



**Australian Energy Market Commission**

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## **RULE DETERMINATION**

**National Gas Amendment (Enhanced  
Information for Gas Transmission Pipeline  
Capacity Trading) Rule 2015**

**Rule Proponent**  
COAG Energy Council

17 December 2015

**RULE  
CHANGE**

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Reference: GRC0033

## **Citation**

AEMC, *Enhanced Information for Gas Transmission Pipeline Capacity Trading*, Rule Determination, 17 December 2015, Sydney.

## **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

This final rule determination sets out changes to the rules to improve the information provided to the east coast gas market via the Natural Gas Services Bulletin Board (or Bulletin Board).

The Australian Energy Market Commission (AEMC or Commission) has made this final rule determination in response to a rule change request submitted by the Council of Australian Governments' (COAG) Energy Council (the Energy Council). The rule also addresses information gaps identified during Stage 1 of the AEMC's East Coast Wholesale Gas Market and Pipelines Framework Review.

The final rule, which is a more preferable rule, amends the relevant provisions in the National Gas Rules (NGR) to require additional information to be reported by gas market participants, including transmission pipeline, production facility and storage facility operators. A summary of the rule change and a comparison with the current rules is set out in a table below.

The Commission considers that the additional information will increase gas market transparency, providing stakeholders with a better understanding of gas market supply and demand conditions. The changes are likely to reduce search and transaction costs, thereby promoting pipeline and storage capacity trading. This should lead to more efficient utilisation of and investment in gas infrastructure, reducing costs over the longer term to the benefit of gas consumers.

The final rule is also likely to make it easier for new participants to enter the market. To the extent that new entry occurs, consumers would be expected to benefit from greater competition in the use and provision of gas services.

The final rule is similar to the draft rule; however, following consultation with stakeholders the Commission has made drafting improvements and minor changes to storage facility reporting. In the final rule, there is now no requirement for storage facilities to report nameplate capacity on a monthly basis.

### **The rule change request**

The Bulletin Board provides gas system and market information to facilitate trade in natural gas and a market for natural gas services. It is operated and maintained by the Australian Energy Market Operator (AEMO). Operators of pipelines, storage facilities and production facilities are required to provide information such as nameplate capacity ratings, capacity outlooks and the amounts of gas produced and delivered.

There have been major changes in the east coast market since the Bulletin Board was created in 2008, most significantly the establishment of a liquefied natural gas (LNG) export industry.

The final rule responds to concerns that information currently reported to the Bulletin Board is inadequate to support efficient decision making by market participants and other stakeholders in a market where gas and pipeline capacity is more actively traded.

There is a potential role for Bulletin Board information to facilitate increased trade in gas transmission pipeline capacity, which could contribute to the efficient use of infrastructure and may generate cost savings that could be passed on to consumers.

The Energy Council considers that additional information is required to:

- facilitate gas transmission pipeline capacity trade through lower search and transaction costs;
- provide stakeholders with a more complete understanding of gas flows within the east coast market; and
- enable AEMO to more effectively undertake its monitoring and operational functions.

In 2013, Energy Council officials undertook a Regulation Impact Statement process to consider policy options that may facilitate increased trade in gas transmission pipeline capacity in the east coast gas market. Energy Ministers subsequently endorsed a policy with the objective of improving information provision and standardising contractual terms and conditions for secondary capacity trading. These measures are being pursued via this rule change request and other work undertaken by AEMO.

The rule change request proposed that the operators of gas transmission pipelines be required to provide the following categories of information for publication on the Bulletin Board: three year uncontracted capacity outlook; names and contact details of contracted shippers; data from pipeline operator's capacity trading platforms; and additional gas flow data.

The Energy Council's proposal also included a requirement for the operators of gas transmission pipelines, storage facilities and production facilities to provide more detailed facility data.

The AEMC also consulted on the following four additional categories of information, which were identified during Stage 1 of its East Coast Wholesale Gas Market and Pipeline Frameworks Review and could address the issues raised in the rule change request:

- additional reporting by storage facilities;
- changes to existing medium term capacity outlooks;
- additional reporting on linepack by pipeline operators; and
- aggregated supply nominations from production facilities.

## The final rule

The Commission's final rule includes all of the reporting requirements proposed in the rule change request, with some amendments. The final rule seeks to better balance the benefits of additional information with the regulatory burden of it being provided. It also places the requirement for information provision on those best placed to ensure timely and accurate data while avoiding obligations on categories of market participants that do not currently report to the Bulletin Board.

