	x	For regulated pipelines	x	x	x	✓	x
Government reports²	Ad hoc reports	x	x	x	x	x	x	x	x	x	Aggregated historic demand (annual)
Market participants' websites	Some producers' websites		x	Some pipeline owners' websites	APA-Jemena capacity trading websites	Some pipeline owners' websites	x	Some websites	x	x	x
Annual reports and other public announcements	Some producers' annual reports and production and reserves reports		x	x	x	x	x	x	x	x	x

Notes: 1. AER reports include the Weekly Gas Market Report, the Quarterly Compliance Report and regulatory decisions for pipelines subject to full regulation.

2. Government reports include State and Commonwealth reports on gas resources and major projects and the Upstream Petroleum Resources Working Group's annual report on unconventional reserves and resources and production.

Source: AEMC analysis

2.2.1 Bulletin Board

The Bulletin Board was established in July 2008 following a recommendation by the Gas Market Leaders Group (GMLG) that a web-based system be developed to provide market participants and observers with ready access to up-to-date information on the demand-supply outlook for key transmission pipelines, production and storage facilities.¹⁴ At the time this recommendation was made, the GMLG expected the Bulletin Board to play a number of different roles, including:¹⁵

- facilitating trade and improving decision making by providing market participants with information on the market, system constraints and market opportunities;
- allowing other market observers (including governments) to have ready access to information on the state of the market and system constraints; and
- assisting with emergency management.

The GMLG's recommendation was endorsed by the Ministerial Council on Energy in October 2006. The GMLG's work on the Bulletin Board formed the basis for the development of the rules in Part 18 of the NGR. Within this part, rule 142 states that the purpose of the Bulletin Board is 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.

In addition to serving these purposes, the Minister in his Second Reading Speech for the National Gas (South Australia) Bill 2008, stated that the Bulletin Board would also "provide a platform for future gas market transparency measures such as a gas market statement of opportunities."¹⁶

The reporting framework that underpins the Bulletin Board is set out in Chapter 7 of the NGL, Part 18 of the NGR and the Procedures. A more detailed discussion of this framework is contained in Chapter 3. However, in summary, the reporting framework currently requires transmission pipelines, production facilities and storage facilities that are not subject to an exemption to report the information set out in Table 2.2 to AEMO in accordance with the NGR and the Procedures. AEMO is then responsible for publishing the information on the Bulletin Board.

¹⁴ Gas Market Leaders Group, *National Gas Market Development Plan*, June 2006, p. 4.

¹⁵ *ibid*, p. 4. Gas Market Leaders Group, *National Gas Market Development Plan – Scope of a National Gas Statement of Opportunities*, 12 August 2008, p. 12.

¹⁶ South Australian Hansard 2008, National Gas (South Australia) Bill 2008, Legislative Assembly, 9 April 2008, p. 2892.

Table 2.2 Bulletin Board information

Information		Frequency	BB Transmission Pipelines	BB Storage Facilities	BB Production Facilities
Information currently reported on the Bulletin Board					
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	✓	✗	✗
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				
AEMC draft rule determination on the Enhanced Information for Gas Transmission Pipeline Capacity Trading rule change request					
Secondary capacity trading information	12 month outlook for uncontracted capacity	Monthly	✓	✓	✗
	Contact details of shippers with contracted capacity	Updates as applicable	✓	✗	✗
	Data from secondary capacity trading platforms	Week after	✓	✗	✗
Detailed facility data		As applicable	✓	✓	✓
Aggregated and disaggregated receipt/delivery point flow data by zone		Aggregated day after disaggregated monthly	✓	✗	✗
More detailed and standardised medium-term capacity outlook		As issued	✓	✓	✓
Actual storage volumes, aggregated injections and withdrawals and 7 day forecast		Daily	✗	✓	✗

Source: AEMC analysis

The top half of Table 2.2 sets out the information that is currently published on the Bulletin Board. The lower half sets out the additional reporting obligations included in the Enhanced Information for Gas Transmission Pipeline Capacity Trading draft rule. This rule change request was submitted by the COAG Energy Council in April 2015. It aims to reduce some of the informational barriers that may be affecting the trade of secondary pipeline capacity and to address some other minor gaps on the Bulletin Board.

2.2.2 Comparison with information availability in other markets

Before considering whether any improvements can be made to the content of the Bulletin Board, it is worth understanding what information is made available to participants in other gas markets. Table 2.3 compares the information that is currently reported on the Bulletin Board with the information that is available to market participants in Western Australia (WA) through the Gas Bulletin Board (GBB) and the UK through National Grid's website.

Table 2.3 Information reported in Western Australia and the UK

Information		Bulletin Board	WA	UK
Capacity related information	Nameplate capacity	✔ (pipeline, storage and production)		✔ (pipeline, storage and supply points)
	Short-term capacity outlook	✔ (next 7 days)		
	Medium-term capacity outlook	✔ (beyond short-term)	✔ (next 12 months)	
	Linepack capacity outlook	✔(next 3 days capacity adequacy indicator)		✔ (hourly, opening and closing levels)
Actual utilisation of infrastructure	Daily actual pipeline flows	✔ (1 day lag)	✔ (2 day lag)	✔ (real time)
	Daily actual storage data	✔ (net flows 1 day lag)	✔ (net flows 2 day lag)	✔ (real time inflow, outflow and stock)
	Daily actual production/ supply	✔ (1 day lag)	✔ (2 day lag)	✔ (real time by supply terminals)
Large user consumption and end user consumption		✗	✔ (2-7 day lag)	✔ (large user 1 day lag)
Supply nominations and forecast utilisation		✔ (pipelines and storage)		
		By zone	By receipt/delivery point	By entry/exit point
Prices		✔ (facilitated market prices)	✗	✔ (system prices)
Balancing information		✗		✔

Source: WA Gas Bulletin Board website: <https://gbb.imowa.com.au/#home>;
National Grid website <http://marketinformation.natgrid.co.uk/gas/dataitemexplorer.aspx>.

As this table highlights, there are some similarities between the information reported on the Bulletin Board and the WA GBB and National Grid's website but there are also some important points of difference. For example:

- the WA GBB and National Grid website contain information on the gas consumed by large users; and
- the National Grid website contains real time pipeline flow, linepack, storage and supply information (see 'balancing information' in Table 2.3).

In the US, transmission pipelines are required to maintain a bulletin board and publish information on 'unsubscribed' and 'operationally available' capacity, pipeline tariffs and details of primary and secondary capacity trades.¹⁷ The US Energy Information Administration (EIA) also publishes extensive information on gas consumption, production, reserves, net imports, drilling activities, storage and gas prices.¹⁸

2.3 Stakeholder views

Through stages 1 and 2 of this review, stakeholders have raised a number of issues regarding:

- the information barriers and asymmetries that are present in the market and the need for further reform in this area;
- the purpose of the Bulletin Board; and
- the changes that could be made to the Bulletin Board to reduce informational barriers.

Stakeholders' views on these issues are outlined in further detail below.

2.3.1 Information barriers and the need for further reform

A common theme that has emerged from this review is that there is insufficient information in the market at present to support the price discovery process and enable participants to make informed and timely decisions. This view was clearly articulated by GDF Suez Australian Energy (GDFSAE):¹⁹

"Presently, information arrangements are fragmented across multiple platforms and are incomplete which creates concerns for market participants, especially those not across the breadth of the supply chain, and interested stakeholders...

Information is critical to enable participants to make decisions on how to respond to and manage risk. In this regard, as information asymmetries are genuine impediments to fully functioning markets GDFSAE has some support for the view that the market would be better served by more centralised and complete reporting arrangements."

¹⁷ Market Reform, *International Gas Markets Study*, June 2015.

¹⁸ US Energy Information Administration website, <http://www.eia.gov/naturalgas/>

¹⁹ GDFSAE, Submission to Stage 1 Discussion Paper, p.4.

The views expressed by GDFSAE were echoed by a number of other stakeholders in submissions to the Stage 1 review, including the Group of Leading Energy Companies and Major Users (GLECMU), ERM Power, APLNG, Alinta and Arrow Energy.²⁰ Similar views were also expressed by stakeholders in submissions to the ACCC's Gas Inquiry, as highlighted in the following statement by Alinta:²¹

“Alinta does however consider that the efficiency of the east coast gas market would be enhanced through improving overall information disclosure to enable participants to have full knowledge of matters which have a direct bearing on the functioning of the market. Enhanced information transparency in the east coast gas market would also enable transparent price discovery, true incentives to be revealed and risks to be borne by the most appropriate parties.”

Similarly, EnergyAustralia has noted that Bulletin Board information needs to be able to "support portfolio optimisation and investment decisions which required more than historical usage data. Storage levels, reserves, capacity outlooks are not captured".²²

The views expressed by these stakeholders are consistent with the views expressed by the authors of a number of earlier reviews about the informational barriers that are currently present in the market and the need for further reform in this area.²³ The COAG Energy Council also called for further reform in this area in its Vision. In doing so, the COAG Energy Council noted that continued efforts to improve market transparency and assist the price discovery process are “critical to achieve the Council's vision for Australian markets” and that the reform effort should focus on:²⁴

- aggregating existing market information and improving its accessibility; and
- the provision of accurate and transparent market making information across the supply chain.

The COAG Energy Council acknowledged that while there would be costs associated with the provision of additional information, this was “appropriate for the progressive development of Australia's gas markets” subject of course to the caveat that the costs are subject to a robust assessment.²⁵

20 Submissions to Stage 1 Discussion Paper: GLECMU, p. 2; ERM Power, p. 11; Alinta, pp. 3-4; Arrow Energy p. 5; and APLNG, p. 1.

21 Alinta, Submission to ACCC Gas Inquiry Issues Paper, 2 July 2015, p. 3. See also Submissions to ACCC Gas Inquiry Issues Paper: APLNG, p. 2; and GDFSAE, p. 3.

22 EnergyAustralia, Submission to Information Provision Working Group Discussion Papers, 5 October 2015, p. 2.

23 For example, the Department of Industry has raised concerns about the adequacy of “market information to support efficient price discovery and investment” and called for greater transparency in the market to support price discovery and enable informed decisions to be made. Department of Industry, *Eastern Australian Domestic Gas Market*, 2014, pp. 15-16, 64 and 89-90. See also K Lowe Consulting, *Gas Market Scoping Study, A report for the AEMC*, July 2013, p. 128.

24 COAG Energy Council Vision, December 2014, pp. 3-4.

25 *ibid*, p. 4.

The cost of information provision was raised by a number of stakeholders, including AGL, APA, APGA, the ESAA, Jemena, Origin, Santos and Stanwell,²⁶ with many of these stakeholders noting the need for careful consideration to be given to what the information would be used for and if the benefits of its provision are likely to outweigh the costs. A number of the stakeholders that advocated greater transparency (such as GDFSAE, Arrow and Alinta) also noted the importance of considering the costs and benefits associated with increased reporting obligations and not just obtaining information for the sake of it.²⁷ However, Alinta went on to add that “increasing information availability would be of significant benefit in the east Australian gas market at this time and so should be pursued.”²⁸

The question of whether the Bulletin Board should become more of a one-stop-shop for market based information was touched on in a number of submissions²⁹ and in the working group meetings. In general, stakeholders were supportive of this proposal. Many stakeholders, however, cautioned against the unnecessary duplication of information across platforms and noted that in some cases it may be appropriate just to provide links on the Bulletin Board to other relevant sources of information.

2.3.2 Purpose of the Bulletin Board

While there was support for a one-stop-shop approach for the Bulletin Board, many stakeholders noted that their views on what information should be reported on the Bulletin Board was coloured by their understanding of the purpose of the Bulletin Board. And equally, the stated purpose of the Bulletin Board should reflect the information provided to and reported on the Bulletin Board. The question of the purpose of the Bulletin Board was discussed at the working group meetings.

In the first working group meeting, a few stakeholders acknowledged that the Bulletin Board provides a useful overview of the east coast gas market as well as some specific information. One gas user also noted that the range of Bulletin Board users is broad and so addressing the needs of a wide range of users should be reflected in the statement of the purpose of the Bulletin Board. Another stakeholder noted that, in its view, the Bulletin Board could appropriately provide a core information service. Further information and analysis could be sourced from third party providers as needed by the specific market participants. It was noted this arrangement is similar to that which operates in the NEM.

In subsequent discussions, some agreement between participants was reached that the Bulletin Board should be able to provide an overview of supply and demand across the

²⁶ ESAA, Submission to Stage 1 Discussion Paper, p. 10. Submissions to Stage 1 Draft Report: AGL, p. 4; Jemena, p. 3; APA, p. 26; Australian Paper, pp. 3-4; CQ Partners, pp. 7-8; and Origin, p. 6. Submissions to the Enhanced Information for Gas Transmission Pipeline Capacity Trading – Consultation Paper: Santos, p. 1 and Stanwell, p. 2.

²⁷ Submissions to Stage 1 Discussion Paper: GDFSAE, p. 5; and Arrow, p. 5. Alinta, Submission to ACCC Gas Inquiry Issues Paper, 2 July 2015, p. 3.

²⁸ Alinta, Submission to ACCC Gas Inquiry Issues Paper, 2 July 2015, p. 3.

²⁹ See for example, Submissions to Stage 1 Draft Report: Origin, p. 6; and AGL, p. 2.

east coast gas market. This broad view of the market would, according to working group participants, aid in trading decisions as well as medium and longer term decisions on operations and activity in the market. This was noted by ESAA who stated that the consideration should be given to the "Bulletin Board supporting future market development" although it also noted that this is dependent on the broader gas market arrangements.³⁰

This view was endorsed at a later meeting where it was noted by some working group participants that the Bulletin Board was not limited to long term planning – that was largely the role of GSOO and NGFR. However, nor did participants consider that the Bulletin Board's purpose was to be focussed on facilitating trade by providing information relevant to short-term decision making. This discussion led other participants to conclude that rule 142, which sets out the purpose of the Bulletin Board, may already sufficiently reflect the current broad nature of the Bulletin Board.³¹

Working group participants noted some similarity with the WA GBB although it was also acknowledged that the WA GBB has a different role to the Bulletin Board in relation to emergency management. APA noted that the WA GBB includes a section that can be activated upon an emergency and subscribers can use this section to inform and manage an emergency event. This type of facility is not available on the Bulletin Board.³²

2.3.3 Improvements to the content of the Bulletin Board

To address the informational gaps and asymmetries that are currently present in the market, a number of stakeholders have called for improvements to be made to:

- the coverage of information on the Bulletin Board; and
- the frequency with which certain information is reported.

Improvements in the coverage of the Bulletin Board

Through this review and other consultation processes, stakeholders have, to varying extents, called for the following information to be made available to the market:

³⁰ ESAA, Submission to Information Provision Working Group Discussion Papers, 5 October 2015, pp. 1 & 2.

³¹ In contrast, Esso expressed concern about making extensive changes to the Bulletin Board's purpose. Esso, Submission to Information Provision Working Group Discussion Papers, 5 October 2015, p. 1.

³² A recent rule change removed similar provisions from the NGR. The Bulletin Board now includes a static page on the approach to managing emergencies in various jurisdictions with links to where further information can be found. AEMC, Removal of gas Bulletin Board emergency information page, rule determination, 23 April 2015.

- Information on producers' upstream activities³³ and, in particular, information on the proven and probable reserves held by producers. Shell also supported greater transparency around reserves and wellhead data, provided it "does not compromise commercial in confidence dealings between market participants".³⁴ APPEA, on the other hand, said it would not support any move to include upstream information on the Bulletin Board that resulted in additional reporting obligations, but would support the inclusion of links to other public sources.³⁵
- Information on the compressors used in the provision of hub services at Wallumbilla. In its draft report on Hub Services for a Single Wallumbilla Market, AEMO recommended that Wallumbilla compressor stations be subject to equivalent reporting obligations as those applied to pipelines.³⁶ In doing so, AEMO noted that this information would aid market participants' trading decisions in the Gas Supply Hub and allow parties to make alternative arrangements for their commodity and hub service requirements in the event of congestion.
- Information on the demand for gas by large users³⁷ (including LNG proponents) and the LNG proponents' operational activities (for example, outages of the LNG processing facilities, maintenance periods for the facilities and delays in commissioning future trains).³⁸

These suggestions are broadly in line with COAG Energy Council's view that the reform effort should focus on the provision of accurate and transparent market making information on pipeline and large storage facilities operations and capacity, upstream

³³ GDFSAE, Submission to Discussion Paper, p. 5. Submissions to ACCC Gas Inquiry: ENA, p. 8; and Hydro Tasmania, p. 4. EnergyAustralia, Submission to Information Provision Working Group Discussion Papers, 5 October 2015, p. 2. Also Department of Industry, *Eastern Australian Domestic Gas Market Study*, 2014, p. 90.

³⁴ Shell, Submission to ACCC Gas Inquiry Issues Paper, 2 July 2015, p. 7.

³⁵ APPEA, Submission to Stage 1 Draft Report, p. 11.

³⁶ AEMO, *Hub Services for a Single Wallumbilla Market – Draft Report*, October 2015, p. 23.

³⁷ See for example, Submissions to Stage 1 Discussion Paper: GDFSAE, p. 4, Arrow Energy, p. 5 and GLECMU, p. 2. The provision of this information was also supported by EnergyQuest and Visy during the working group meetings.