The most substantive amendments to the proposed rule relate to the length of the uncontracted capacity outlook period and the provision of contracted shippers' contact details. The Commission is of the view that an uncontracted capacity outlook period of one year, rather than three, is adequate to address the issues raised in the rule change request. Capacity trades typically occur in the short term and it does not appear a longer outlook period would provide the market with sufficiently useful information.

Contracted shippers should provide their own contact details as they are best placed to ensure that their details are up to date. As shippers do not currently report information to the Bulletin Board, and would be the beneficiaries of any subsequent capacity trades, it is appropriate for contract details to be provided on a voluntary basis via the existing Bulletin Board contact list. This is a lower cost way of this information being provided.

The Commission is of the view that two of the four additional categories of information it consulted on would address issues raised in the rule change request and are likely to meet the national gas objective (NGO). These are additional reporting by storage facilities and changes to the medium term capacity outlook. The Commission considers that the benefits of additional reporting on linepack by pipeline operators would not outweigh the costs. Reporting on expected supply side flows, such as production facility nominations, will be considered further through the East Coast Wholesale Gas Market and Pipeline Frameworks Review.

The final rule includes the following reporting requirements that are additional to the information proposed in the rule change request:

- Storage facility operators will be required to provide additional information about the operation of their facilities. The additional information covers: the actual volume of gas held in the storage facility for each gas day; aggregated injections and aggregated withdrawals for the previous gas day, nominated for each gas day and seven day forecast; and a 12 month outlook of uncontracted storage capacity.

Storage facilities used solely as part of a production facility will no longer be exempt from Bulletin Board reporting, but will not be required to report aggregated injection and aggregated withdrawal nominations for each gas day and a seven day forecast. Placing this obligation on integrated storage facilities at this time could be viewed as inconsistent with production facility and receipt point reporting obligations, which do not currently require the provision of

forecast flows to the Bulletin Board. The Commission will consider this further through the East Coast Wholesale Gas Market and Pipeline Frameworks Review.

- The operators of gas transmission pipelines, storage facilities and production facilities will be required to use a standard format for medium term capacity outlooks, which includes a numerical estimate of the expected capacity of the facility during the period to which the capacity outlook applies.

### **Expected benefits**

The Commission is satisfied that the final rule will, or is likely to, better contribute to the achievement of the NGO compared to the current arrangements and the proposed rule by:

- providing stakeholders with a better understanding of the current and expected supply and demand balance for gas in the east coast market;
- making it easier for stakeholders to use the Bulletin Board as a central repository of information required to trade in gas services;
- enabling AEMO to undertake more thorough data monitoring, which is likely to increase the accuracy of data published on the Bulletin Board; and
- making it easier for new participants to enter the market.

Through the benefits above, the final rule is likely to contribute to the long term interests of consumers by promoting more efficient investment in and use of gas services. Over time, the value derived from a more transparent gas market is expected to outweigh the costs of this information being provided.

The AEMC's work on this rule change request has been conducted in coordination with the ongoing East Coast Wholesale Gas Market and Pipeline Frameworks Review. A number of issues related to pipeline capacity trading and the Bulletin Board are currently being considered through this review, including issues relating to the Bulletin Board reporting and registration framework, compliance and cost recovery. The Stage 2 Draft Report on information provision was published on 4 December 2015 and submissions are invited on that paper by Friday 12 February 2016.

## Summary of proposed changes to information provision requirements

Information category	Current rules	COAG Energy Council's proposed rule	Final rule
Uncontracted primary capacity	No information on Bulletin Board. Regulated pipelines must maintain a register of uncontracted capacity, however this is not accessible from a central location.	Pipeline operators would provide a three year (36 month) outlook of uncontracted, primary capacity.  Provided monthly for each month of the 36 month outlook period.	Pipeline operators would provide a one year (12 month) outlook of uncontracted, primary capacity.  Provided monthly for each month of the 12 month outlook period.
Contact details of contracted shippers	No requirement to identify contracted shippers for each pipeline.  Shippers are eligible to be BB participants, however it is not mandatory to register.	For each BB pipeline, pipeline operators would provide a list of contracted shippers and their contact details, in relative order of their contracted capacities.  Provided on a monthly basis.	For each BB pipeline, pipeline operators would provide a list of contracted shippers.  Updated when no longer accurate.
Secondary capacity trading platforms	None.	Pipeline operators would provide information from their secondary capacity trading platforms, reported monthly.	As proposed, with minor drafting amendments.
Detailed facility data	All facility operators required to provide nameplate rating information.	In addition to nameplate rating information, facility operators to provide information on pipeline receipt and delivery points, and the receipt and delivery points at which storage and production facilities are located.  Updated when no longer accurate.	As proposed, with minor drafting amendments.
Aggregated and disaggregated gas flow	Pipeline operators required to provide aggregated delivery point flows for each	In additional to aggregated delivery point flows, pipeline operators would be required to provide aggregated receipt	As proposed, with drafting amendments to clarify AEMO's role in receiving disaggregated data and ensure AEMO

Information category	Current rules	COAG Energy Council's proposed rule	Final rule
data	zone on a day after basis.	<p>point flow data by zone on a day after basis, which would be published on the Bulletin Board.</p> <p>Pipeline operators would also be required to provide disaggregated receipt and delivery point flow data on a monthly basis, which would not be published on the Bulletin Board. AEMO would use this data to monitor compliance with Bulletin Board reporting and registration obligations</p>	can use this data for is other functions, so long as this information is kept confidential.
Gas storage facilities	<p>Required to report nameplate capacity rating, actual net flows out of the storage facility for each gas day, seven day capacity outlook, and medium term capacity outlooks.</p> <p>May be exempt if production nameplate rating is less than 20 terajoules (TJ) per gas day, it is used solely as part of a production facility or it is not connected to a BB pipeline.</p>	No changes proposed.	<p>In addition to existing reporting on nameplate capacities and capacity outlooks, facilities are required to report additional information covering: the actual volume of gas held in the storage facility for each gas day; aggregated injections and aggregated withdrawals for the previous gas day, nominated for each gas day and a seven day forecast; and a 12 month outlook of uncontracted storage capacity (uncontracted volume, injection and withdrawal capacities).</p> <p>Facilities used solely as part of a production facility would no longer be exempt from Bulletin Board reporting, but will not be required to report aggregated injection and aggregated withdrawal nominations for each gas day and a seven day forecast.</p>

<b>Information category</b>	<b>Current rules</b>	<b>COAG Energy Council's proposed rule</b>	<b>Final rule</b>
Medium term capacity outlook	Required to be provided by pipeline operators, storage and production facilities are when issued to shippers.	No changes proposed.	To be provided when issued to shippers in a standard format, including a numerical estimate of the facilities' capacity during the maintenance period.
Linepack	Pipeline operators are required to provide a 3-day linepack capacity adequacy outlook flag.	No changes proposed.	No change to rules.
Production facility supply nominations	None.	No changes proposed.	No change to rules.



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# 1 COAG Energy Council's rule change request

## 1.1 The rule change request

On 1 April 2015, the Council of Australian Governments' (COAG) Energy Council (the Energy Council) submitted a rule change request to the Australian Energy Market Commission (AEMC or Commission).

The rule change request seeks to amend the National Gas Rules (NGR) to increase the amount of information that gas market participants are required to provide to the Australian Energy Market Operator (AEMO) for publication on the Natural Gas Services Bulletin Board (Bulletin Board or BB).

## 1.2 Current arrangements

AEMO operates and maintains a gas market Bulletin Board in accordance with its obligations under the National Gas Law (NGL) and the NGR.<sup>1</sup> The purpose of the Bulletin Board, as set out in the NGR, 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.”<sup>2</sup>

The operators of BB pipelines, BB storage facilities and BB production facilities (collectively referred to as BB facilities) are required by Part 18 of the NGR (rules 163-175) to provide certain information to AEMO.

The information that is currently provided to AEMO is set out in Table 1.1 below.

**Table 1.1 Information currently provided to AEMO**

Market participants	Information	Frequency of information provision
BB pipelines	Nameplate capacity rating	Annual, unless capacity changes
	7-day capacity outlook	Daily
	Actual pipeline gas delivery information for each demand	Daily

<sup>1</sup> Chapter 7 of the NGL and Part 18 of the NGR.

<sup>2</sup> NGR, rule 142.

Market participants	Information	Frequency of information provision
	and production zone for the previous day	
	Aggregated delivery nominations by zone and aggregated forecast deliveries by zone for subsequent gas days (up to seven days)	Daily, but updated if renominations result in a material change
	3-day linepack capacity adequacy outlook flag	Daily
	Medium term capacity outlook	As issued
BB storage facilities	Nameplate capacity rating	Annual, unless capacity changes
	Actual net flows out of the storage facility for each gas day	Daily
	7-day capacity outlook	Daily
	Medium term capacity outlook	As issued
BB production facilities	Nameplate capacity rating	Annual, unless capacity changes
	Actual production data for each gas day	Daily
	7-day capacity outlook	Daily
	Medium term capacity outlook	As issued

Note: Medium term capacity outlooks are reported in the form of maintenance reports that are created by facility operators and provided to relevant shippers.