³⁸ Submissions to Stage 1 Discussion Paper: ERM Power, p. 11, Alinta p. 2 and AER, p. 3. This was also discussed in the working group. Some insight into the concerns that stakeholders have about this information gap can be found in the following statement contained in Alinta's submission to the Stage 1 Discussion Paper:

"...should a participant (presumably who owns or operates a LNG facility) know that the commissioning of their LNG facility has been delayed and is now coming online substantially later than what is publicly known, they subsequently have the ability to forward sell electricity (either via over the counter trades or the futures market) knowing that due to the delay there will be significantly more gas in the market than expected. Much of this gas will be burnt through power stations leading to much lower spot electricity prices than would have occurred had the LNG facility been commissioned to the publically known timeframe. Information asymmetries give select participants a large commercial advantage in both gas and electricity markets."

resources, and the actions of producers, export facilities, large consumers and traders.³⁹

Finally, it is worth noting that there was some debate among working group members about whether LNG proponents should be required to report information on LNG exports (such as ship movements) for publication on the Bulletin Board. It became clear through this discussion that while there are some informational gaps in this area (with information published after a lengthy delay), this information would have no bearing on the domestic market and should not be addressed through the Bulletin Board.⁴⁰ It was suggested, however, that the COAG Energy Council should consider addressing this informational gap through other means.

Frequency of reporting

In Stage 1 of the review, APLNG, QGC and Alinta noted that there may be value in moving to intra-day reporting of information, such as gas flows and changes in capacity, to enable more informed decision making to occur through the gas day.⁴¹ ERM Power also suggested that, consistent with the approach employed in the NEM:⁴²

- information on unplanned pipeline and production facility constraints should be reported as soon as they occur and reported on the Bulletin Board; and
- a public notification process should be adopted with market participants in all jurisdictions notified by AEMO of potential and actual events as they occur.

ERM added that a “single website that captures all real time market information would be more efficient and reduce complexity for participants (including NEM and gas market participants)”.⁴³

In terms of the more general provision of real time information on gas production, pipeline and storage flows, GDFSAE noted that:⁴⁴

“..ultimately, real time information in a tradeable market, as is the case in other markets overseas and in the National Electricity Market, is a desirable objective if it is concluded by the AEMC that the conditions are right to do so in Australia.”

However, other stakeholders noted that a movement to more frequent reporting would be costly to implement.⁴⁵ Through the working group, APA also questioned whether

³⁹ COAG Energy Council Vision, December 2014, p. 4.

⁴⁰ Noting that information on the flows through the pipelines to the facilities and information on the facilities themselves is to be included in the Bulletin Board.

⁴¹ Alinta, Submission to Stage 1 Draft Report, p. 2. Submissions to Stage 1 Discussion Paper: APLNG, p. 1 and QGC, p. 6. In the first Working Group meeting, GDFSAE also supported a movement to more frequent information provision.

⁴² ERM, Submission to Wholesale Gas Markets Discussion Paper, p. 3.

⁴³ *ibid*, p. 4.

⁴⁴ GDFSAE, Submission to the Enhanced Information for Gas Transmission Pipeline Capacity Trading Consultation Paper, p. 4.

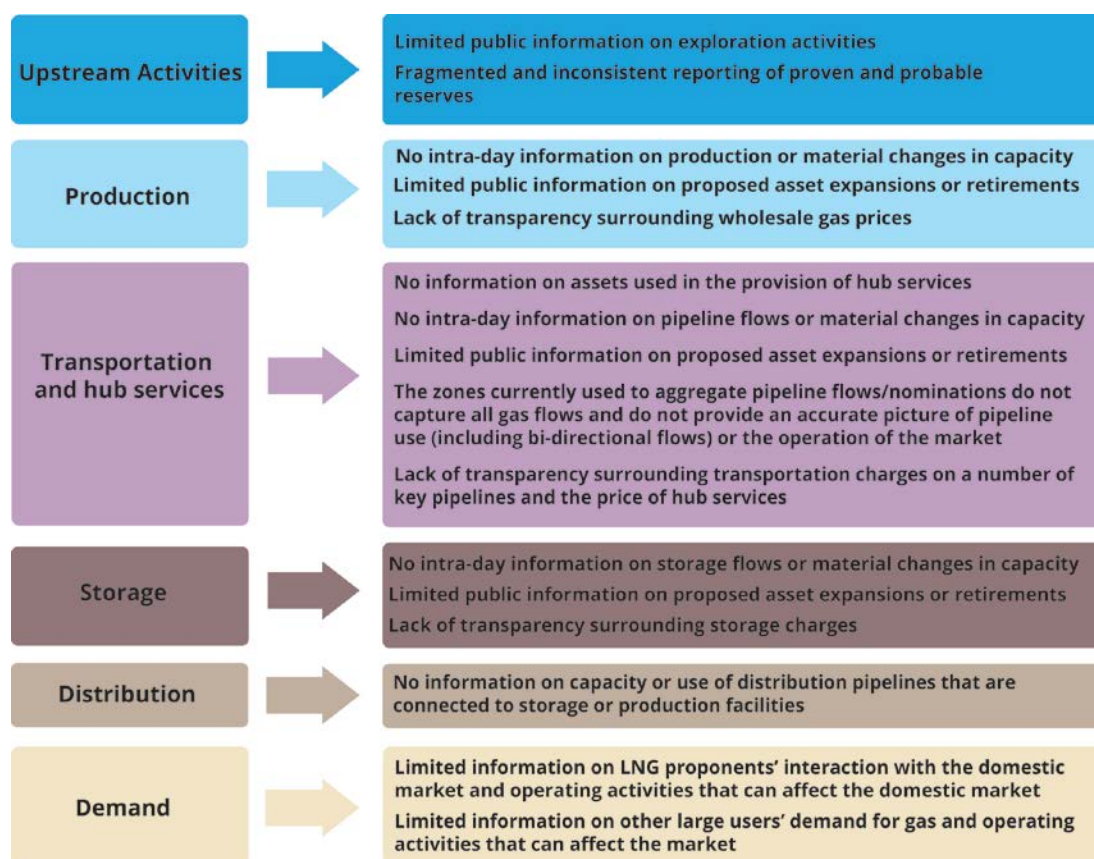
intra-day information was required, or if all participants really required was information on deviations from forecasts. Working group members broadly agreed that information on material deviations from forecasts during the day could address some of the information gaps that arise.

In this regard, APA and SEAGas noted that pipelines are already required to report any renominations that occur before or during a gas day that cause the aggregated delivery nominations to change by the greater of ten per cent of the pipeline's capacity or 30 TJ. Some working group members noted that an equivalent requirement to report on material changes in capacity on an intra-day basis could be of value, but that the threshold would need to be set appropriately.

2.4 Assessment

The Commission is aware that the east coast gas market has historically operated in an opaque manner. While steps have been taken to increase transparency in this market, there are, as the COAG Energy Council and many stakeholders have noted, still a number of significant informational gaps and asymmetries. Further insight into the nature of the information gaps can be found in Figure 2.1, which summarises the various gaps that stakeholders and the authors of prior reviews have identified.

Figure 2.1 Information gaps across the supply chain



Source: AEMC analysis.

⁴⁵ At a working group meeting, APA and Origin expressed concern about the cost of this option.

Quantifying the effect of these information gaps and asymmetries can be difficult. 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 adversely affect related markets, such as the NEM, and the broader economy.

Given the adverse effect that information gaps and asymmetries can have on the overall efficiency of the market, it is relevant to consider whether these information deficiencies could be reduced by:

- expanding the coverage of the Bulletin Board; and/or
- increasing the frequency with which some information is reported on the Bulletin Board.

Before doing so, however, consideration must first be given to the overarching purpose of the Bulletin Board.

2.4.1 Purpose of the Bulletin Board

Rule 142 states that the purpose of the Bulletin Board is 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.”

In addition to serving these purposes, the Minister in his Second Reading Speech for the National Gas (South Australia) Bill 2008, stated that the Bulletin Board would also “provide a platform for future gas market transparency measures such as a gas market statement of opportunities.”⁴⁶

Submissions from stakeholders and discussions at the working group indicate that there are a variety of users of the Bulletin Board and the information sought and used is for a number of purposes. It appears that practice has been consistent with the purpose that was drafted in 2008.

However, one inconsistency has recently emerged – that relating to emergency management. Following the making of the rule removing the Bulletin Board

⁴⁶ South Australian Hansard 2008, ‘National Gas (South Australia) Bill 2008’, Legislative Assembly, 9 April 2008, p. 2892.

emergency information page,⁴⁷ the wording of the Bulletin Board purpose now incorrectly suggests that the Bulletin Board provides an active service in assisting the management of emergency events.⁴⁸ As this is no longer the case, this inconsistency should be addressed. The Commission's draft recommendation is that rule 142(b) be removed.

In relation to appropriately describing the purpose of the Bulletin Board, the Commission's draft recommendation is for an amendment to rule 142(a) so that the purpose is broadened to reflect:

- the importance of information for a wide range of stakeholders to enable those stakeholders to make informed and efficient decisions relating to the gas market;
- that such information should include supply and demand side information over the short- and long-term; and
- information should aid the price discovery process as well as facilitating trade in natural gas.

The Commission considers that implementing the draft recommendation would come at little cost to market participants. However, it anticipates that an appropriately worded purpose would provide clarity and a greater understanding of the Bulletin Board for current and prospective users.

2.4.2 Coverage of the Bulletin Board

As outlined in section 2.3, stakeholders have identified a number of potential improvements to the coverage of the Bulletin Board to reduce the informational barriers currently surrounding:

- producers' upstream activities;
- the compressors used in the provision of hub services; and
- large users' demand for gas and operational activities that may affect the market.

These proposals are considered, in turn, below, with a number of other improvements that the Commission has identified.

Upstream activities

The Bulletin Board does not currently contain any information on producers' upstream exploration activities, or the proven and probable reserves held in each field in the east

⁴⁷ AEMC, Removal of gas Bulletin Board emergency information page, rule determination, 23 April 2015.

⁴⁸ The COAG Energy Council is expected to consider the multi-jurisdictional protocol that provides a framework for managing emergencies that extend beyond one jurisdiction during 2015-2016. Department of Industry and Science, *Energy White Paper 2015*, April 2015, p. 30.

coast. While some of this information can be found in the public domain,⁴⁹ it is fragmented and incomplete because a number of producers either do not report on their activities, or do not report their activities at a sufficiently disaggregated level to be meaningful.⁵⁰ Collating and analysing this information can therefore be quite time consuming and may not yield an accurate picture of the medium- to longer-term supply outlook on the east coast.⁵¹

The fragmented and incomplete nature of upstream information was identified in the COAG Energy Council's Vision as an area for further reform:⁵²

"Previous information and transparency improvement efforts by the COAG Energy Council have generally focused on providing greater information on the downstream components of Australian gas markets. The Council recognises the need to place equal emphasis on information relating to upstream gas resources. An important contributor to informed decision making about the future value of gas is transparent information on reserves, resources production, forecasts and well drilling rates. The COAG Energy Council expects that timely and improved reporting of this type of information to the market will help inform the market."

The Commission has formed a similar view and notes that greater transparency on reserves and upstream exploration activities would provide market participants with a better understanding of the medium- to longer- term supply outlook, which will, in turn, enable:

- users of gas to make more informed decisions about their future use of gas, planning and investment decisions;
- producers to respond to the signals that this information would provide (for example, by increasing their exploration activities if it is clear that reserves are falling); and
- pipeline and storage facility operators to make more informed investment decisions.

⁴⁹ For example, periodic disclosures by ASX listed entities and reserves statistics published by the Queensland Department of Natural Resources and Mines for fields located in Queensland. The Upstream Petroleum Resources Working Group also prepares an annual report for the COAG Energy Council on unconventional gas reserves, resources and production, including new well drilling rates and production forecasts. See <https://data.qld.gov.au/dataset/petroleum-gas-production-and-reserve-statistics>; and <http://www.scer.gov.au/workstreams/upstream-petroleum-and-offshore-minerals/unconventional-gas-reserves/>

⁵⁰ For example, the ASX requires annual reserves reporting but allows the companies to determine the geographic areas on which they report.

⁵¹ Although there are information aggregators that publish reserve estimates, they face similar obstacles to collating this information and must also make a number of assumptions when developing their estimates.

⁵² COAG Energy Council Vision, December 2014, p. 3.

This information could also assist governments in making more informed policy decisions.⁵³

Information on the uncontracted reserves held by producers could also be of benefit in the current environment because it would allow buyers that have to negotiate in a relatively tight market to readily identify producers that have gas available to sell.

Given the benefits that would flow from reducing the informational gaps that have arisen in the upstream segment of the supply chain, the Commission has given some thought to the options that could be employed to increase transparency and reduce the degree of information fragmentation in this area through the Bulletin Board.

Two options that could provide greater transparency in relation to reserves would involve:

1. imposing a reporting obligation on producers under Part 18 of the NGR and requiring them to report their proven and probable reserves by field in a consistent manner on a six monthly basis for publication on the Bulletin Board; or
2. according AEMO with responsibility for collating publicly available information on proven and probable reserves by field and publishing this on the Bulletin Board on a six monthly basis.

The strength of the first option is that it would result in a more accurate and consistent measure of reserves across producers which market participants could place more confidence in. This option would, however, impose some costs on producers, particularly if the reporting timetable and reporting standard adopted in the NGR differs from what is used for other purposes. It will also capture more producers than are currently required to report daily production, because it will include producers that are currently producing gas and those that are not yet producing but have certified proven and probable reserves. However, a large number of these producers are already required to report proven and probable reserves to the Queensland Department of Natural Resources and Mines. The cost to these producers should therefore be negligible, particularly if the NGR adopts the same reporting standard and timetable as the Queensland Department of Natural Resources and Mines employs.

The second option, in contrast, would avoid imposing any direct costs on producers. The costs would instead be borne by AEMO who would have to recover its costs. The main shortcoming of this option is that AEMO (or a consultant engaged by AEMO) would still have to deal with the fragmented and incomplete nature of the publicly available information and, where necessary, make a number of assumptions in determining reserves. The quality of the reserves estimate developed under this option can therefore be expected to be lower than under the first option.

Of the two options, the Commission's preference is for the information to be obtained directly from producers through a reporting obligation in Division 5 Part 18 of the

⁵³ The Commission understands that not all governments require reserves reporting although some information is required from producers for royalty calculation purposes.

NGR.⁵⁴ However, in considering the burden this reporting obligation may place on producers, the Commission intends to consider further whether to:

- place the reporting obligation on operators of joint ventures, rather than all joint venture participants; and/or
- require the information to be provided on an annual cycle rather than six monthly; and/or
- apply a minimum reporting threshold.

The Commission is interested in stakeholders' views on how the reserves reporting obligation should be imposed, having regard to the overall objective of creating a 'one-stop-shop' for the Bulletin Board. It is also interested in views on whether there would be any benefit in also requiring producers to report their uncontracted reserves if a decision is made to proceed with the reporting obligation option.

If this recommendation were to be made, changes would also need to be made to Division 5 Part 18 of the NGR to include the new reporting obligations and the Procedures to reflect the changes to the NGR.

In relation to exploration activities, the case for imposing a reporting obligation on producers is not as great as what it is for proven and probable reserves because it is more speculative in nature. The Commission therefore recommends that links be added to the Bulletin Board to the following types of publicly available information:

- APPEA industry statistics, which, among other things includes statistics on CSG wells and drilling activities;⁵⁵
- the Upstream Petroleum Resources Working Group's annual report on unconventional gas reserves, resources, production, forecasts and drilling rates;⁵⁶ and
- other reports prepared by the Office of the Chief Economist, Geoscience Australia,⁵⁷ and other Commonwealth, State or Territory government departments on gas related issues.

A rule change is not required to enable the publication of this material on the Bulletin Board. The Commission therefore suggests that it be added to the Bulletin Board when AEMO carries out its next update of the Bulletin Board. As an interim measure to the proposed reporting of producers' proven and probable reserves, AEMO could also

⁵⁴ To give effect to this option, the definition of the term BB facilities would need to be amended and new reporting rules introduced into Division 5 Part 18 of the NGR. The Procedures may also need to be revised.

⁵⁵ <http://www.appea.com.au/industry-in-depth/industry-statistics/>

⁵⁶ <http://www.scer.gov.au/workstreams/upstream-petroleum-and-offshore-minerals/unconventional-gas-reserves/>

⁵⁷ For example, the Australian Energy Resource Assessment, Second Edition, 2014.

publish the Queensland Government's gas production and reserves statistics⁵⁸ and the reserve estimates that are developed as part of the GSOO.

Assets used in the provision of hub services

The providers of compression and redirection services in the Wallumbilla gas supply hub are not currently required to comply with the reporting obligations in the NGR. Like AEMO, the Commission considers this to be a significant information gap that could be giving rise to information asymmetries in the gas supply hub.⁵⁹

Addressing this information gap would result in all market participants being informed of the expected utilisation, outages and planned maintenance of these compressors. They would therefore be better placed to anticipate the effect of any constraints in the supply hub, which could, in turn, inform their price expectations, trading and risk-management decisions. This information could also allow market participants to:

- respond to any compressor constraints by making alternative arrangements for purchasing gas or hub services and, in so doing, avoid further congestion; or
- make use of 'as available' compression or redirection services, or enter into secondary trades with the primary capacity holders if the compressors are not expected to be fully utilised.

Given the benefits associated with this information, the Commission's draft recommendation is that the owners of compression facilities in a gas supply hub be subject to similar reporting obligations as pipeline owners. That is, they should be required to provide information on:

- the nameplate capacity rating of the compressor and the short- and medium-term capacity outlooks for the facility;
- the actual usage of the compressor on the previous gas day;
- the expected use of the compressor on the gas day and forecast use over the subsequent six days; and
- any new reporting obligations that transmission pipelines become subject to as a result of the Enhanced Information for Gas Transmission Pipeline Capacity Trading rule change.