Pipeline operators may be eligible to recover, from AEMO, in accordance with rule 197, their costs of aggregating and providing information to AEMO in compliance with rules 173 and 196.<sup>3</sup> There is no mechanism for the recovery of costs associated with providing other types of information to AEMO under rules 163-174, including all costs incurred by storage and production facility operators.

The costs incurred by AEMO in operating and maintaining the Bulletin Board are recovered from shippers that use BB pipelines. Shippers are defined as pipeline users who are party to a contract with a service provider of a pipeline, or have the right via an access determination to be provided with a pipeline service.<sup>4</sup> They are liable to pay

<sup>3</sup> Rule 173 relates to the provision of information on nominated and forecast gas deliveries. Rule 196 concerns information provided by pipeline operators to AEMO to enable it to calculate each BB shipper's share of estimated Bulletin Board costs for a particular invoice period.

<sup>4</sup> NGR, rule 141.

a fee reflecting the shipper's share of the volume of gas transported during the relevant period.<sup>5</sup>

### **1.3 Issues identified in rule change request**

The rule change request notes that Australia's east coast gas market is undergoing a period of change due to growth in the coal seam gas sector and the establishment of a liquefied natural gas (LNG) export industry.

In this context, the rule change request identifies a need for additional information to:

- facilitate gas transmission pipeline capacity trade through lower search and transaction costs;
- provide stakeholders with a more complete understanding of gas flows and the supply and demand balance for gas within the east coast market; and
- enable AEMO to more effectively undertake its monitoring and operational functions.

Capacity trading can be classified as trade in either primary or secondary capacity. Primary capacity is sold by pipeline owners to shippers, such as gas retailers, industrial users and producers. These transactions have historically underpinned transmission pipeline investment. Secondary capacity trading involves primary capacity holders on-selling their capacity to other market participants, or back to the pipeline owner, on a temporary or permanent basis.

The following specific issues are identified in the rule change request:

- It may be difficult for some market participants to easily determine whether uncontracted primary capacity is available on particular pipelines.
- Interested stakeholders are unable to adequately understand the level of secondary capacity trading occurring in the market. This information would better inform the decision making of new and current market participants and policy makers.
- Market participants and interested stakeholders are unable to adequately understand gas flows and the supply and demand balance for gas in the east coast market due to a lack of published receipt point data. For example, this impacts on AEMO's ability to monitor Bulletin Board reporting compliance and undertake planning and forecasting activities.
- Reliable pipeline schematic diagrams cannot be produced due to a lack of sufficiently detailed facility data. These diagrams would enable an understanding of which facilities are connected to particular pipelines.

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<sup>5</sup> NGR, rule 191.

## 1.4 Proposed solution

To address the issues identified, the Energy Council proposes that BB facility operators be required to provide the following additional information to AEMO for publication on the Bulletin Board:

- **Uncontracted primary capacity.** Pipeline operators would provide a three year (36 month) outlook of uncontracted, primary capacity on BB pipelines. This information would be provided monthly for each month of the 36 month outlook period.
- **Contact details of contracted shippers.** For each BB pipeline, pipeline operators would provide a list of contracted shippers and their contact details, in relative order of their contracted capacities. This information would be provided on a monthly basis.
- **Secondary capacity trading.** Pipeline operators would provide secondary capacity trading information from their trading platforms, reported monthly. The extent of the information required would be specified in the Bulletin Board Procedures.
- **Detailed facility data.** Detailed facility data would be provided for pipeline, storage and production facilities. This would include information on pipeline receipt and delivery points, and the receipt and delivery points at which the facilities are located. The data is to be updated as soon as practicable once information previously provided is identified to be inaccurate.
- **Gas flow data.** Pipeline operators would provide aggregated receipt and delivery point flow data by zone on a day after basis, which would be published on the Bulletin Board.

The proposed rule also requires pipeline operators to provide disaggregated receipt and delivery point flow data on a monthly basis. In contrast to the information listed above, this disaggregated data would not be published on the Bulletin Board, but would be used internally by AEMO to verify reported data and monitor compliance with Bulletin Board reporting and registration obligations under the NGR.

The rule change request included a proposed rule.

## 1.5 Background

This rule change relates to the Energy Council's Gas Transmission Pipeline Capacity Trading project, which is part of its Energy Market Reform work stream.<sup>6</sup>

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<sup>6</sup> COAG Energy Council, Gas Transmission Pipeline Capacity Trading, website, viewed 6 July 2015, <http://www.scer.gov.au/workstreams/energy-market-reform/gas-market-development/gtpct/>

In 2013, Energy Council officials undertook a Regulation Impact Statement process to consider policy options that may facilitate increased trade in gas transmission pipeline capacity in the east coast gas market.

Energy Ministers subsequently endorsed a policy with the objective of improving information provision and standardising contractual terms and conditions for secondary capacity trading.<sup>7</sup>

These measures are being pursued via this rule change request and work undertaken by AEMO to improve Bulletin Board functionality and develop voluntary standard contractual terms for secondary capacity trading.

## **1.6 Process to date**

On 16 July 2015, the Commission published a notice advising of its commencement of the rule making process and a consultation paper prepared by AEMC staff.<sup>8</sup> Submissions on the consultation paper and rule change request were due by 13 August 2015, with 12 submissions received in total.

On 1 October 2015, the Commission published its draft rule determination and draft rule. Submissions were due by 12 November 2015, with 14 received in total. All submissions are available from the AEMC website.<sup>9</sup>

Where relevant to the discussion, the Commission has summarised the issues raised in submissions as part of its analysis in Chapters 3 and 4, with any outstanding issues summarised and addressed in Appendix A.

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<sup>7</sup> Standing Council on Energy and Resources, Meeting Communique, 13 December 2013, p3.

<sup>8</sup> This notice was published under section 308 of the NGL.

<sup>9</sup> [www.aemc.gov.au](http://www.aemc.gov.au)

## 2 Final rule determination

The Commission has decided to make a final rule, which is a more preferable rule, following its analysis of the rule change request, the issues raised and stakeholder input. The final rule includes all of the information reporting requirements proposed in the rule change request, with some amendments. It also includes two additional elements: additional reporting by gas storage facilities and measures to standardise medium term capacity outlook reporting.

The final rule is attached to and published with this final determination. Having regard to the issues raised in the rule change request and by stakeholders in submissions, the Commission is satisfied that the final rule will or is more likely to better contribute to the achievement of the national gas objective (NGO) than the existing rules or the proposed rule.

This chapter outlines:

- the Commission's rule making test for changes to the NGR;
- the Commission's assessment framework for considering the rule change request; and
- the Commission's consideration of the final rule against the NGO.

Further detail on the legal requirements for making this final determination is set out in Appendix B.

### 2.1 Rule making test

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

The NGO is:

“to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.”<sup>10</sup>

The objective captures the three dimensions of efficiency: productive (efficient operation), allocative (efficient use of) and dynamic efficiency (efficient investment).<sup>11</sup>

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<sup>10</sup> NGL, s. 23.

<sup>11</sup> Productive efficiency means goods and services should be provided at lowest possible cost to consumers; allocative efficiency means that the price of goods and services should reflect the cost of providing them, and that only those products and services that consumers desire should be provided; dynamic efficiency means arrangements should promote investment and innovation in

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

- efficient use and operation of natural gas services with respect to reliability and security of supply;
- efficient operation of natural gas services with respect to price; and
- efficient investment in natural gas services.

## 2.2 Assessment framework

In assessing the rule change request, the Commission considered the following principles:

- **Potential for better informed decisions and processes.** Participants should have access to a level of information that allows them to make efficient resource allocation decisions. For instance, whether and how much natural gas and pipeline capacity they should purchase and at what price. Information should be available to all interested stakeholders so as not to act as a barrier for smaller entities who may wish to enter the market or expand.
- **Potential regulatory and administrative burden.** The value provided by more transparent market information over time should outweigh the costs of providing it.
- **Balance between information transparency and confidentiality.** In a market where gas and pipeline capacity is more actively traded, greater information transparency will likely promote more efficient short term decisions. Greater transparency measures should be considered against the need for some commercial information to be confidential.

## 2.3 Summary of reasons

The key features of the final rule are as follows:

- BB pipeline operators will be required to report on the categories of information proposed in the rule change request: uncontracted primary capacity outlook, the names of contracted shippers, data from secondary capacity trading platforms, detailed facility data, and additional aggregated and disaggregated gas flow data. The Commission is of the view that some changes to the proposed rule are required to better meet to NGO. The most substantive amendments relate to the length of the uncontracted capacity outlook period and contracted shippers providing their own contact details.

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the production of goods and services so that allocative and productive efficiency can be sustained over time, taking into account changes in technologies and the needs and preferences of consumers.

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- Production facility operators will be required to provide more detailed facility data, including the BB pipeline to which the facility is connected and the receipt and delivery points at which the facility is connected. This will allow for the publication of more accurate schematic diagrams.
- Storage facility operators will be required to provide additional information about the operation of their facilities. The additional reporting covers the actual volume of gas held in the storage facility for each gas day, aggregated injections and aggregated withdrawals for the current gas day and seven day forecast, and a 12 month outlook of uncontracted storage capacity. The current reporting exemption for storage facilities used solely as part of a production facility has been removed, however these facilities will not be required to report aggregated injection and aggregated withdrawal nominations for the current gas day and a seven day forecast.
- All facility operators will be required to use a standard format for medium term capacity outlooks, which includes a numerical estimate of the expected capacity of the facility during the period to which the capacity outlook applies.