To give effect to this recommendation the Regulations would need to be amended to prescribe hub service providers as persons obliged to provide this information, because

⁵⁸ <https://data.qld.gov.au/dataset/petroleum-gas-production-and-reserve-statistics>

⁵⁹ AEMO, *Hub Services for a Single Wallumbilla Market – Draft Report*, October 2015, p. 23. The information asymmetry arises because only primary capacity holders have access to information on outages or planned maintenance that will affect the availability of compression services, which could disadvantage other market participants.

s. 223 of the NGL does not currently place an obligation on these types of facilities to provide Bulletin Board information to AEMO. Section 223(g) does, however, allow another person who is prescribed by the Regulations to be subject to a reporting obligation. Changes would also need to be made to:

- the definition of BB facilities in the NGR to include these facilities;
- Division 5 Part 18 of the NGR to include the new reporting obligations; and
- the Procedures to reflect the changes to the NGR.

Large user demand

Unlike their counterparts in Western Australia, large gas user facilities in the east coast are not currently subject to any reporting obligations under Part 18 of the NGR. Gas fired generators, LNG processing facilities, manufacturing plants, minerals processing facilities and other large industrial facilities are not therefore currently required to report on the actual volume of gas they have consumed, the nameplate capacity of their facilities or changes to the capacity of their facilities. While information on some large user facility demand can be pieced together from information on the Bulletin Board (for example, through pipeline flows or production data for dedicated facilities) and other public sources, most large users are not required to make this information publicly available.

This is a significant limitation that could be affecting both:

- the efficiency with which trade occurs and a range of other decisions that are being made across the supply chain, because market participants do not have a good understanding of the nature of the demand for gas or large users' operational activities that can have a bearing on the market; and
- competition in the gas market and other related markets, such as the NEM, because of the information asymmetries that these informational gaps may be giving rise to as a number of stakeholders have noted (see section 2.3.3).

The Commission therefore recommends that large user facilities that satisfy a minimum reporting threshold be required by Part 18 of the NGR to provide AEMO with certain information on the capacity of their facilities and daily consumption of gas for publication on the Bulletin Board. AEMO could then use this information and pipeline flow information to derive an estimate of distribution connected demand (excluding large user facilities) and other end-user demand (the residual demand), which could also be published on the Bulletin Board.

Making this information available through the Bulletin Board allows market participants to gain a better understanding of the nature of the demand and the potential demand (capacity) for gas in a particular location and therefore be in a better position to anticipate changes in demand. This could, in turn, help to inform:

- price expectations in any of the facilitated markets that are located in close proximity to the facility;
- other market participants of any opportunities that may exist to trade secondary capacity or use an 'as available' service if large users are not utilising their capacity; and
- medium to longer term planning and investment decisions across the supply chain.

Just as gas users seek to be better informed about the supply of gas, producers (and other parties) look for more reliable information on the demand side of the market. The overall effect goes to addressing the objective of establishing the Bulletin Board as a 'one-stop-shop' of gas information for the east coast gas market.

Given the benefits associated with this information, large users in the east coast gas market should be subject to similar reporting obligations to their counterparts in WA. Further detail on the Commission's draft recommendations on the form that the large user reporting obligations should take is provided in Table 2.4. In developing these draft recommendations the Commission has been cognisant of the need for large user reporting obligations to be fit for purpose, proportionate to the detriment they are intended to address and, where possible, minimise the regulatory burden imposed on large users. To this end, the Commission's draft recommendations are that:

- large user facilities only be required to comply with the reporting obligations if they satisfy the minimum nameplate capacity reporting threshold and that an annual exemption from reporting be available if consumption falls below the threshold; and
- if a large user facility is the only recipient of gas at a delivery point on a BB transmission pipeline, then it may be relieved of its obligation to report daily consumption if the information can be obtained from the BB transmission pipeline.

The Commission has also been cognisant of the fact that a one-size fits all approach may not be appropriate for all large users because the activities of some large users are likely to have a greater impact on the market by virtue of their size.

For example, an unexpected outage of one of the LNG processing facilities will have a far greater effect on the gas market than an outage of a glass manufacturing plant because, depending on the size and number of trains, an LNG processing facility can consume 700 TJ -1,550 TJ per day. To put this volume of gas into perspective, in 2014-15 the demand for gas by all consumers in NSW and the ACT ranged from 225 TJ-585 TJ per day. Viewed in this way it is clear that dealing with any outage of an LNG processing facility or associated infrastructure can be expected to have a significant impact on the gas market and, depending on the measures used to deal with any gas that cannot be stored or turned down, other markets such as the NEM. It follows that there is likely to be more value to the market in subjecting the LNG processing facilities to more reporting obligations, particularly in relation to the short- and medium-term capacity outlook, than other large user facilities.

Table 2.4 Draft recommendations on reporting by large gas user facilities

Issue	Recommendation		
Who will be required to register	Large user facilities that are connected to a transmission pipeline or distribution system that satisfy the minimum reporting threshold will be required to register. These facilities include gas fired generators, LNG processing facilities, manufacturing plants, minerals processing facilities and other large industrial facilities. The registration will attach to the facility rather than the owner of that facility. A large user that receives gas across multiple locations will therefore only have to register if a particular facility meets the reporting threshold.		
Minimum reporting threshold for large users	The minimum reporting threshold for large user facilities will be set at 10 TJ/day. The nameplate capacity that will be used to assess the minimum reporting threshold will be defined as the maximum quantity of gas that can be delivered to the facility on a gas day (ie the connection to the facility is capable of allowing that quantity of gas).		
Circumstances in which an exemption from reporting will be available	An annual exemption from reporting (but not registration) will be available if the minimum reporting threshold is met but the large user can demonstrate to AEMO that: the facility has not, on any single gas day during the last 12 months, been delivered 10 TJ or more of gas; and the facility will not be delivered 10 TJ/day or more in the coming 12 months. If this position changes during the year, then the large user will be required to advise AEMO as soon as practicable and will then be required to comply with the reporting obligations.		
Reporting obligations that will apply to registered facilities that are not subject to an annual exemption			
	LNG processing facilities	Other large users	Commentary
Nameplate capacity rating and delivery points	To be reported annually		All large user facilities will be required to report the delivery points through which they are supplied gas and the facility's nameplate capacity (ie the maximum quantity of gas that can be delivered to the facility on a gas day) annually.
Capacity outlook	Short- and medium-term capacity outlooks and material intra-day changes in capacity to be reported in the same manner as pipelines, production and storage facilities.	Changes to nameplate capacity to be reported as soon as reasonably practicable if capacity changes by more than 10% and is expected to affect the facility for more than 3 months.	LNG processing facilities will be required to provide more detailed and frequent information than other large users, because the scale of these facilities is such that any change in their capacity could have a significant effect on the market. In the Commission's view this is appropriate because the value to the market of having more timely information on the capacity outlook of these facilities is far greater than what it is for other types of large users.
Actual consumption data	Actual consumption data for each gas day on the day after the gas day (D+1). If a large user is the only party taking gas at a delivery point on a BB transmission pipeline it may be relieved of its reporting obligation because the information will also be reported by the BB pipeline when it supplies disaggregated receipt and delivery point information to AEMO.		All large user facilities will be required to report actual consumption. The time that large users will have to report their consumption is consistent with other facilities, but one day shorter than what has been adopted in Western Australia. The Commission is interested in large users' views on whether it is feasible to gain access to the metered data this quickly.

While in principle, it may be appropriate to develop a size based threshold to identify those very large users that should be subject to additional reporting obligations, in practice the LNG processing facilities are the only facilities in the east coast that are capable of having such a significant effect on the market. It is more practical therefore to develop specific obligations for these facilities.

As indicated by Table 2.4, the LNG processing facilities would have the additional requirement of reporting to AEMO on short- and medium-term capacity outlooks and material intra-day capacity changes.

One issue that is not addressed in Table 2.4 is specifying when large users' consumption data would be published on the Bulletin Board. In Western Australia, consumption data is published on an aggregated basis two days after the gas day (D+2) and on a facility basis seven days after the gas day (D+7). However, these specific publication lags are not used for the east coast Bulletin Board in relation to other information. The Commission proposes to reduce the lags for the publication of:

- aggregated information to one day (D+1) to bring it into line with the publication of other facilities' actual production, pipeline flow and storage information; and
- facility based data to five days (D+5) to bring it into line with the proposed timing of the publication of disaggregated receipt and delivery point data (see section 3.4.1).

While it is relatively straightforward to implement these publication rules on a multi-user pipeline, it is more difficult to do so on a single shipper pipeline, because:

- there are no other users to aggregate the information across; and
- the pipeline operator is required by the NGR to report on actual pipeline flows on a day after basis and pipeline nominations and seven day forecasts on a daily basis.

Nevertheless, facility based data is an important component of demand side information for the Bulletin Board. As large users may be quite geographically dispersed, aggregated information alone would not be sufficient for parties to make well informed decisions on providing services to key users.

In most cases the publication of a large user's nominations, forecasts and actual pipeline flows as set out above will be appropriate, but there may be circumstances in which it could have an unintended consequence on competition in another market.

For example, the publication of a gas fired generator's pipeline nominations on a day-ahead basis could affect competition in the NEM if it resulted in more information being available on the generator's supply plans for the coming day(s) than is available from its competitors in the NEM. In contrast, the publication of an LNG proponent's pipeline nominations is unlikely to have any effect on competition in the LNG market because the proponents have already sold most of their LNG under long-term contracts and any spot sales will take some time to reach the market.

This issue has not been explored in detail in the consultation that has occurred to date. The Commission is therefore interested in stakeholders' views on this issue and, in particular on:

- the circumstances in which the release of this information could affect competition in another market;
- the types of information that, if released, could affect competition in another market (for example, nominations and/or day after gas flows); and
- the extent to which any specific measures need to be put in place in Part 18 of the NGR to delay the release of information where it can be demonstrated that its release would affect competition in another market.

One potential measure would be to allow delayed reporting of nomination data and/or actual pipeline flow information where the large user can clearly demonstrate to the AER that the release of this information would affect competition in another market. If the large user was able to satisfy the AER of this, then provisions in the NGR could require AEMO to publish the information with a five day lag. The AER is likely to be better placed to consider such an application by a large user than AEMO, because it is required to consider competition related issues in other aspects of its regulatory work. The Commission would be interested in stakeholders' views on the merits of this option, including whether the AER is the appropriate body to consider such applications and if the NGR should include any guiding principles.

Setting this issue aside, in order to give effect to the recommendations in Table 2.4, the following changes would be required:

- amend the definition of BB facilities in the NGR to include large-user facilities;⁶⁰
- set out in Division 5 Part 18 of the NGR the specific reporting obligations that will apply to large user facilities;
- add a new division to the NGR to set out the obligations that AEMO will have to publish large user data, distribution network connected consumption (excluding large user data) and other end-user consumption; and
- amend the Procedures to reflect these changes.

Other improvements

In addition to the improvements outlined above, there are a number of other relatively low cost improvements that could be made to the Bulletin Board, which would not require a rule change. These improvements are set out in Table 2.5.

⁶⁰ Users are already obliged under s. 223 of the NGL to provide Bulletin Board information to AEMO.

Table 2.5 Other improvements to the coverage of the Bulletin Board

Improvement		Detail
Pricing	Publication of facilitated markets prices	AEMO has recently included a Market Prices tab on the Bulletin Board, which contains links to the market data pages on its website and the AER's Weekly Gas Market Report. The Commission understands this is an interim measure and that AEMO intends to publish actual price and volume data for the Gas Supply Hub, STTM and DWGM when the next redevelopment occurs. The Commission welcomes the proposal to report actual prices on the Bulletin Board and notes that it will complement existing system information and provide a more complete set of relevant information on the Bulletin Board.
	ABS Price Index	The Commission has been working closely with the ABS to develop a wholesale gas price index as a way of improving transparency around price movements in confidential bilateral gas contracts. If the ABS decides to proceed with the publication of this index then there would be value in publishing this information on the Bulletin Board.
	Voluntary publication of pipelines, storage facility operators and hub service charges	<p>While APA and Jemena currently publish their tariffs on their respective websites, there is limited publicly available information on the charges levied by other pipelines, storage facility operators or hub service providers. It can be difficult therefore for users considering upstream supply options to understand what other costs they may incur in obtaining the gas for their relevant location.</p> <p>To encourage greater transparency in this area and reduce search costs, the Commission recommends that a page be created on the Bulletin Board that would allow the owners of pipelines, storage facilities and hub service to publish, on a voluntary basis, information on their firm and as available charges. This information could take the form of a link to the owner's website, or a pdf. Because this information would be provided on a voluntary basis, a rule change is not required. In the spirit of transparency, the Commission would encourage the owners of these facilities to use this page and to keep the information up to date.</p>
Notice Board		There is currently no place on the Bulletin Board that market participants can use to notify each other of opportunities, such as an open season for a pipeline expansion or an auction of pipeline capacity. In the Commission's view, there would be merit in allowing this information to be voluntarily published on the Bulletin Board so that all market participants are aware of such opportunities. Because this information would be provided on a voluntary basis, a rule change is not required.

The only other potential improvement that the Commission has identified, which is more substantive in nature than those outlined in Table 2.5, is to expand the scope of the medium-term capacity outlook. To date, facilities have tended to use the medium-term capacity outlook to report upcoming maintenance. However, there

would be value in expanding the scope of this outlook to include information on any planned expansions, or asset retirements that will affect the facility's capacity, over the next 12-24 months. Among other things, this information would enable market participants to make more informed decisions about the use of these assets over the medium-term and investments in their own facilities.

In contrast to some of the other recommendations outlined above, this change could occur relatively quickly because the provision of this type of information is consistent with the current definition of medium-term capacity outlook in the NGR. All that would be required is an amendment to the Procedures to make it clear that this information is to be provided as part of the medium-term capacity outlook.⁶¹

2.4.3 Frequency of information provision

As outlined in section 2.3.3, a number of LNG proponents and gas fired generators have advocated a move to more of a real time or intra-day reporting model to enable more informed and efficient decisions to be made throughout the day. Other stakeholders, however, have raised concerns about the costs that would be involved in putting in place the systems to report on this basis.

While the Commission understands the attraction to moving to more of a real time or intra-day information model, it is also conscious of the fact that:

- this information is currently only being sought by a small number of participants in the market (that is, those participants that are in a position to change their gas consumption and/or supply decisions within the day); and
- the costs of moving to such a model are likely to be significant for both BB facility operators and AEMO.

The benefits of moving to this type of reporting model are therefore unlikely to outweigh the costs at this point in time.

It is possible that the benefits of moving to a real time or intra-day reporting model may increase in the future, particularly if gas and pipeline capacity trading becomes more liquid and dynamic. There may therefore be value in moving to this type of reporting model in the future if the market develops in this manner. As an interim measure, there may be some benefit in conducting a trial of such a reporting model on a select number of facilities if the demand for this type of information increases.

A trial could be conducted on some of the major pipelines in Queensland (for example, the SWQP and RBP) using the Supervisory Control and Data Acquisition (SCADA) systems that are already in place on these pipelines. However, the Commission understands that even if the SCADA systems are used, the pipelines in question are likely to incur costs submitting this information to AEMO and AEMO will also incur

⁶¹ This will be considered further once the Enhanced Information for Gas Transmission Pipeline Capacity Trading final rule is made.

costs setting up systems to receive and publish this information. The costs of conducting a trial at this point in time may therefore outweigh the benefits. Nevertheless, the Commission welcomes stakeholders' views on whether there would be value in conducting a trial either now or in the future to, among other things, get a better understanding of the costs and benefits of moving to a real-time or intra-day reporting model.

Setting these more fundamental changes to the reporting model aside, the Commission has identified a number of improvements that can be made to the existing reporting obligations to reduce the information gaps that arise during the day when actual outcomes deviate from expectations.

In this regard, it is worth noting that clause 5.7(b) of the Procedures already requires BB pipelines to update their aggregate delivery nominations during the gas day if renominations result in a material change in the original submission. A material change in this case is defined as the "greater of 10% nameplate rating or 30 TJ". Provision has also been made in clause 5.4(c) of the Procedures for BB facilities to update their short-term capacity outlook before or during the gas day if capacity is affected by an unplanned outage or other event. However, unlike clause 5.7(b) which states that the BB pipeline 'must' update the nominations, clause 5.4(c) only states that a facility 'may' update the capacity outlook.

This is a deficiency in the current framework that could have broader reaching consequences in the market, particularly if some participants become aware of the change in capacity because they use the facility while others do not. The Commission therefore recommends that AEMO replace the term 'may' in clause 5.4(c) of the Procedures with 'must' and also consider whether the same threshold that applies to changes in nominations could be applied to changes in capacity during the gas day.

The Commission also recommends that any intra-day updates be prominently displayed on the front page of the Bulletin Board (for example, either as some type of flag or as a news feed), so that users are made aware of changes through the gas day. There may also, as ERM Power has suggested, be merit in introducing an alert system, similar to what applies in the NEM, to notify market participants of these types of changes when they occur. The Commission is aware, however, that there are likely to be costs associated with implementing such a system and so would value stakeholders' views on the merits of this type of alert system.

2.5 Draft recommendations

In regard to the purpose and content of the Bulletin Board, the Commission's draft recommendations are that the following changes be made:

- The purpose of the Bulletin Board, as set out in rule 142, should be broadened to reflect the important role information plays in enabling informed and efficient decisions to be made, as well as aiding the price discovery process and facilitating trade. In addition, the reference to emergency management (rule 142(b)) should be removed.