Further detail on the final rule can be found in Chapters 3 and 4.

The Commission is satisfied that the final rule will, or is likely to, contribute to the achievement of the NGO compared to the current arrangements for the following reasons:

- Stakeholders will gain a better understanding of the current and expected supply and demand balance for gas in the east coast market. The information in the final rule will provide for a more complete understanding of gas flows, system constraints, and the way in which gas facilities are operated. Stakeholders will be able to better anticipate potential impacts on the gas and electricity markets, allowing for more informed operational and investment decisions. Policy makers and the market operator will be able to make more informed decisions relating to the development and operation of the gas market. More informed decision making by stakeholders is likely to result in more efficient investment in and use of gas services, which would be in the long term interests of consumers.
- The Bulletin Board will be better able to act as a central repository of information to support trade in gas services. The publication of uncontracted capacity outlooks for transmission pipelines and storage facilities will reduce the transaction costs associated with identifying opportunities to procure pipeline and storage services. The additional facility data and names of contracted shippers will assist market participants to identify who they can trade with. These measures are likely to reduce the search and transaction costs associated with pipeline and storage capacity trading, which may lead to more trades taking place. This would contribute to the efficient use of pipeline and storage services, and may generate cost savings that could be passed on to consumers.
- AEMO will be able to undertake more thorough data monitoring, which is likely to increase the accuracy of data published on the Bulletin Board. If stakeholders

have a higher level of confidence in Bulletin Board data, then they may be able to use it for more applications, including to inform trading decisions. More monitoring of data accuracy by AEMO may also reduce the effort required by market participants to undertake their own data verification, or corroborate data with other sources. To the extent that there is more trading or market participants experience costs savings, there is the potential for these savings to be passed on to consumers.

- New participants may be able to more easily enter the market. By providing stakeholders with a better understanding of the supply and demand balance for gas and making it easier for them to obtain information to trade in gas services, market entry costs may be reduced. Consumers would be expected to benefit from greater competition in the use and provision of gas services.

Under section 296 of the NGL, the AEMC may make a rule that is different from a proposed rule if it is satisfied that, having regard to the issues raised by the rule change request, the more preferable rule will, or is likely to, better meet the NGO than the proposed rule.

The Commission considers that the more preferable final rule is likely to better contribute to the achievement of the NGO than the proposed rule by better balancing the benefits of additional information with the regulatory burden of it being provided. The final rule specifies a shorter uncontracted capacity outlook period that the Commission considers is adequate to address the issues raised in the rule change request. It also places the requirement for information provision on those best placed to ensure timely and accurate data while avoiding obligations on categories of market participants that do not currently report to the Bulletin Board.

The more preferable final rule also includes reporting requirements that will enhance the utility of the information provided on the Bulletin Board and provide stakeholders with a more complete understanding of the supply and demand balance for gas. The more preferable final rule specifies additional reporting by storage facilities so that stakeholders will be more able to anticipate the impact of storage on the wholesale gas and electricity markets, and identify opportunities to procure storage services. The new requirement for medium term capacity outlooks to be in a standardised format and include a numerical capacity estimate will provide the market with more useful information for capacity trading and other operational decisions.

In making this additional information available, the more preferable final rule will, in comparison to the proposed rule, better support trade in wholesale gas and pipeline capacity, and provide stakeholders with a more complete understanding of gas flows in the east coast market. It is therefore likely to better address the issues raised in the rule change request and better meet the NGO.

## **2.4 Strategic priority**

This rule change request relates to the AEMC's strategic priority of promoting the development of efficient gas markets. This priority recognises that a reliable,

competitive and secure gas market allows efficient and timely investment in gas infrastructure, which is in the long term interests of consumers.

The Commission confirmed that gas market development would remain a priority area in its recently published 2015 strategic priorities for energy market development.<sup>12</sup> These priorities are reviewed every two years to determine how the existing priorities may need to evolve given advances in the Energy Council's policy priorities as well as changes within the energy markets.

The gas priority consists of three focus areas, which complement the gas market reviews that the Commission is currently undertaking:<sup>13</sup>

- Wholesale gas trading markets - how should the gas trading markets be structured to maximise efficiency of trade and minimise transaction costs?
- Pipeline capacity trading - how should the transmission pipeline framework promote efficient investment and allocation of capacity, while supporting trade in wholesale gas markets?
- Information - what information does a liquid wholesale gas market require to function effectively?