- The coverage of the Bulletin Board should be expanded in the following manner:
 - Upstream information: Producers should be required to report on their proven and probable reserves. AEMO should also publish links on the Planning tab to APPEA and government reports on exploration activities, reserves and gas projects.
 - Hub services: The operators of compressors in a gas supply hub should be subject to similar reporting obligations as operators of pipelines.
 - Demand and capacity:
 - Large users (including LNG proponents): Large user facilities that consume 10 TJ or more of gas on a single gas day in a year should be required to report the nameplate capacity of their facilities and daily consumption.⁶² LNG processing facilities should also be required to report on their facility's short- and medium-term capacity outlook and material intra-day changes in capacity, while other large users should only be required to report on material changes in capacity that are expected to affect the facility for more than three months.
 - Other demand: AEMO should be required to publish the volume of gas consumed by large users, LNG proponents, distribution connected demand (excluding large user facilities) and other end-user demand.
 - Prices:
 - Wholesale gas prices and facilitated market prices: The ABS gas price index should be added to the Markets Prices tab once it is published.
 - Transportation, storage and hub services: A new pricing tab should be added to the Bulletin Board to allow pipeline, storage and hub service providers to voluntarily publish the charges for their services.
 - All facilities: With the exception of large users, all facilities should be required to report on planned expansions or asset retirements that will affect capacity in the impending 12-24 months as part of their medium-term capacity outlook.
 - A notice board should be added to the Bulletin Board to enable market participants to notify each other of opportunities, such as an open season for pipeline expansion.
- The frequency with which information is reported and alerted to market participants should be improved by requiring any material changes to a BB facility's capacity during a gas day to be reported as soon as practicable on that day. This information, along with updates to pipeline nominations should be displayed prominently on the Bulletin Board.

⁶² If the large user is the only party taking delivery of gas at a delivery point on a BB transmission pipeline then the information can be obtained from the pipeline and the large user relieved of this obligation.

The draft recommendations to the content of the Bulletin Board are depicted in Figure 2.2.

To give effect to these draft recommendations, the following would be required:

- amendment to the Regulations to prescribe hub service providers and the operators of LNG processing facilities as ‘another person’ for the purposes of s. 223(g) of the NGL; and
- a combination of NGR and Procedure changes to implement all the other recommendations.

Box 2.2 sets out some of the specific questions for stakeholder feedback raised in this chapter.

Box 2.2 Questions for stakeholders

Upstream

How should the reserves reporting obligations for producers be established to achieve the publication of relevant and timely information on the Bulletin Board?

Is there any value in requiring producers to report their uncontracted reserves on the Bulletin Board?

Large users

Will large users be capable of providing AEMO with their metered gas data on the day after the gas day (D+1)?

In what circumstances could the release of pipeline nominations and/or actual flow information on single shipper pipelines affect competition in another market?

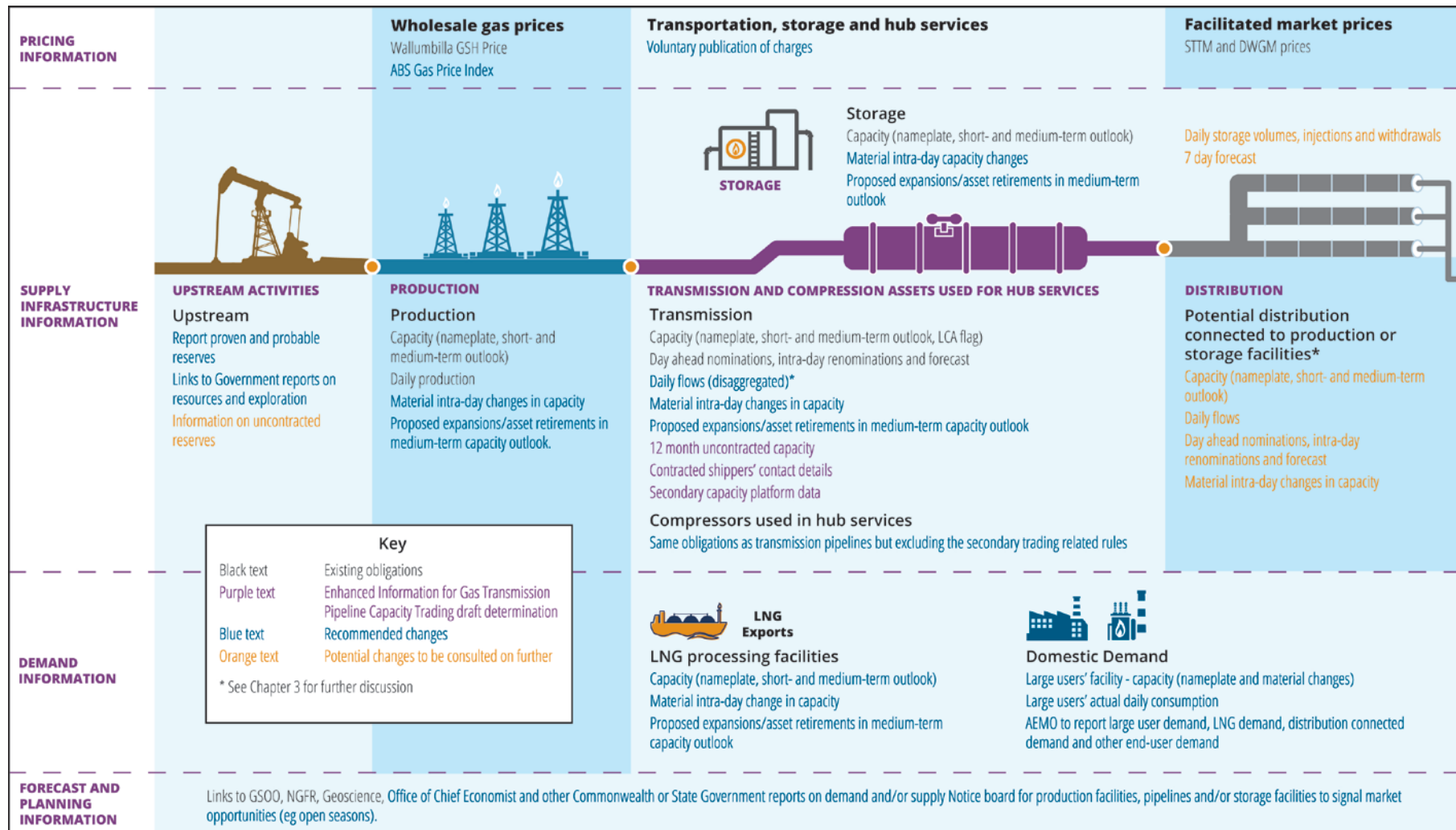
Are any specific measures in the NGR required to delay the release of information on single shipper pipelines where it can be demonstrated that the release of this information would affect competition in another market?

Real time or intra-day information

Is there any benefit in:

- conducting a trial on a select number of pipelines to determine the costs and benefits of moving to a real time or intra-day reporting model, or should such a trial be deferred until there is greater demand for this type of information?
- implementing an alert system to inform market participants of any changes to nominations or the capacity of BB facilities during the gas day?

Figure 2.2 Draft recommendations on content of the Bulletin Board



3 Reporting and compliance frameworks

Box 3.1 Summary of findings and recommendations

The market's confidence in the information reported on the Bulletin Board will depend on the extent to which the reporting and compliance frameworks provide for an accurate and timely picture of gas supply, pipeline flows, storage and demand. It is relevant therefore to consider whether the reporting and compliance frameworks that underpin the Bulletin Board are working effectively.

Stakeholder feedback and the Commission's own analysis indicate that some elements of these frameworks are limiting the reliance that can be placed on information reported on the Bulletin Board. In particular, is that the reporting framework does not capture all of the facilities it should and can result in delays in the registration of new facilities. These reporting gaps and delays can largely be attributed to:

- the link between the obligation to report and the zonal model;
- the breadth of the exemption criteria and the exclusion of facilities operating prior to 1 July 2008 that were not originally identified as BB facilities from reporting; and
- the lack of clarity in the registration provisions in specifying when the reporting obligation arises and if registration is required if a facility is likely to meet the exemption criteria.

The Commission also has concerns with the strength of the compliance framework and that the reporting framework does not include a clear reporting standard. To address these concerns and instil a greater level of confidence in the information provided on the Bulletin Board, the Commission's draft recommendations include:

- The reporting framework in the NGR should be improved by:
 - removing the link between the obligation to report and the zonal model;
 - no longer mandating the use of the zonal model to aggregate pipeline flow data and giving AEMO greater flexibility to determine how this information is aggregated through the Procedures;
 - replacing the exemption criteria with a minimum reporting threshold (which will be reduced from 20 TJ/day to 10 TJ/day) and removing the distinction that currently exists between facilities commissioned pre- and post-1 July 2008; and
 - redrafting the registration provisions and introducing a reporting standard.
- The compliance framework should be strengthened by classifying the obligation to register as a civil penalty provision in the Regulations. Notes should also be added to the relevant areas of Part 18 of the NGR to identify those provisions that are civil penalty provisions.

3.1 Introduction

The reporting and compliance frameworks that currently underpin the Bulletin Board are set out in Chapters 1, 2 and 7 of the NGL, Part 18 of the NGR and the Procedures. Among other things, these frameworks specify:

- the facilities that can be subject to reporting obligations, the nature of the reporting obligations and the circumstances in which an exemption from the reporting obligations can be sought (the reporting framework); and
- the role the AER is to play in monitoring and enforcing compliance with the Bulletin Board provisions in the NGL, NGR and Procedures and the tools that are available to the AER to encourage compliance (the compliance framework).

In stages 1 and 2 of this review, a number of stakeholders have raised concerns about the level of reliance that can be placed on the information currently reported on the Bulletin Board and called for improvements to be made to these two frameworks to:

- address the gaps that have emerged under the current reporting framework;
- improve the accuracy and timeliness with which information is reported; and
- strengthen the compliance framework and raise the level of awareness among BB facilities about the consequences of any breach of the Bulletin Board provisions.

These issues are explored in further detail in the remainder of this chapter, which is structured as follows:

- section 3.2 provides further detail on the reporting and compliance frameworks;
- section 3.3 sets out stakeholders' views on the effectiveness of the current frameworks and where improvements could be made;
- section 3.4 considers the extent to which the reporting gaps that have emerged on the Bulletin Board and the general level of confidence in the Bulletin Board could be improved through changes to the reporting and compliance frameworks; and
- section 3.5 summarises the Commission's draft recommendations on the improvements that could be made to the reporting and compliance frameworks.

3.2 Background

The reporting and compliance frameworks that underpin the Bulletin Board were implemented in July 2008 when the Bulletin Board came into effect and have been largely unchanged since that time. Further detail on these two frameworks is provided below.

3.2.1 Reporting framework

The legal architecture that gives effect to the reporting framework can be found in Chapter 7 of the NGL, Divisions 1, 3 and 5 of Part 18 of the NGR and the Procedures. In short, the provisions in these regulatory instruments specify:

- the facilities that can be subject to reporting obligations (referred to as BB facilities in the NGR);
- the circumstances in which a facility can seek an exemption from the reporting obligations; and
- the reporting obligations that BB facilities are subject to and the manner in which information is to be reported to AEMO.

Facilities that can be subject to reporting obligations

Section 223 of the NGL states that a person of the following kind who has possession or control of information in relation to natural gas services must give AEMO the information if the person is required to do so under the NGR:

- a pipeline service provider;
- a user of a covered or non-covered pipeline (for instance, shippers);⁶³
- a producer;
- a storage provider; and
- another person prescribed by regulations.

In its current form, the NGR only requires production facilities, transmission pipelines and storage facilities that are considered 'BB facilities' to comply with the reporting obligations in the NGR. A production facility, transmission pipeline or storage facility can become a BB facility in one of three ways:⁶⁴

- the facility was specified as an initial BB facility in Schedule 2 of the NGR;
- the facility is commissioned after the commencement of the NGR (1 July 2008); or
- the facility is declared a BB facility by AEMO.

In keeping with rule 147, these facilities must register with AEMO. BB shippers must also register with AEMO. For facilities that were commissioned after the NGR came into effect (post 1 July 2008), rule 147 requires the operator to register as soon as

⁶³ A user is defined in s. 2 of the NGL as a person who contracts with a service provider for pipeline services. This would include a person who ships gas for their own use but not a person who purchases gas through a retailer.

⁶⁴ Rule 141 of the NGR.

practicable. The requirement to comply with the reporting obligations in the NGR is not, however, linked to registration.⁶⁵ Rather, the obligation to report arises as soon as a facility becomes a BB facility, which for a facility that was commissioned after 1 July 2008 means they are required to start reporting as soon as the facility is commissioned.⁶⁶ The purpose of registration appears therefore just to allow AEMO to maintain a register of BB facilities.

Exemption provisions

Provision has been made in the NGR for the operator of a BB facility to apply to AEMO for an exemption from the reporting obligations in Division 5 of the NGR if the facility's nameplate rating is less than 20 TJ/day, or if it satisfies the following criteria:

- Transmission pipelines exemption criteria (rule 149(5)):
 - the pipeline does not transport natural gas between a production zone and a demand zone, between demand zones or between production zones; or
 - the pipeline only delivers gas to an injection point on a BB pipeline.
- Production facility exemption criteria (rule 151(7)):
 - gas from the production facility does not flow directly or indirectly into a BB pipeline.
- Storage facility exemption criteria (rule 150(5)):
 - the storage facility is not connected to a BB pipeline; or
 - the storage facility is used solely as part of a production facility.⁶⁷

The key points to note about these exemption criteria are that the obligation for:

- transmission pipelines to report information is currently linked to the zonal model (see Box 3.2);
- production and storage facilities to report information depends upon their level of connection to a BB transmission pipeline, which in turn, depends on the zonal model, that is:
 - storage facilities must be 'connected to' a BB pipeline; and

⁶⁵ With the exception of cl5.3(b) of the Procedures which states that in respect of the initial provision of nameplate capacity rating, this information must be provided within 10 business days of registration.

⁶⁶ This is reflected in the definition of the terms BB pipeline, BB storage facility and BB production facility in rule 141.

⁶⁷ The Commission is currently considering whether this exemption criterion should be removed as part of the Enhanced Information for Gas Transmission Pipeline Capacity Trading rule change process. In the Commission's draft rule determination (1 October 2015), the draft rule had the effect of removing this criterion.

- production facilities must enable gas to flow ‘directly or indirectly’ into a BB pipeline.
- storage facilities to report information depends on whether they are used solely as part of a production facility.

If an exemption is granted, the facility operator must inform AEMO in writing if it becomes aware the facility no longer meets the terms of its exemption (rule 152(4)). Production facility operators that are granted an exemption may also be required by AEMO to continue to regularly report on their nameplate capacity rating (rule 151(6)). An exemption may be cancelled at a later date if AEMO has reasonable grounds to believe the facility no longer meets the exemption criteria.

Box 3.2 Zonal model

The zonal model, which is enshrined in the NGR, plays the following roles on the Bulletin Board:

- to determine which transmission pipelines are required to report under rule 149(5), with the obligation to report only arising if the pipeline is used to transport gas between: a production zone and demand zone; demand zones; or production zones; and
- as an aggregation tool for pipeline flows and nomination information under rules 173 and 174, with pipelines required to report actual and forecast usage for the demand and/or the production zones it services.

Rule 135EA allows AEMO to define the bounds of the demand and production zones in the Procedures. There are currently seven production zones and 15 demand zones. The production zones include production within Gippsland/Bass basins, Port Campbell, Moomba, Ballera, Roma, Sydney and Declared Transmission System (DTS). The demand zones include demand supplied off the DTS, Tasmanian Gas Pipeline, Eastern Gas Pipeline, Moomba to Adelaide Pipeline System, Moomba to Sydney Pipeline, SEAGas Pipeline, Roma to Brisbane Pipeline, Queensland Gas Pipeline, South West Queensland Pipeline, Carpentaria Gas Pipeline, as well as demand at Ballera, Curtis Island (LNG), Adelaide, Sydney and in the ACT.

Reporting obligations

BB facilities that are not subject to a reporting exemption are required by ss. 223 and 228A of the NGL to comply with the reporting obligations set out in Division 5 Part 18 of the NGR and the Procedures and to provide this information in the time and manner specified in these instruments.⁶⁸ Section 224 further provides that a person required to comply with the reporting obligations cannot rely upon a duty of confidence to avoid

⁶⁸ Rule 151(6) also requires BB production facilities that have been granted an exemption to report on their nameplate capacity if requested by AEMO.

compliance with these obligations. The information that BB facilities are currently required to report to AEMO under Division 5 Part 18 of the NGR is set out in Table 2.2.

Unlike other parts of the NGR, there is no clear standard that this information must comply with. Provisions in the NGL and NGR just require that:

- the information not be knowingly false or misleading (s. 225);
- a person does not incur any civil monetary liability for any acts or omissions in providing information to AEMO unless the act or omission was done or made in bad faith or through negligence (s. 226); and
- estimates of daily production, storage and the short term capacity outlook be made in “good faith” (rule 141).

The disclaimer provisions in the Bulletin Board Terms of Use also make it clear that the information is not of market settlement quality and that users cannot rely on it:⁶⁹

“The content appearing on the Bulletin Board is intended to be used for guidance only. It is not of market settlements quality. You agree that you will not rely on any content appearing on the Bulletin Board.”

3.2.2 Compliance framework

The AER is required by s. 27 of the NGL to monitor, investigate and enforce compliance with the NGL, NGR and any procedures that AEMO publishes. Section 228A of the NGL also allows AEMO to direct a person to comply with the Procedures if it has reason to believe they are not complying. 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 Procedures or the NGL or NGR.⁷⁰ The AER has a range of tools it can employ in its enforcement role, including:

- **Instituting 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 the BB facility pay a civil penalty if the BB facility has breached a civil penalty provision. The maximum civil penalty is \$20,000

⁶⁹ Bulletin Board Terms of Use, cl. 3(a).

⁷⁰ The AEMC understands from discussions with the AER and AEMO that AEMO provides some support to the AER in its compliance monitoring capacity by: (a) carrying out daily checks on the quality, completeness and timeliness of the information reported by BB facilities, and, where relevant, following up with facilities if there are problems; and (b) providing the AER with a monthly report that identifies any facilities that have failed to report in the preceding month, provided incomplete or inaccurate information or failed to submit information within the required timeframe.

for individuals (\$100,000 for body corporates), plus \$2,000 (\$10,000) for every day it continues.

- **Issuing an infringement notice** if the AER has reason to believe the facility has breached a civil penalty provision. The maximum penalty is \$4,000 for individuals (\$20,000 for body corporates).
- **Seeking an administrative resolution**, which may include a voluntary commitment by a BB facility to rectify non-compliance by implementing a compliance program or improving internal procedures.

As this list highlights, additional enforcement tools and remedies are available to the AER if a BB facility has breached a civil penalty provision (for instance, a court issued civil penalty or an AER issued infringement notice). The only Bulletin Board provisions that are currently defined as civil penalty provisions are:⁷¹

- section 223 of the NGL, which states that:
 1. a pipeline service provider, shipper, producer, storage provider or another person prescribed by regulation that is in possession of natural gas service information and is not subject to an exemption must provide that information to AEMO if required to do so under the NGR; and
 2. the information provided to AEMO must be done so in accordance with the NGR.
- section 225 of the NGL, which states that a person that is required to give Bulletin Board information to AEMO must not give information that it knows is false or misleading in a material particular.

Although no provisions in Part 18 of the NGR or the Procedures are classified as civil penalty provisions in the Regulations, breaches of the reporting obligations in Division 5 Part 18 of the NGR⁷² would fall within the scope of s. 223(2) of the NGL because they would constitute a failure to provide information in accordance with the NGR. Breaches of the registration and exemption provisions in Division 3 Part 18 of the NGR would not, however, fall within the scope of s. 223(2) because they do not require the provision of information of the nature contemplated by s. 223.

In addition to the civil penalty provisions, BB facilities can also be subject to a civil monetary liability for an act or omission but only if that act or omission is made in bad faith or through negligence.⁷³ The maximum civil monetary liability that a court can order is currently \$400,000 for each person who suffers loss as a result (capped at \$20 million for a prescribed 12 month period).

⁷¹ The civil penalty provisions are set out in s. 3 of the NGL.

⁷² Or the Procedures if the NGR require they be complied with.

⁷³ Section 226 of the NGL.

3.3 Stakeholder views

Through stages 1 and 2 of this review, concerns have been raised by a number of stakeholders about:

- the reporting gaps and delays that have emerged under the current reporting framework;
- the accuracy and timeliness of some of the information reported by BB facilities; and
- the strength of the compliance framework.

Stakeholders' views on these matters are outlined in further detail below.

Reporting gaps and delays arising under the reporting framework

One of the more significant issues that stakeholders raised during the consultation process is that there are a number of pipelines, production and storage facilities that are not currently reporting that should be given the size of these facilities.⁷⁴

Working group members cited a number of reasons for these reporting gaps, including:

- a lack of awareness among new entrants about the reporting obligations in the NGR;
- the link that currently exists between the obligation to report and the zonal model, which stakeholders claim is problematic because zones have not kept pace with the market's development and may not be sufficiently flexible to capture some facilities;
- 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;⁷⁵
- 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;⁷⁶ and

⁷⁴ See for example, Stanwell, Submission to Stage 1 Draft Report, p. 4; ERM Power, Submission to Wholesale Gas Market Discussion Paper, p. 4; and APA, Submission to Information Provision Working Group Discussion Papers, 30 September 2015, p. 2. Some of the gaps that stakeholders have identified are the Tipton West and Daandine production facilities, the Silver Springs, Roma Underground Gas Storage and Newcastle gas storage facilities, the Berwyndale to Wallumbilla Pipeline, Darling Downs Pipeline, Braemar Pipeline and Spring Gully Pipeline.

⁷⁵ Some working group members also raised concerns about the ability of storage facilities to be granted an exemption if they are used solely as part of a production facility. This issue is being considered by the Commission as part of the Enhanced Information for Gas Transmission Pipeline Capacity Trading rule change process and so has not been considered any further as part of this review.

- the current drafting of the registration and exemption provisions in the NGR, which has reportedly led to lengthy delays in some facilities reporting because the provisions are poorly drafted and do not clearly define when the obligation to report commences or if registration is required if the exemption criteria are satisfied.

To address these issues, various working group members suggested that:

- the link between the zonal model and reporting obligations be removed and, as an interim measure, Wallumbilla be defined as a demand zone in the Procedures;
- the storage facility exemption criteria be brought into line with the production facility exemption criteria, with an exemption only allowed if the facility does not flow directly or indirectly into a BB pipeline; and
- the registration provisions in the NGR be redrafted to provide greater clarity on the purpose of registration, when a reporting obligation applies and if registration is required if the exemption criteria are satisfied.

Some working group members also noted the potential to just replace the existing exemption criteria with a minimum reporting threshold. ERM Power suggested a similar approach in its submission to the Wholesale Gas Markets discussion paper:⁷⁷

“...we strongly recommend that the rules and procedures relating to Gas Bulletin Board be reviewed and an assessment made of the appropriateness of current provisions that allow a facility to apply for and be granted an exemption from registration and reporting, and whether such provisions are consistent with the objective of achieving a transparent Australian gas market.

In a transparent gas market, all major facilities (over a reasonable size) that connect to the east coast gas market (whether indirectly or directly) should be captured to provide a complete picture of the market.”

The level of this reporting threshold was discussed by working group participants, with some advocating a reduction to 10 TJ/day (consistent with the threshold used in Western Australia), while others saw little reason to change the current threshold. Those that advocated a reduction noted that it was unlikely to result in many more facilities being captured, but those that would be captured were relevant to the bigger picture. Energy Edge also noted in this context that a 10 TJ/day reporting threshold was consistent with the 30 MW dispatch threshold used in the NEM.

In addition to the above issue, a number of stakeholders have expressed concerns about the use of the zonal model to aggregate information on actual and forecast pipeline flows. For example, APA has stated:⁷⁸

⁷⁶ For example, Tipton West and Daandine.

⁷⁷ ERM Power, Submission to Wholesale Gas Market Discussion Paper, p. 4. See also EnergyAustralia, Submission to Information Provision Working Group Discussion Papers, 5 October 2015, p. 2.

“The current Bulletin Board zone definitions do not reflect the current market dynamics in that they do not accurately reflect bi-directional flows and do not include all gas flows as certain facilities are exempt. Addressing issues with representation of current data should be a matter of priority as this alone will significantly improve understanding of gas flows around the east coast gas market.”

To address these concerns, AEMO advocated a move to more granular reporting (by receipt and delivery point). APA and AGPA, on the other hand, suggested that for the purposes of aggregating pipeline information, the zonal model should be retained but modified to deal with the known deficiencies in the current framework, such as:

- introducing transit zones to capture areas like Wallumbilla, Ballera and Moomba;
- changing the existing demand zone definitions by increasing the number of zones; and
- aligning the bounds of zones with the facilitated markets introducing a transit zone.

Accuracy and timeliness of information

During Stage 1 of this review, concerns were raised about accuracy and timeliness with which some information has been reported on the Bulletin Board.⁷⁹ These concerns were echoed by some working group members, with Energy Edge noting there have been cases where erroneous information has been reported and either not corrected, or corrected after some delay.

During the working group, AEMO noted that as part of the Bulletin Board redevelopment it had implemented a number of measures to limit the opportunity for inaccurate or incomplete data to be submitted⁸⁰ and to allow BB facility operators to correct their own errors. AEMO did note, however, that there may be value in it conducting a more detailed periodic review and to liaise with BB facilities to correct any errors identified. The AER also noted in this context that it is in the process of putting in a system that will enable it to monitor the timeliness and accuracy issues on a real time basis and to respond accordingly.

In response to a question from AGL about the materiality of the accuracy and timeliness issue, AEMO and the AER undertook some analysis of Bulletin Board submissions over the last 12 months and found the following:

⁷⁸ APA, Submission to Enhanced Information for Gas Transmission Pipeline Capacity Trading – Consultation Paper, p. 6.

⁷⁹ Stanwell, Stage 1 Discussion Paper Submission, p. 7 and Stage 1 Draft Report Submission, p. 6.

⁸⁰ These measures include: (a) building in some minimum acceptance criteria (for example, file completeness, valid facility codes, dates) into the web upload process; and (b) developing an automated process that draws on a number of rules of thumb to test the quality, consistency and completeness of the information submitted by each BB facility.

- Accuracy of reported information: Approximately four per cent of submissions were updated after the cut-off date, with over 25 per cent of these resulting in changes exceeding 50 per cent of the final value.⁸¹
- Timeliness: Approximately 2.5 per cent of submissions have been received late and on average late data was submitted four days after the cut-off date.⁸²

While some working group participants were surprised by these findings, others were less so and noted that some of the delays and errors in the last year could probably be explained by the number of new facilities that started reporting in the last year. AEMO agreed this was likely and noted it can take new facilities time to adapt to the reporting requirements.

ERM Power noted that some facilities may not be complying with new obligations, such as the medium-term capacity outlook, because they are unaware of the changes that have been made to the NGR or Procedures. To reduce this form of non-compliance, it suggested that a new notification process be implemented to inform facilities of any changes to their reporting obligations.⁸³ AEMO has subsequently informed the Commission that it already notifies facilities of Procedure changes via email.

Working group members were also asked about the value of introducing a reporting standard to address the accuracy issues. Existing BB facilities owners responded by stating that they already apply a relatively high internal standard and that a new standard was unlikely to affect the way they report. The broader group did, however, acknowledge that a reporting standard could provide new facilities with some guidance as to what standard of information is expected.

Compliance framework

In Stage 1 of the review, the Commission noted the potential for changes to the compliance framework to provide the market with greater confidence in the information reported on the Bulletin Board. Working group participants expressed mixed views on this issue, with some calling for the current framework to be strengthened by classifying the registration and exemption provisions as civil penalty provisions. Others thought the current balance was appropriate and claimed that the extension of civil penalties to registration was unlikely to help in those cases where a facility is unaware of the obligations to report.

Notwithstanding the diversity of views expressed on this issue, there was broad agreement among the group that it would be beneficial for the NGR to clearly identify the civil penalty provisions. A number of working group members also noted in this

⁸¹ In most cases these changes were made because zero values were initially submitted. AEMO and the AER also found that approximately 10 out of 16 reporting participants updated their historical data, but 55 per cent of the revised submissions were from the same three participants.

⁸² AEMO and the AER also found that 10 out of 16 reporting participants submitted late data at some point, but 84 per cent of late submissions were from the same three participants.

⁸³ ERM, Submission to Wholesale Gas Markets Discussion Paper, p. 4.

context that they were not aware that a breach of the provisions in Division 5 Part 18 of the NGR could constitute a breach of s. 223 of the NGL, which is a civil penalty provision.

3.4 Assessment

The market's confidence in the information reported on the Bulletin Board will, as noted in the introduction to this chapter, depend on the extent to which the reporting and compliance frameworks provide for an accurate and timely picture of gas supply, pipeline flows, storage and demand across the east coast.

On the basis of the feedback that stakeholders have provided and the Commission's own analysis, it would appear that some elements of these two frameworks are limiting the reliance that can be placed on the information reported on the Bulletin Board and that improvements are required to:

- address the reporting gaps and delays in registration that have emerged under the current reporting framework;
- encourage the provision of accurate and timely information; and
- strengthen and clarify the compliance framework.

These issues are considered, in turn, below.

3.4.1 Measures to address the reporting gaps and delays

As stakeholders have highlighted, the reporting framework in its current form does not capture all of the facilities it should and is contributing to delays in reporting by new facilities. These reporting gaps and delays can largely be attributed to the following factors:

- the link that currently exists between the obligation to report and the zonal model;
- the gaps created by the exemption criteria;
- the exclusion of facilities in operation prior to 1 July 2008 that were not originally identified as BB facilities from the registration provisions; and
- the lack of clarity provided by the registration provisions in terms of specifying when the reporting obligation arises and if registration is required if the exemption criteria are met.

Further detail on each of these factors and the way in which the Commission proposes to address them is provided below, with a list of other changes to the reporting framework that will be required to accommodate the recommendations set out in Chapter 2.

Link between the obligation to report and the zonal model

The zonal model currently plays a dual role on the Bulletin Board. The first role is, by virtue of the operation of rule 149(5)(b), used to determine which transmission pipelines (and, by extension, the connected production and storage facilities) are required to report, with the obligation to report only arising if the pipeline is used to transport gas between: a production zone and demand zone; demand zones; or production zones.⁸⁴ Second, the zonal model is also used as an aggregation tool for pipeline flows and nomination information under rules 173 and 174, with pipelines required to report actual and forecast usage for the demand and/or the production zones it services.

As the east coast gas market moves away from the traditional point-to-point transportation framework that underlies the zonal model, to a more dynamic model with gas flowing bi-directionally on numerous pipelines, it is becoming increasingly clear that the zonal model cannot accommodate the changes underway and is giving rise to significant information gaps.

These gaps are emerging because:

- 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 (or even appear on the Bulletin Board) even though that pipeline may be an important part of the market;
- the restriction of the zonal model to production and demand zones has meant that gas flows between pipelines or through transit locations, such as Ballera and Wallumbilla, 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 STTM locations; and
- pipeline flows reported on a zonal basis do not accurately reflect the utilisation of the pipeline or the direction in which gas flows, because flows are reported on a net basis and the zones extend across large geographic areas.

The effect of the first two of these deficiencies is particularly obvious around Wallumbilla which operates as more of a transit area. As the Wallumbilla area does not clearly fall within the definitions of either a demand zone or a production zone it has not been classified as either to date. The absence of this classification has resulted in at least five pipelines and two storage facilities not being captured by the reporting framework at all.⁸⁵

⁸⁴ Rule 149(b) of the NGR.

⁸⁵ These facilities include the Berwyndale to Wallumbilla Pipeline, the Darling Downs Pipeline, the Comet Ridge to Wallumbilla Pipeline, the Spring Gully Pipeline and the Fairview Pipeline, and the Silver Springs and Roma Underground storage facilities.

AEMO is currently considering a proposal by the COAG Energy Council Secretariat to address this gap by adding Wallumbilla as a demand zone in the Procedures.⁸⁶ While implementing this proposal will result in a more facilities in the region being captured, it will not address some of the more fundamental gaps that have emerged under the zonal model. Nor will it prevent similar gaps emerging in other transit areas. It is for this reason that the Procedure change is only being viewed as an interim solution while a more holistic assessment of the zonal model is carried out as part of this review.⁸⁷

In carrying out this assessment, the Commission has considered the effectiveness of the zonal model, both in terms of:

- determining what facilities are required to report; and
- how information on pipeline flows and nominations are aggregated.

In relation to the role that zones play in determining what facilities are required to report, it is clear from the discussion above and the gaps that have emerged at Wallumbilla that the zonal model now has some significant limitations. While it may be possible to amend the NGR to address some of these limitations (for example, by introducing the concept of a transit zone), this would not prevent other gaps emerging in the future, particularly as the market becomes more dynamic and reliance on changing rules to manage future developments is not ideal. The Commission is therefore of the view that the link between reporting and the zonal model in rule 149(5)(b) should be removed.

Making this change will result in a greater number of facilities being captured by the reporting framework, including regional pipelines⁸⁸ and facilities that are not currently connected to the east coast system (for example, facilities in northern Queensland and in the Northern Territory).⁸⁹ In most cases this will be appropriate. The Commission is, however, interested in stakeholders' views on the costs and benefits of extending the reporting obligations to:

- regional pipelines; and
- facilities that are not currently connected to the east coast system.

If requiring these facilities to report is found to be of little value, then it may be appropriate to exclude these facilities from the reporting obligations through the NGR. Any exemption granted to the northern Queensland and Northern Territory facilities

⁸⁶ AEMO, Proposed Procedure Change Wallumbilla Demand Zone, October 2015.

⁸⁷ AEMO, Proposed Procedure Change Wallumbilla Demand Zone, October 2015, p. 3.

⁸⁸ The regional pipelines that could be captured include the Central West Pipeline, the Central Ranges Pipeline, the SESA Pipeline and the South East Pipeline System.

⁸⁹ Unlike facilities in Western Australia, which are not currently subject to the Bulletin Board provisions, the only thing that has prevented facilities in the Northern Territory being subject to the provisions is the zonal model. At the time the Bulletin Board was established a zone was not defined for the Northern Territory (or Northern Queensland) and there has been no suggestion since that this should change.

would, for example, need to be capable of being revoked if they become connected to the remainder of the east coast system or it was otherwise appropriate to include them in the Bulletin Board.⁹⁰

The second role of the zonal model is determining how pipeline flows are to be aggregated and reported on the Bulletin Board. However, in this capacity, the zonal model has resulted in some significant gaps in the information reported by pipelines because:

- the bounds of existing zones do not capture all the gas flows; and
- the model requires flows to be reported on a net basis, which when coupled with the fact that zones extend across such large geographic areas, means that it does not accurately reflect the utilisation of the pipeline or the direction in which gas flows.

AEMO, APA and the Gas Bulletin Board Reference Group carried out some work in the last year to address these deficiencies in the zonal model. This included developing alternative zonal designs (for example, the transit zone design and pipeline-to-pipeline zone design).⁹¹ However, AEMO's ability to successfully address these deficiencies has been limited by the fact that the NGR currently mandates the use of the zonal model and also restricts its scope to production and demand zones.

The rigidity created by mandating the use of the zonal model for aggregation purposes in the NGR is of concern given the gaps that have emerged under this model and its apparent inability to respond to the changes in the market. The Commission therefore recommends that the requirement in the NGR for pipeline flow information to be aggregated using the zonal model should be removed and that AEMO be given greater flexibility to determine the aggregation method through the Procedures. To this end, the Commission's draft recommendation is that the NGR be amended to require:

- BB pipelines to provide AEMO with disaggregated receipt and delivery point actual and forecast flow information;
- AEMO to publish an aggregated form of this information shortly after receiving it; and
- AEMO to publish the disaggregated information with a five day lag.