This rule change request relates to all three focus areas since information is used by market participants to trade gas and pipeline capacity. Greater gas market transparency may lead to improved decision making by market participants, policy makers and the market operator.

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<sup>12</sup> AEMC, *Strategic Priorities for Energy Market Development 2015*, Final Priorities, 26 November 2015.

<sup>13</sup> The Energy Council has tasked the AEMC to consider the direction that gas market development on the east coast should take, given the new market dynamic presented by the LNG export industry. Alongside this review, the Victorian Government has also asked the AEMC to look in detail at the specific arrangements in Victoria.

### **3 Information proposed in rule change request**

The Energy Council's rule change proposed that additional information should be published on the Bulletin Board in order to better support capacity trade and provide for a better understanding of where gas flows within the east coast gas market. The Commission's assessment of the Energy Council's rule change proposal is set out in the following sections.

#### **3.1 Uncontracted primary capacity**

##### **3.1.1 COAG Energy Council's proposal**

The Energy Council has identified that it may be difficult for some market participants to easily determine whether uncontracted primary capacity is available on particular pipelines.

Currently, some transmission pipelines maintain a register of spare capacity in accordance with NGR rule 111.<sup>14</sup> Spare capacity is defined as "unutilised capacity on a pipeline" and can include both uncontracted capacity and contracted but unutilised capacity.<sup>15</sup> However, rule 111 does not apply to the majority of BB pipelines, nor is there a requirement for this information to be provided for publication on the Bulletin Board.

The Energy Council submits that the proposed uncontracted primary capacity outlook would allow market participants to better plan and manage their gas supply agreements. It considers that a three year (36 month) outlook would be appropriate to inform parties undertaking contractual negotiations.

##### **3.1.2 Stakeholder views on consultation paper**

In submissions on the consultation paper, stakeholders supported the concept of an uncontracted primary capacity outlook, with the main point of contention being the length of the outlook period.

Shippers supported the proposed reporting requirement, noting that the information could assist capacity seekers to understand capacity availability and support the secondary trading market by offering alternatives means of sourcing capacity.<sup>16</sup>

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<sup>14</sup> Rule 111 applies to transmission pipelines that are covered under the regulatory framework and to distribution pipelines if the AER determines that it ought to apply to them. Currently, this only 5.5 of the 27 transmission pipelines in the Australian east coast gas market are covered under the regulatory framework.

<sup>15</sup> Section 2 of the NGL.

<sup>16</sup> Origin Energy, consultation paper submission, p2; and EnergyAustralia, consultation paper submission, p2.

While GDF Suez Australian Energy (GDFSAE) and Stanwell supported the proposal, GDFSAE believed that the associated benefits are likely to be small.<sup>17</sup> Stanwell considered that it is unlikely to reduce search and transactions costs since the information is already generally known and available to market participants.<sup>18</sup>

Pipeline operators questioned the need for the outlook period to be 36 months.<sup>19</sup> They noted that an outlook period of 12 months was consulted on by Energy Council officials prior to the rule change request being submitted and considered this to be a more appropriate alternative.

Pipeline operators opposed the 36 month outlook for the following reasons:<sup>20</sup>

- Negotiations between pipeline operators and existing or potential shippers are unlikely to occur this far in advance.
- The reported data lacks meaning where a contracted shipper has an option to purchase pipeline capacity at some point in the future. GDFSAE also raised the issue of contractual options and how these arrangements would be reported.<sup>21</sup> Pipeline operators indicated that they would not consider capacity that is under an option as uncontracted.
- It is unnecessary when capacity trades typically occur in the short term.
- There is the potential for investment and financial markets to form an inaccurate view of the risks faced by businesses when the need for capacity has not yet been considered by relevant market participants.

APA Group estimated that it would cost between \$80,000 and \$120,000 to establish this reporting, with ongoing costs likely to be relatively minor.<sup>22</sup> Jemena provided a confidential estimate of the costs it would incur to implement all of the additional reporting requirements in the rule change request.

### **3.1.3 Stakeholder views on draft determination**

In submissions on the draft determination, five stakeholders responded to the proposed requirement for pipeline operators to provide a 12 month uncontracted primary capacity outlook.

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<sup>17</sup> GDFSAE, consultation paper submission, p2.

<sup>18</sup> Stanwell, consultation paper submission, p3.

<sup>19</sup> APA Group, consultation paper submission, p4; APGA, consultation paper submission, pp10-11; and Jemena, consultation paper submission, pp2-3.