The initial aggregation by AEMO is required to enable the information to be presented in a more manageable form on the Bulletin Board and to limit any unintended

⁹⁰ For example, when the planned North East Gas Interconnector (NEGI) Pipeline is built to connect the Northern Territory with Mt Isa.

⁹¹ The alternative zonal designs include: (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 a 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.

consequences that the publication of this disaggregated information may have on gas users or competition in other markets if it was published the day after the gas day.⁹² Given the complexity of some of the issues that AEMO would need to consider when determining what method to use to aggregate the information, there may be value in including some guiding principles in the NGR that AEMO can have regard to when carrying out this task. The principles could, for example:

- set out the matters that AEMO is to have regard to when determining how to treat the publication of large user information (see section 2.4.2);
- state that the aggregation method should provide for the minimum number of facilities necessary;
- note that the geographical area over which the aggregation zone is created should be as small as possible; and
- require the aggregation method to be reassessed periodically for relevance and changes in circumstances.

The aggregation method that AEMO decides to use will need to be documented in the Procedures. Accordingly, AEMO will consult with stakeholders on the proposed method as part of the Procedure change process.

Under the approach outlined above, the responsibility for aggregating pipeline flows would transfer from the BB pipelines to AEMO. This is consistent with the approach used in Western Australia and has the added benefit of allowing AEMO to recut the data at a later point in time if the aggregation method changes so historic trends can still be examined. However, it may take AEMO some time to develop the systems that will be required to carry out this aggregation task. As a result, there may be a need for a transitional period during which time the BB pipelines continue to carry out this task.

The approach outlined above also provides for the publication of disaggregated delivery and receipt point data with a five day lag (D+5). The five day lag is consistent with the lag the Commission recommends be used for the publication of large user facility consumption data, as outlined in section 2.4.2.

To give effect to the changes outlined above, amendments would need to be made to both the NGR and the Procedures. The Commission has also given some consideration to any short-term measures that could be used to improve the way in which pipeline flows on bi-directional pipelines are currently reported. Two measures that could be implemented would involve:

- Amending the Procedures to require BB pipelines that operate bi-directional pipelines to provide a directional breakdown of actual deliveries and nominations. On a pipeline such as the South West Queensland Pipeline (SWQP)

⁹² This could occur if the published information adversely affected the large user's competitive or bargaining position in another market, or if it enabled some form of signalling between competitors in the other market.

this would mean separately reporting the actual deliveries and nominations in an easterly direction and a westerly direction. Making this change should address some of the anomalies that are currently appearing on the Bulletin Board, such as nominations on the SWQP far exceeding capacity on some days.

- Adopting a fixed standard for the assumed direction of bi-directional pipelines and making this clear on the Bulletin Board (ideally on the front page) so that participants understand what a positive or negative flow on a pipeline represents.⁹³

Exemption criteria

The exemption criteria in the NGR currently allow facilities to seek an exemption from some of the reporting obligations if the facility's nameplate rating is less than 20 TJ/day, or if the facility satisfies one of the following criteria:

- Transmission pipelines: the pipeline does not transport natural gas between zones (rule 149(5)(b)), or only delivers gas to an injection point on the BB pipeline (rule 149(5)(c)).
- Production facility: gas from the production facility does not flow directly or indirectly into a BB pipeline (rule 151(7)(a)).
- Storage facility: the storage facility is not connected to a BB pipeline (rule 150(5)(c)), or is used solely as part of a production facility (rule 150(5)(b)).

For the reasons set out earlier, the Commission recommends that the link between reporting and the zonal model in rule 149(5)(b) be removed. The Commission is also intending to remove the storage facility used solely as part of a production facility exemption in rule 150(5)(b) as set out in the draft rule for the Enhanced Information for Gas Transmission Pipeline Capacity Trading rule change process.

In relation to the remaining facility specific criteria, the following observations can be made:

- The exemption criteria in rules 150(5)(c) and 151(7)(a) currently allow an exemption to be obtained if the production or storage facility is not connected to a BB transmission pipeline.⁹⁴ In effect, this means that facilities located in distribution systems, such as the Camden Production Facility and the Newcastle Gas Storage Facility, are not captured by the reporting framework. In the Commission's view there is no reason to distinguish between those facilities that are connected to a transmission pipeline and those facilities that are connected to a distribution network if the facility satisfies the reporting threshold. This is

⁹³ For example, the Roma to Brisbane Pipeline could, for the purposes of establishing a standard, be assumed to run from Roma to Brisbane. A negative flow in this case would mean gas is flowing towards Roma.

⁹⁴ The term BB pipeline is currently defined in the NGR as a BB transmission pipeline and therefore explicitly excludes distribution pipelines.

therefore a gap in the current framework, which if left in place, could give rise to information asymmetries, particularly in the Sydney STTM.

- The exemption criterion in rule 150(5)(c) currently allows an exemption to be obtained if the storage facility is not physically connected to a BB pipeline even though gas flows from (to) the facility to (from) a BB pipeline. To date, two storage facilities have been excluded on this basis (Silver Springs Storage Facility and Newcastle Gas Storage Facility), both of which have a sizable storage and/or withdrawal capacity.⁹⁵ This also appears to be a significant gap which could give rise to information asymmetries.
- The exemption criterion in rule 149(5)(c) currently allows a BB pipeline that just delivers gas to an injection point on the BB pipeline to obtain an exemption. The circumstances in which this criterion would apply, and the rationale for its inclusion is unclear and, as far as the Commission can tell, the criterion has not been used to justify an exemption to date.

Given the informational gaps and asymmetries that have arisen under rules 150(5)(c) and 151(7)(a) and the lack of a clear rationale for rule 149(5)(c), the Commission recommends these criteria be removed and that exemption decisions be based on a minimum reporting threshold only. Simplifying the exemption criteria in this manner will mean that all facilities that exceed the minimum reporting threshold will be captured by the reporting framework, regardless of whether they are connected to a transmission or distribution pipeline, or connected to a production or demand zone.

The minimum reporting threshold in rules 149-151 is currently 20 TJ/day.⁹⁶ As outlined in section 3.3 a number of stakeholders advocated a reduction in this threshold to 10 TJ/day, consistent with the reporting threshold used in Western Australia and the 30 MW dispatch threshold used in the NEM. A smaller number suggested it remain at 20 TJ/day.

While a lower threshold would provide a more accurate picture of gas production, storage and flows in the east coast, it will impose costs on those facilities that fall below the 20 TJ/day threshold. The Commission has therefore sought to determine how many facilities could be affected by the change. Publicly available information on nameplate capacity ratings indicates that a reduction in the reporting threshold to 10 TJ/day would only result in the following additional pipelines and production facilities being captured:

⁹⁵ 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 Storage Facilities Eastern and South Eastern Australia*, February 2015, p. 9.

⁹⁶ For pipelines, production facilities and storage facilities this is based on the nameplate capacity rating of the facility. For large users it will be based on the maximum quantity of gas that can be delivered to the facility on a gas day (for instance, the connection to the facility is capable of allowing that quantity of gas).

- the Camden⁹⁷ and Dawson Valley production facilities; and
- the Central West and the Central Ranges pipelines.

It would, however, capture a greater number of large users than would otherwise be the case if a 20 TJ/day threshold was adopted. Given the measures the Commission has recommended be put in place to minimise the regulatory burden placed on large users (see section 2.4.2),⁹⁸ it does not expect the reporting obligation to impose a significant impost on most large users.

On balance, and having regard to the broader benefits to the market of having a more accurate picture of demand and supply, the Commission's draft recommendation is that the reporting threshold be reduced to 10 TJ/day. For large user facilities the minimum reporting threshold will be assessed by reference to the maximum quantity of gas that can be delivered to the facility on a gas day. For other facilities it will be based on the nameplate capacity rating of the facility. It should be noted that while large users that meet the minimum reporting threshold will be required to register they may, as noted in section 2.4.2, still be able to seek an annual exemption from the reporting obligations if they can demonstrate to AEMO that:

- in the last 12 months the facility has not, on any single gas day, been delivered at least 10 TJ of gas; and
- in the coming 12 months, the facility will not, on any single gas day, be delivered at least 10 TJ of gas.

Finally, it is worth noting that if production and storage facilities located in distribution networks are required to start reporting, there may be value in also requiring the relevant distribution network to comply with similar reporting obligations as transmission pipelines. This would allow market participants to be aware of any network constraints that may affect the operation of these facilities.

There are currently only two facilities that are located in a distribution network: the Camden production facility and the Newcastle Gas Storage Facility. Both of these facilities are connected to Jemena's Wilton to Newcastle trunk line. If a reporting obligation was applied in this case, then the Commission would expect that Jemena be required to report on the capacity and use of that trunk line, rather than the whole network. The Commission has not previously consulted on this proposal and so is interested in stakeholders' views on the value of having access to information on the capacity and use of a distribution pipeline that is directly connected to a production or storage facilities.

⁹⁷ While Camden did not satisfy the exemption criteria it had, until recently, been reporting to AEMO. It can therefore be expected to already have the systems in place to report.

⁹⁸ It is recommended that if the large user is the only party using a delivery point on the BB transmission pipeline then it will not be required to report its daily consumption data because this information will be provided by the BB transmission pipeline. In addition, large user facilities will not be required to report on their short- and medium-term capacity outlooks (even if the minimum reporting threshold is met) if an annual exemption is granted.

Facilities commissioned prior to 1 July 2008

Facilities that were operational before the NGR, but were not identified in the original list of BB facilities, are not currently required to apply to AEMO for registration under rule 147. It is unclear why rule 147 was drafted in this manner. However, it appears to be a genuine gap in the reporting framework that has given rise to at least two facilities not having to report (for instance, the Tipton West and Daandine production facilities). The Commission's draft recommendation is that this limitation be removed and that all facilities, regardless of when they were commissioned, be required to register if they satisfy the minimum reporting threshold.

Registration provisions

The registration provisions are currently set out in Division 3 Part 18 of the NGR. Discussions with working group participants indicate that the current drafting of these provisions has caused some confusion among new facility operators. This confusion has reportedly resulted in lengthy delays in some new facilities reporting and led at least one facility to incur unnecessary costs obtaining legal advice on the interpretation of these provisions.

The confusion appears to have arisen because the current drafting is ambiguous and there is a degree of circularity between these provisions and the definitions in rule 141. In their current form, the provisions also fail to clearly specify:⁹⁹

- what the purpose of registration is and when the obligation to report commences (for instance, once registration is complete or once the facility is commissioned);
- when a new facility should become registered (for example, prior to or after commissioning);
- whether registration is required if the asset satisfies the exemption criteria;
- the time that AEMO has to assess an exemption application and if a new facility's reporting obligation would be suspended during this period; and
- whether registration attaches to the facility or the facility operator.

To address these deficiencies, the Commission's draft recommendations include that the registration provisions in Division 3 and the definitions in rule 141 be completely redrafted. It is recommended that the matters outlined above be dealt with in the manner described in Table 3.1.

⁹⁹ 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 a pipeline operator in rule 147, 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.

Table 3.1 Recommended approach to the Bulletin Board registration provisions

Current gaps	Recommended approach
Purpose of registration	<p>The purpose of registration will be to:</p> <ul style="list-style-type: none"> • classify facilities that satisfy the minimum reporting threshold as BB facilities, which will then act as the trigger for reporting to commence; and • allow AEMO to capture the information it requires to keep an up-to-date register of BB facilities.
When registration will be required	<p>The operator of a new facility that satisfies the minimum reporting threshold (or an existing facility that is undertaking an expansion that will result in it moving from below the threshold to above the threshold) will be required to be register prior to the commissioning of the asset (or expansion).</p> <p>Facilities in existence when the new rules come into effect that satisfy the minimum reporting threshold and are not already registered will have 20 business days after the commencement of the new rules to register.</p>
Interaction between registration and exemptions	<p>The current exemption criteria will be replaced by a simple minimum reporting threshold. Facilities that do not satisfy this threshold will not be required to register and will have no reporting obligations.</p>
Registration of facility or facility operator	<p>The obligation to register will fall to the operator of the relevant facility but the registration itself will attach to the facility. As a result, a change of owner will not alter the registration or exemption status of the facility.</p>

Another question that was raised by working group participants in this context is whether AEMO's declaration power in rule 153 should be retained given it can only be used in a limited set of circumstances. This rule currently allows AEMO to declare a facility to be a BB facility if it has reasonable grounds to believe that a facility that is not currently a BB facility, is not the subject of an exemption, and is unlikely to satisfy the exemption criteria. However, because rule 141, in effect, deems any new facility to be a BB facility when it is commissioned, AEMO can only use this power to declare facilities that were in existence prior to the NGR coming into effect that were not originally identified as BB facilities. This power has not been used to date.

There is little value in retaining this power in the NGR, particularly given the recommendation that the distinction between facilities commissioned pre- and

post-1 July 2008 be removed. The extension of civil penalties to the registration provisions (see section 3.4.3) should also provide facility operators sufficient incentive to register. However, if this change does not achieve this, the AER will be able to seek an injunction from the Federal Court for a facility to register and start reporting. Given the safeguards provided by the recommended compliance framework, the Commission sees no need for the declaration power to be retained and its draft recommendation is it be removed from the NGR.

Other amendments required to give effect to changes in the coverage of the Bulletin Board

In addition to the changes outlined above, the reporting framework will need to be amended to reflect the draft recommendations to extend the coverage of the Bulletin Board to include:

- large users;
- the operators of LNG processing facilities; and
- the operators of compressors that are used in the provision of hub services.

As noted in Chapter 2, the first of these amendments would require a change to the definition of the term “BB facilities” in the NGR. The latter two require amendments to both the Regulations and the NGR because these facilities are not currently recognised by s. 223 of the NGL.

If a decision is made to require distribution pipelines that are connected to production or storage facilities to be subject to similar reporting obligations as transmission pipelines, then changes would need to be made to the NGR.

3.4.2 Encouraging the provision of accurate and timely information

Like a number of stakeholders, the Commission is concerned by the inaccuracies that have appeared on the Bulletin Board and the failure of some facility operators to submit information on time. Although the number of occasions on which this has occurred is relatively low, the fact that some facility operators have revised their information by up to 50 per cent and others have submitted information, on average, four days after the cut-off time, is a concern. It also suggests that more needs to be done to:

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

In terms of monitoring compliance, the AER is in the process of putting in a system that will enable it to monitor the timeliness and accuracy of the information reported by BB facilities on more of a real time basis and to respond accordingly. When coupled

with the data validation measures AEMO has put in place as part of the Bulletin Board redevelopment, and the more detailed quarterly compliance reviews that the AER carries out, it is reasonable to expect to see improvements in the quality of information reported on the Bulletin Board.

However, it is possible that even with these measures in place, erroneous information may still be published on the Bulletin Board. The Commission therefore welcomes AEMO's proposal to conduct a more detailed periodic review of the information published on the Bulletin Board and to work with BB facilities and, where relevant, the AER to resolve any issues it identifies.

In terms of the reporting standard, neither the NGL nor the NGR provide a clear standard that all BB facilities must comply with when reporting information to AEMO. Provisions in the NGL and NGR require that the information not be knowingly false or misleading,¹⁰⁰ provide an immunity against any civil monetary liability for acts or omissions in giving AEMO Bulletin Board information unless the act or omission was made in bad faith or through negligence¹⁰¹ and requires estimates of certain information be made in "good faith".¹⁰² The concern with these provisions is that they establish a low standard for information to be reported on the Bulletin Board and could be adversely affecting the market's confidence in the Bulletin Board.

The discussions held with the working group indicate that while these provisions establish a relatively low standard, the owners of BB facilities are applying a relatively high standard to the information they report to AEMO. While that may be the case, the compliance statistics prepared by AEMO and the AER suggest that there are issues with the standards that some facilities are applying.

It may be, as working group members suggested, that existing facility operators are applying high standards and new facility operators are responsible for most of the non-compliance issues. If that is the case, then the introduction of a reporting standard can be expected to provide new facility operators with greater guidance on the standard that is expected, while having little effect on the costs incurred by established BB facilities. It may also provide users of the Bulletin Board with greater confidence in the quality of the information that is reported on the Bulletin Board. The Commission therefore recommends that a reporting standard be introduced into Division 5 Part 18 of the NGR and that this be a civil penalty provision.

There are a number of different forms that this standard could take, but in the Commission's opinion, the reporting standard that has been adopted in the STTM is the most appropriate one to employ in this context. This standard requires information and data provided to AEMO to be consistent with 'good gas industry practice', which is defined in rule 364 as:

¹⁰⁰ Section 225 of the NGL.

¹⁰¹ Section 226 of the NGL.

¹⁰² Rule 141 of the NGR.

“...the practices, methods and acts that would reasonably be expected from experienced and competent persons engaged in the business of providing natural gas services in Australia, 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.”

Adoption of this reporting standard should trigger an assessment of the Bulletin Board terms of use so they appropriately reflect the standard of Bulletin Board information provided by parties.

3.4.3 Strengthening the compliance framework

The market’s confidence in the information reported on the Bulletin Board will depend on:

- the strength of the compliance framework that underpins it; and
- the level of awareness BB facilities have of the consequences of any breach of the Bulletin Board provisions in the NGL, NGR and Procedures.

On the first of these, while the reporting obligations in Division 5 Part 18 of the NGR are currently considered civil penalty provisions (by virtue of the operation of s. 223 of the NGL), the registration provisions in Division 3 are not. It is unclear from the Bulletin Board explanatory material whether the exclusion of registration was an oversight, or if a decision was made not to extend civil penalties to these provisions because registration had no bearing on the obligation to report.

Nevertheless, this is a weakness in the current framework and will become more of an issue if the registration provisions are amended in the manner proposed in section 3.4.1 and registration acts as a trigger for reporting. Under this recommended approach, a new facility would have an incentive to delay its registration for as long as it could because it would avoid the reporting obligations during this period. Any delay in the commencement of reporting could give rise to information asymmetries, which could have broader reaching implications for other participants in the east coast gas market.

In the Commission’s view, imposing civil penalty provisions is an appropriate way of countering this incentive. Making this change will allow the AER to issue infringement notices to facilities that are aware of their obligation to register but delay the process and, if appropriate, to seek civil penalties through the Federal Court.¹⁰³ To give effect to this change, the Commission’s draft recommendation is that the Regulations be amended to specify these provisions as civil penalty provisions.

On the second matter, working group discussions indicate that the level of awareness among BB facility operators of the consequences of any breach of the Bulletin Board provisions is currently quite low. The AER suggested that this may be because using

¹⁰³ In Western Australia breaches of the Bulletin Board registration provisions are considered more egregious than breaches of reporting obligations, with higher penalties payable for breaches of the registration provisions.

s. 223 of the NGL as a catchall for breaches of the reporting obligations in Division 5 Part 18 of the NGR is inconsistent with the approach used in other parts of the NGL and NGR, which is that:

- the relevant provisions of the NGR are prescribed in the Regulations as civil penalty provisions; and
- the notes at the end of the relevant rules in the NGR are used to identify which obligations could attract a civil penalty.

The Commission has drawn the same conclusion. It notes that the absence of any reference to civil penalties in Part 18 of the NGR may be leading BB facility operators to falsely assume that breaches of their reporting obligations cannot be subject to a civil penalty. To remedy this issue, and raise the level of awareness among BB facility operators, the Commission recommends that notes be added to those rules in Part 18 of the NGR that can attract a civil penalty.¹⁰⁴

3.5 Draft recommendations

The Commission's draft recommendations are that the following changes be made to the Bulletin Board reporting and compliance frameworks:

- **Reporting framework** – the reporting framework should be improved as follows:
 - the link between zones and the obligation to report in rule 149(5)(b) should be removed;
 - the current requirement in the NGR for pipeline flow information to be aggregated using the zonal model should be removed and AEMO accorded responsibility for determining how to aggregate this information through the Procedures;
 - the exemption criteria in rules 149-151 should be replaced by a simple minimum reporting threshold, which will be set at 10 TJ/day;
 - facilities that were commissioned prior to 1 July 2008 that were not identified as BB facilities at this time should be treated in the same manner as other facilities and required to register if they satisfy the minimum reporting threshold;
 - the registration provisions in Division 3 of the NGR should be redrafted so that market participants have greater clarity about what the purpose of registration is and when the obligation to report arises;
 - the declaration power in rule 153 should be removed;
 - the BB facility definition be expanded to include large user facilities, LNG processing facilities, compressors used in the provision of hub services and,

¹⁰⁴ For provisions in Division 5 Part 18, the notes would need to refer back to the s. 223 being the relevant civil penalty provision.

depending on stakeholder feedback, distribution pipelines that are connected to production or storage facilities; and

- a reporting standard should be introduced into the NGR and be based on the same ‘good gas industry practice’ standard that applies in the STTM.
- **Compliance framework** – the compliance framework should be amended as follows:
 - notes should be added to the relevant areas of Part 18 of the NGR to identify those provisions that could, if breached, also lead to a breach of s. 223 of the NGL, which is a civil penalty provision; and
 - the obligation to register be classified as civil penalty provisions in the Regulations and notes added to the NGR to this effect.

How these recommendations fit together is depicted in Figure 3.1. To give effect to these draft recommendations, the following would be required:

- amend the Regulations to classify certain provisions of the NGR that prescribe the obligation to register as civil penalty provisions; and
- a rule change would be required to implement all the other recommendations.

Procedure changes are also likely to be required to reflect the changes to the NGR as well as the Bulletin Board terms of use.

Box 3.3 contains a number of specific questions for stakeholder feedback raised in this chapter.

Box 3.3 Questions for stakeholders

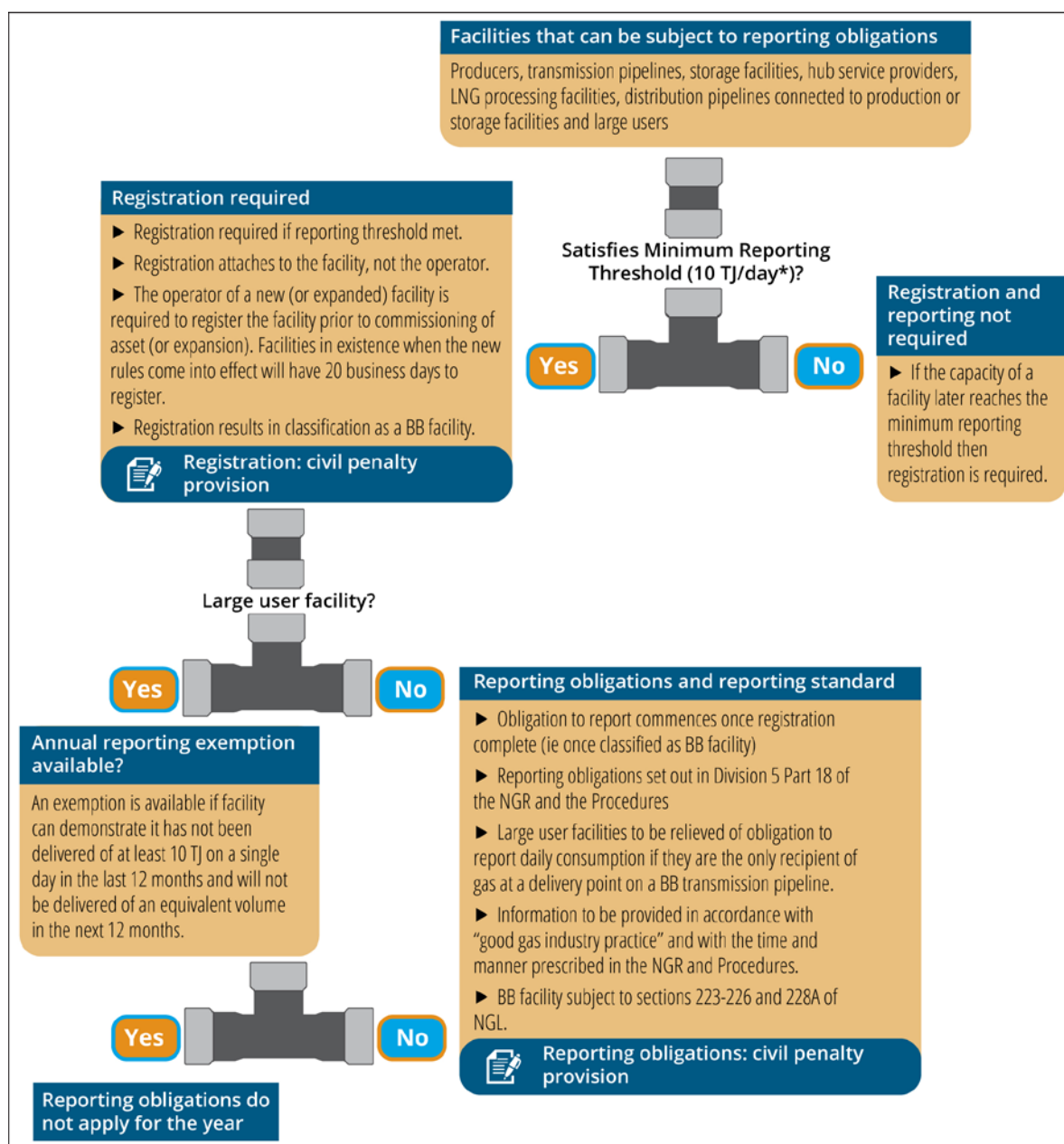
Is there likely to be any benefit in extending the reporting obligations to:

- regional pipelines?
- facilities in northern Queensland that are not connected to the broader system?
- facilities in the Northern Territory?

If facilities in the Northern Territory and northern Queensland were not to be included initially, should there be a trigger in the NGR to allow them to be captured by the reporting framework if they do become connected to the east coast market (or for another reason that is appropriate they be included in the Bulletin Board)?

Should production and storage facilities that are located within a distribution network be required to report if the distribution pipeline that services these facilities is not required to report on the capacity and use of the pipeline? If not, are there any specific matters that the Commission would need to consider before extending the reporting obligation to distribution pipelines that service these facilities?

Figure 3.1 Approach to Bulletin Board reporting and compliance frameworks



* For large user facilities the minimum reporting threshold will be assessed by reference to the maximum quantity of gas that can be delivered to the facility on a gas day, while for other facilities it will be based on the nameplate capacity rating of the facility.

4 Funding arrangements and future development

Box 4.1 Summary of findings and draft recommendations

The Commission has made two recommendations in regard to the funding arrangements of the Bulletin Board.

First, a cost recovery mechanism for Bulletin Board participants is only available to pipeline operators for the provision of 'aggregation and information services' to AEMO. Some pipeline operators sought to extend the application of these provisions to other information. Other stakeholders sought to have cost recovery apply to all parties that provide any information to AEMO for the Bulletin Board. However, as a result of other draft recommendations, pipeline operators will not be providing 'aggregation and information services' in the future and the burden of information provision will be shared by more gas market participants.

Consequently, the Commission's draft recommendation is that a cost recovery process should not be available to any party for the provision of any information to be published on the Bulletin Board.

Second, the Commission has found that the governance arrangements for AEMO to recover its Bulletin Board costs are inconsistent with those in place for other AEMO activities. In addition, the level of prescription in the NGR has resulted in very little flexibility for AEMO to adjust its methodology to changing market circumstances. Accordingly, a draft recommendation is that the current rules on the cost recovery of AEMO's Bulletin Board activities should be removed from the NGR. This will allow AEMO to incorporate its Bulletin Board costs into its broader, more flexible fee methodology process.

This chapter also discusses the future development of the Bulletin Board. A number of stakeholders expressed concern that the Bulletin Board has had limited amendments made to maintain its relevance to the east coast gas market and to meet the needs of market participants. The Commission acknowledges this concern and to provide a framework to assist in the ongoing improvement of the Bulletin Board has recommended that AEMO:

- be provided with clearer and more direct responsibility to maintain the relevance of the Bulletin Board over time by requiring it to 'update' the Bulletin Board; and
- publish a biennial report on the Bulletin Board, including relevant information such as a summary of the Bulletin Board work program, performance and usage statistics, compliance and enforcement activities and also identifying any aspects that potentially require amendment. The report is to be prepared in consultation with market participants, Bulletin Board users and the AER and AEMC.

4.1 Introduction

In light of the recommendations set out in the previous chapters, it is relevant to consider whether the Bulletin Board funding arrangements are appropriate, and how the Bulletin Board may remain current, useful and relevant into the future. The specific issues to be examined in this chapter are:

- Cost recovery arrangements for market participants. Currently, the NGR allows pipeline operators to recover the costs of 'aggregation and information services'. This chapter will examine whether these arrangements are appropriate given the recommended changes to the information and reporting arrangements.
- Cost recovery arrangements for AEMO. Currently, AEMO recovers its Bulletin Board costs through shipper fees according to a formula set out in the NGR. This chapter will examine whether this remains appropriate given the recommended changes to the information and reporting arrangements.
- The ongoing maintenance and development of the Bulletin Board. This chapter will examine whether an adequate framework is in place to provide for the continuing relevance of the Bulletin Board as the gas market develops.

4.2 Cost recovery - market participants

4.2.1 Background

Pipeline operators are permitted to recover the costs of providing 'aggregation and information services'. This allows for recovery of costs incurred in aggregating information from shippers and providing it to AEMO, as required by rules 173 and 196. The information aggregated by pipeline operators, for each Bulletin Board pipeline, is:¹⁰⁵

- “(a) in respect of each gas day and for each demand zone or production zone (if applicable), the aggregated delivery nominations for the BB pipeline for the gas day; and
- (b) in respect of each demand zone or production zone (if applicable), the aggregated forecast deliveries for the BB pipeline for subsequent gas days if it has been provided with forecast deliveries by BB shippers on the BB pipeline under contract or applicable market rules.”

It also includes information provided to AEMO by a pipeline operator in a declared transmission system (that is, for APA in the context of the Victorian DTS) the aggregated scheduled injections less the aggregated withdrawals in each production zone as well as the Interconnect at Culcairn.¹⁰⁶

¹⁰⁵ Rule 173(1) of the NGR.

¹⁰⁶ Rule 173(2) of the NGR.

Pipeline operators may also recover costs of providing AEMO information that allows it to determine each Bulletin Board shipper's share of estimated Bulletin Board costs for an invoice period.¹⁰⁷

4.2.2 Stakeholder views

Stakeholders have provided views on cost recovery to both the COAG Energy Council Enhanced Pipeline Capacity Information consultation process and the AEMC's consultation on the Enhanced Information for Gas Transmission Pipeline Capacity Trading rule change request.

APA,¹⁰⁸ Jemena¹⁰⁹ and APGA¹¹⁰ all suggest that there is a mismatch between those that use the Bulletin Board and those that pay for the provision of information. In their view, it is pipeline operators that provide information and incur costs but others benefit from the Bulletin Board without any cost. As a result, these pipeline operators consider that, as they incur costs to provide information for the benefit of others, there should be full cost recovery for doing so.¹¹¹

APA has claimed that information provision requirements have been added incrementally and while each has been relatively immaterial in isolation, in total these costs "can be significant".¹¹² Jemena has provided a similar view, noting that it has not yet used the cost recovery provisions but would look to do so for more material information requirements if it could not pass these costs through its contracts.

In contrast to the pipeline operators, other stakeholders commented that the provision of information for the Bulletin Board is a 'cost of doing business'. On this basis, it may be appropriate for the costs to be recovered by pass-through arrangements in contractual negotiations or access arrangements. Origin noted that rule 198, allowing for the recovery of costs for aggregation and information services, has not been utilised. Therefore, given pipeline operators have other means of recovering costs, the cost recovery provisions should be removed from the NGR.¹¹³

¹⁰⁷ Rule 196(1) of the NGR.

¹⁰⁸ APA, Submission to Enhanced Pipeline Capacity Information Discussion Paper, 18 July 2014; Submission to Enhanced Information for Gas Transmission Pipeline Capacity Trading Consultation Paper, 13 August 2015.

¹⁰⁹ Jemena, Submission to Enhanced Pipeline Capacity Information Discussion Paper, 18 July 2014; Submission to Enhanced Information for Gas Transmission Pipeline Capacity Trading Consultation Paper, 13 August 2015.

¹¹⁰ APIA, Submission to Enhanced Pipeline Capacity Information Discussion Paper, 25 July 2014; APGA, Submission to Enhanced Information for Gas Transmission Pipeline Capacity Trading Consultation Paper, August 2015.

¹¹¹ APGA, Submission to Information Provision Working Group Discussion Papers, 30 September 2015, p. 2.

¹¹² APA, Submission to Enhanced Pipeline Capacity Information Discussion Paper, 18 July 2014, p. 5.

¹¹³ Origin, Submission to Enhanced Pipeline Capacity Information Discussion Paper, 18 July 2014.

However Santos, the ESAA and Lumo Energy all considered that cost recovery for the provision of information on the Bulletin Board should be allowed.¹¹⁴

The working group discussed similar issues to those expressed above. Several participants considered that those that provide information should be compensated for it, noting the separation between parties that provide information and those that value it. One participant noted that the cost of 'aggregation and information services' is minimal and that greater costs are associated with compliance with other informational requirements for Bulletin Board. This was the basis of some participant's support for broadening the set of activities allowable for cost recovery. An alternative suggestion from CQ Partners on cost recovery was that a review could be conducted to consider whether the cost recovery arrangements are equitable.¹¹⁵

4.2.3 Assessment

The Commission acknowledges that there is a cost to participants in providing information for publication on the Bulletin Board, and that there are no general cost recovery provisions because the NGR is specific on the tasks or actions that cost recovery can relate to. It also acknowledges that the information reporting burden may change as a result of this review process. This may lead to a higher cost of compliance for some participants, as well as some costs for new Bulletin Board participants.

However, it does not follow that the NGR should be amended so that participants are able to recover all the costs of providing information. Information provision aims to improve the function of the broader market and decision making across the supply chain which ultimately benefits consumers of gas by enhancing the ability of market participants to make efficient decisions. The value of this information is enhanced if the coverage of information reporting is broad and relevant to participants. As the burden of information provision is increasingly shared by market participants along the supply chain, it is increasingly a 'cost of doing business' in the east coast gas market. Further, it should also be noted that a cost recovery process comes at some cost to administer. It would consume some resources of market participants, the AER and AEMO.

For these reasons, the Commission is not recommending that the current cost recovery provisions in rules 197 and 198 should be extended to a wider range of information or participants. This appears consistent with the initial approach – cost recovery is not intended to apply to the general provision of information to AEMO for Bulletin Board purposes. Nor does the Commission consider a review into the cost recovery provisions relating to the Bulletin Board is necessary.

The Commission has also considered the use and relevance of the existing cost recovery rules. As previously noted, these relate to pipeline operators providing 'aggregation and information services' to AEMO. While information provision is a cost

¹¹⁴ Submissions to Enhanced Pipeline Capacity Information Discussion Paper: Santos, pp. 10-11; ESAA, p. 4; Lumo Energy, p. 9.

¹¹⁵ CQ Partners, Submission to Stage 1 Draft Report, p. 7.

of doing business, the provision of aggregation and information services is different to the services provided by other facility operators. It is a service that benefits AEMO in conducting its role as operator of the Bulletin Board. However, the Commission notes:

- the draft recommendation in Chapter 2 of this report is that pipeline operators will no longer be required to carry out the aggregation service for AEMO;
- it has been advised that the cost of providing the aggregation and information services is relatively minor; and
- the available cost recovery provisions have not yet been used.

Accordingly, the Commission's draft recommendation is that the current cost recovery provisions for pipeline operators be removed from the NGR.

4.2.4 Draft recommendations

The Commission's draft recommendation is that:

- cost recovery provisions should not be introduced in relation to the provision of any information to be published on the Bulletin Board; and
- the existing cost recovery provisions (as set out in rules 197 and 198) for pipeline operators for performing 'aggregation and information services' should be removed from the NGR.

4.3 Cost recovery - AEMO

4.3.1 Background

AEMO recovers the costs for operating and maintaining the Bulletin Board from shippers that use Bulletin Board pipelines. The cost allocation is based on the share of the gas transported by individual shippers on Bulletin Board pipelines as a proportion of total gas transported on these pipelines in accordance with rule 191 of the NGR. 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.¹¹⁶ Details of the arrangements of shippers to pay AEMO are set out in rule 194. Rule 195 allows a Bulletin Board shipper to dispute a tax invoice received from AEMO.

In contrast, for the facilitated gas markets the NGR sets out that AEMO must "develop, review and publish" the structure of participant fees for time periods AEMO considers appropriate.¹¹⁷ The participant fees should be sufficient to cover AEMO's budgeted revenue requirements, and must be consulted on in accordance with the extended

¹¹⁶ Rule 193 of the NGR.

¹¹⁷ Rule 135CA(1) of the NGR.

consultative procedures. In determining the structure of market participant fees, AEMO:¹¹⁸

- “(a) must have regard to the national gas objective; and
- (b) must have regard to the following principles:
 - (i) the fee structure should be simple;
 - (ii) the components of the fees charged to each Registered participant should be reflective of the extent to which the budgeted revenue requirements for AEMO involve that Registered participant;
 - (iii) the fee structure should not discriminate unreasonably against a category or categories of Registered participants; and
- (c) must have regard to other fee structures that it thinks appropriate for comparison purposes.”

4.3.2 Stakeholder views

Origin Energy has stated that the way in which Bulletin Board costs are recovered should be reassessed to "ensure it remains equitable given participants other than shippers on NGMBB pipelines derive value from NGMBB information".¹¹⁹

In the working group, several participants suggested that the current arrangements are inappropriate, due to the division between those that provide information and those that value it. Another participant stated that the process to verify and question AEMO's costs is inadequate. Other means of recovering the costs of the Bulletin Board were discussed such as a user pays service for providing detailed data. Another option that was discussed by working group participants was to incorporate Bulletin Board costs into gas market fees. However, it was noted by one participant that this may concentrate the cost burden to a greater extent than currently exists. Esso also commented that it did not consider it appropriate for producers to incur AEMO's Bulletin Board costs.¹²⁰

Stakeholders also questioned why the cost recovery governance arrangements for AEMO's Bulletin Board activities are included in the NGR in such a detailed manner. As noted by Santos:¹²¹

“... other gas market fees fall within the remit of AEMO governance processes, with the GBB cost allocation being the anomaly, requiring a

¹¹⁸ Rule 135CA(4) of the NGR.

¹¹⁹ Origin, Submission to Enhanced Pipeline Information Consultation Paper, 18 July 2014, pp. 6-7.

¹²⁰ Esso, Submission to Information Provision Working Group Discussion Papers, 5 October 2015, p. 2.

¹²¹ Santos, Submission to Information Provision Working Group Discussion Papers, 6 November 2015, p. 1.

formal rule change to the NGR. This rule change process also hampers any flexibility that may be required to keep pace with the evolving market ...”

4.3.3 Assessment

The purpose of the Bulletin Board is to facilitate trade in natural gas and markets for natural gas through the provision of system and market information which is readily available "to all interested parties, including the general public".¹²² Therefore, the Bulletin Board may be seen as a public good. There does not seem to be any reason or interest for this to change, and the Commission supports its public good nature in principle. Accordingly, implementing point of use charging to fund the Bulletin Board would not be compatible with the current policy approach.

The current method of recovering the costs of providing this service is through shipper fees. Shippers may pass on the costs of the shipper 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 have been entities such as AGL, EnergyAustralia and Origin. However, as the LNG pipelines are commissioned, the relatively large throughput of the shippers on those pipelines will result in them becoming the major contributors to the cost of the Bulletin Board under the current framework.¹²³

The current approach is also a relatively low cost method to collect fees; Bulletin Board shippers are readily identifiable and the formulas for determining the fees are clearly set out in the NGR. The approach is clear and has to date provided for the levying of fees to fund a public good type of service.

However, the Bulletin Board is only one component of AEMO's broader functions and services, 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 is that AEMO has responsibility for determining its fee methodology. A consultative review process is used for this purpose. These reviews have tended to be carried out in three yearly intervals. The Commission is not aware of any policy reason, formed at the time of commencing the Bulletin Board or more recently, for why the Bulletin Board cost recovery arrangements for AEMO are specified in the NGR. On this basis, the Commission considers that it would be practical and administratively efficient for the general AEMO cost recovery framework to also include its Bulletin Board costs, providing a single, flexible governance framework for AEMO's gas market related costs to be recovered.

¹²² Rule 142(a) of the NGR.

¹²³ An alternative approach may be to adopt the methodology employed by the WA IMO where cost recovery of the WA BB is shared equally between producers and shippers. The changes in the east coast gas market would be likely to result in this approach recovering costs from the LNG producers and shippers.

4.3.4 Draft recommendations

The Commission's draft recommendation is that the current rules (rules 188-196) on the recovery of the costs of AEMO's Bulletin Board activities should be removed from the NGR. This will allow AEMO to incorporate its Bulletin Board costs into its broader fee methodology process.

4.4 Maintaining the relevance of the Bulletin Board

4.4.1 Background

According to s. 91A(1)(h) of the NGL one of AEMO's statutory functions is to “operate and maintain” the Bulletin Board. Section 217 of the NGL states that AEMO is to be the Bulletin Board operator and s. 218 states that AEMO must maintain the Bulletin Board, in the form of a website, and that the information contained on the Bulletin Board is that which is specified in the NGR in relation to natural gas services.

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.”

AEMO may make Bulletin Board Procedures, as provided for by ss. 227 and 228 of the NGL.

In addition to the above NGL provisions, the NGR also states that AEMO must “maintain the Bulletin Board” in accordance with the NGL, NGR and Bulletin Board Procedures (rule 144).

The NGR do not provide for a periodic review of the Bulletin Board. In contrast, periodic reviews occur regarding key market parameters in the facilitated markets.¹²⁴

¹²⁴ 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

4.4.2 Stakeholder views

Participants in the working group raised concerns with the current arrangements for maintaining and developing the Bulletin Board. There was substantial discussion among the working group participants regarding the usefulness of periodic reviews and/or annual reports of the Bulletin Board. Some participants considered that periodic reviews may be helpful in facilitating the Bulletin Board's continuing relevance.

The working group participants broadly agreed that an annual report produced by AEMO would be beneficial to stakeholders and the ongoing development of the Bulletin Board. This would allow the Bulletin Board to be considered every year and provide transparency regarding its operation. A formal report would be made available for consideration by interested stakeholders including the COAG Energy Council and the AEMC.

The working group preferred an annual report process to a formal, mandated review process specified in the NGR, as it could draw regular attention to the Bulletin Board and provide the flexibility for AEMO to consider the need for any procedure or rule changes. It would also provide the COAG Energy Council with the opportunity to initiate a formal AEMC review, or seek advice from the AEMC, on the Bulletin Board if considered necessary.

4.4.3 Assessment

In considering the issues raised by stakeholders, it appears that the Bulletin Board has not been maintained to a level of relevance that could be reasonably expected. The gas market has experienced substantial structural change in recent years and the needs of market participants have changed with it. In this environment, it is imperative that the Bulletin Board remain as relevant as it can.

The responsibility for maintaining and operating the Bulletin Board rests with AEMO, under the broader strategic policy direction set out by the COAG Energy Council. However, it seems that the current framework has not provided adequate guidance or clarity; AEMO's responsibility to 'operate and maintain' the Bulletin Board may not provide sufficiently for the work required to achieve ongoing relevance. For this reason, the Commission has considered the need to add a requirement for AEMO to 'update' the Bulletin Board to emphasise the importance of the responsibility to have the Bulletin Board meet the needs of the east coast gas market as the market itself changes over time. This could be achieved by amending s. 91A(1)(h) of the NGL to read "operate, maintain and update" the Bulletin Board.

parameters was completed. If a corresponding value in another Australian gas market or the NEM 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 DWGM does not feature similar provisions.

This may be expanded upon by amendments to s. 219 of the NGL to include the obligation on AEMO to continually assess and update the Bulletin Board. AEMO may be required to "assess the operation and administration of the Bulletin Board on a regular basis to maintain its relevance to the needs of interested stakeholders", and "carry out continual improvements to the Bulletin Board".

Rule 144 would also need to be amended to reflect any NGL changes made to read "AEMO must operate, maintain and update the Bulletin Board in accordance with the NGL, the Rules and BB Procedures".

The Commission has also considered whether there is the need for an annual Bulletin Board report as discussed by the working group. Given the changing and dynamic nature of the market, and the increased reporting requirements proposed in the draft rule determination for the Enhanced Information for Gas Transmission Pipeline Capacity Trading rule change request, as well as those informational requirements recommended in this report, there seems to be a need to continually assess the relevance and operation of the Bulletin Board.

Accordingly, there may be benefit from a periodic assessment of the Bulletin Board's performance and its ability to meet the needs of its users. While the working group considered an annual report suitable, the Commission considers that a biennial report may be more appropriate. A report every two years balances frequency of reporting with the administrative process that would need to be undertaken to create the report and any subsequent work program arising. AEMO's biennial report should be public and report on usage, recent work carried out, registrations, exemptions granted and compliance and enforcement activities. It should also include suggestions on improvements to maintain and improve the Bulletin Board's relevance. To aid this task, AEMO should use an appropriate consultation process and obtain assistance from Bulletin Board stakeholders, the AER and AEMC.

This biennial report will create a clear opportunity for AEMO and other relevant stakeholders to assess the state of the Bulletin Board. It may lead to the development of a rule change request, a proposed procedure change or consideration by the COAG Energy Council for broader market development work relevant to the Bulletin Board.

4.4.4 Draft recommendations

The Commission's draft recommendations are that AEMO:

- be provided with clearer and more direct responsibility to maintain the relevance of the Bulletin Board over time by requiring AEMO to 'update' the Bulletin Board. This would involve making amendments to s. 91A of the NGL. It may also require amendments to s. 219 of the NGL and rule 144 of the NGR; and
- publish a biennial report on the Bulletin Board, including relevant information such as a summary of the Bulletin Board work program, performance and usage statistics, compliance and enforcement activities and also identifying any aspects that potentially require amendment. The report is to be prepared in consultation with market participants, Bulletin Board users and the AER and AEMC.

A Draft recommendations

Chapter 2: Purpose and content of Bulletin Board

- The purpose of the Bulletin Board, as set out in rule 142, should be broadened to reflect the important role information plays in enabling informed and efficient decisions to be made, as well as aiding the price discovery process and facilitating trade. In addition, the reference to emergency management (rule 142(b)) should be removed.
- The coverage of the Bulletin Board should be expanded in the following manner:
 - Upstream information: Producers should be required to report on their proven and probable reserves. AEMO should also publish links on the Planning tab to APPEA and government reports on exploration activities, reserves and gas projects.
 - Hub services: The operators of compressors in a gas supply hub should be subject to similar reporting obligations as operators of pipelines.
 - Demand and capacity:

Large users (including LNG proponents): Large user facilities that consume 10 TJ or more of gas on a single gas day in a year should be required to report the nameplate capacity of their facilities and daily consumption.¹²⁵ LNG processing facilities should also be required to report on their facility's short- and medium-term capacity outlook and material intra-day changes in capacity, while other large users should only be required to report on material changes in capacity that are expected to affect the facility for more than three months.

Other demand: AEMO should be required to publish the volume of gas consumed by large users, LNG proponents, distribution connected demand (excluding large user facilities) and other end-user demand.

- Prices:

Wholesale gas prices and facilitated market prices: The ABS gas price index should be added to the Markets Prices tab once it is published.

Transportation, storage and hub services: A new pricing tab should be added to the Bulletin Board to allow pipeline, storage and hub service providers to voluntarily publish the charges for their services.

¹²⁵ If the large user is the only party taking delivery of gas at a delivery point on a BB transmission pipeline then the information can be obtained from the pipeline and the large user relieved of this obligation.

- All facilities: With the exception of large users, all facilities should be required to report on planned expansions or asset retirements that will affect capacity in the impending 12-24 months as part of their medium-term capacity outlook.
- A notice board should be added to the Bulletin Board to enable market participants to notify each other of opportunities, such as an open season for pipeline expansion.
- The frequency with which information is reported and alerted to market participants should be improved by requiring any material changes to a BB facility's capacity during a gas day to be reported as soon as practicable on that day. This information, along with updates to pipeline nominations should be displayed prominently on the Bulletin Board.

Chapter 3: Reporting and compliance frameworks

The Commission's draft recommendations are that the following changes be made to the Bulletin Board reporting and compliance frameworks:

- The reporting framework should be improved as follows:
 - the link between zones and the obligation to report in rule 149(5)(b) should be removed;
 - the current requirement in the NGR for pipeline flow information to be aggregated using the zonal model should be removed and AEMO accorded responsibility for determining how to aggregate this information through the Procedures;
 - the exemption criteria in rules 149-151 should be replaced by a simple minimum reporting threshold, which will be set at 10 TJ/day;
 - facilities that were commissioned prior to 1 July 2008 that were not identified as BB facilities at this time should be treated in the same manner as other facilities and required to register if they satisfy the minimum reporting threshold;
 - the registration provisions in Division 3 of the NGR should be redrafted so that market participants have greater clarity about what the purpose of registration is and when the obligation to report arises;
 - the declaration power in rule 153 should be removed;
 - the BB facility definition be expanded to include large user facilities, LNG processing facilities, compressors used in the provision of hub services and, depending on stakeholder feedback, distribution pipelines that are connected to production or storage facilities; and

- a reporting standard should be introduced into the NGR and be based on the same ‘good gas industry practice’ standard that applies in the STTM.
- The compliance framework should be amended as follows:
 - notes should be added to the relevant areas of Part 18 of the NGR to identify those provisions that could, if breached, also lead to a breach of s. 223 of the NGL, which is a civil penalty provision; and
 - the obligation to register should be classified as civil penalty provisions in the Regulations and notes added to the NGR to this effect.

Chapter 4: Funding arrangements and future developments

On market participant cost recovery for the Bulletin Board that:

- cost recovery provisions should not be introduced in relation to the provision of any information to be published on the Bulletin Board; and
- the existing cost recovery provisions (as set out in rules 197 and 198) for pipeline operators for performing 'aggregation and information services' should be removed from the NGR.

On AEMO cost recovery provisions, that the current rules (rules 188-196) on the recovery of the costs of AEMO's Bulletin Board activities should be removed from the NGR. This will allow AEMO to incorporate its Bulletin Board costs into its broader fee methodology process.

In relation to the future development of the Bulletin Board, that AEMO:

- be provided with clearer and more direct responsibility to maintain the relevance of the Bulletin Board over time by requiring AEMO to 'update' the Bulletin Board. This would involve making amendments to s. 91A of the NGL. It may also require amendments to s. 219 of the NGL and rule 144 of the NGR; and
- publish a biennial report on the Bulletin Board, including relevant information such as a summary of the Bulletin Board work program, performance and usage statistics, compliance and enforcement activities and also identifying any aspects that potentially require amendment. The report is to be prepared in consultation with market participants, Bulletin Board users and the AER and AEMC.

B Questions for stakeholders

Chapter 2 questions

1. How should the reserves reporting obligations for producers be established to achieve the publication of relevant and timely information on the Bulletin Board?
2. Is there any value in requiring producers to report their uncontracted reserves on the Bulletin Board?
3. Will large users be capable of providing AEMO with their metered gas data on the day after the gas day (D+1)?
4. In what circumstances could the release of pipeline nominations and/or actual flow information on single shipper pipelines affect competition in another market?
5. Are any specific measures in the NGR required to delay the release of information on single shipper pipelines where it can be demonstrated that the release of this information would affect competition in another market?
6. Is there any benefit in conducting a trial on a select number of pipelines to determine the costs and benefits of moving to a real time or intra-day reporting model, or should such a trial be deferred until there is greater demand for this type of information?
7. Is there any benefit in implementing an alert system to inform market participants of any changes to nominations or the capacity of BB facilities during the gas day?

Chapter 3 questions

8. Is there likely to be any benefit in extending the reporting obligations to:
 - regional pipelines?
 - facilities in northern Queensland that are not connected to the broader system?
 - facilities in the Northern Territory?
9. If facilities in the Northern Territory and northern Queensland were not to be included initially, should there be a trigger in the NGR to allow them to be captured by the reporting framework if they do become connected to the east coast market (or for another reason that is appropriate they be included in the Bulletin Board)?
10. Should production and storage facilities that are located within a distribution network be required to report if the distribution pipeline that services these facilities is not required to report on the capacity and use of the pipeline? If not, are there any specific matters that the Commission would need to consider before extending the reporting obligation to distribution pipelines that service these facilities?

C Abbreviations

ABS	Australian Bureau of Statistics
AEMC (Commission)	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Bulletin Board	Natural Gas Services Bulletin Board
DWGM	Declared Wholesale Gas Market
East Coast Gas Review	East Coast Wholesale Gas Market and Pipeline Frameworks Review
GSOO	Gas Statement of Opportunities
NEM	National Electricity Market
NGFR	National Gas Forecasting Report
NGL	National Gas Law
NGO	national gas objective
NGR	National Gas Rules
Procedures	Bulletin Board Procedures
Regulations	National Gas (South Australia) Regulations
STTM	Short Term Trading Market
Vision	COAG Energy Council Australian Gas Market Vision
working group	Information Provision Working Group