<sup>20</sup> APGA, consultation paper submission, p10-11.

<sup>21</sup> GDFSAE, consultation paper submission, p2.

<sup>22</sup> Energy Council's rule change request, p17.

APGA supported the definition of uncontracted primary pipeline capacity in the draft rule and noted the importance of pipeline operators being able to exercise judgement in determining this figure.<sup>23</sup>

The Public Interest Advocacy Centre (PIAC) supported the requirement for all pipeline operators to report uncontracted capacity data, but suggested that the AEMC consider an 18 month outlook period on the basis that this outlook period is used in European gas markets.<sup>24</sup>

QGC submitted that uncontracted capacity outlooks might provide some marginal benefits, but are unlikely to materially increase the level of pipeline capacity trading. It considers that information is not the fundamental barrier to increased capacity trading and that there are other issues with the underlying regulatory and market frameworks.<sup>25</sup>

AEMO and APA Group raised issues relating to the drafting of the rule. AEMO requested that there be a carve-out for the Declared Transmission System on the basis that it consists of market carriage pipelines that do not have contracted primary capacity.<sup>26</sup> APA Group considered that NGR rule 111, which requires some pipeline operators to maintain a public register of spare capacity, should be deleted as a consequential amendment on the basis that the final rule would provide a more comprehensive and usable information resource.<sup>27</sup>

### 3.1.4 Analysis

The existing public information on uncontracted capacity is fragmented and incomplete. As a result, some interested stakeholders may incur material search costs to access this information, or be unable to use it in their decision making.

A 12 month outlook appears adequate for the purposes of secondary capacity trading in the east coast gas market, which is the focus of the rule change request. In support of this view, the Australian Pipeline and Gas Association (APGA) provided a summary of the trades that have occurred at the Wallumbilla Gas Supply Hub. Of the almost 850 trades that have taken place since it was established, most have been for gas in the following 48 hours and the remainder for less than a month ahead.<sup>28</sup>

Further, while there may be value in market participants being able to assess a pipeline's contracted capacity for a period of more than 12 months, it is questionable

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<sup>23</sup> APGA, draft determination submission, p2.

<sup>24</sup> PIAC, draft determination submission, p4.

<sup>25</sup> QGC, draft determination submission, p2.

<sup>26</sup> AEMO, draft determination submission, p2. The differences between the market carriage model used in Victoria and the contract carriage model used in other parts of the east coast gas market are discussed in AEMC, *East Coast Wholesale Gas Market and Pipeline Frameworks Review, Stage 1 Final Report*, 23 July 2015, Sydney, pp47-50.

<sup>27</sup> APA Group, draft determination submission, p1.

<sup>28</sup> APGA, consultation paper submission, pp10-11.

whether the reported information would be helpful when options to exercise extensions to contracted capacity are included in gas transport agreements. APGA submitted that shippers would not make commitments regarding such options more than 12 months in advance.<sup>29</sup>

In relation to rule 111, the scope and coverage of this rule are slightly different to the provisions in the draft rule, for example:

- Rule 111 applies to all covered transmission pipelines and covered distribution pipelines if this provision has been included in their access arrangement by the AER. The draft rule places an obligation on Bulletin Board pipelines.
- Rule 111 creates an obligation to maintain a register of spare capacity, which is defined in the NGL as unutilised capacity on a pipeline. Therefore this register could reflect uncontracted capacity as well as contracted but unutilised capacity. In contrast, the draft rule only relates to uncontracted capacity.

Considering this, it appears that some information currently published under rule 111 wouldn't be captured by the draft rule. The uncontracted capacity outlook is less comprehensive than the reporting obligations under rule 111. Hence, covered transmission pipelines that report to the Bulletin Board wouldn't have to provide the specific details of the spare capacity, such as the receipt and delivery points, and proposed terms and conditions (which may include price).<sup>30</sup> Removing the rule could create information gaps. For example, there would be no register of spare capacity in the case of:

- covered transmission pipelines that are eligible for a Bulletin Board reporting exemption under NGR rule 149(5); and
- covered distribution pipelines, if the provisions of rule 111 have been included in their access arrangements by the AER.

Conversely, a small number of covered transmission pipelines would face the dual obligations of complying with rule 111 and providing an uncontracted capacity outlook for the Bulletin Board.

APA Group suggested the removal of rule 111 as a consequential amendment. Section 297(1) of the NGL states that the AEMC may make a rule that is necessary or consequential for the purposes of s. 291(1).<sup>31</sup> The AEMC's interpretation is that the words "necessary or consequential" need to be read as one phrase, meaning that s. 297(1) only applies to changes that would necessarily flow from the rule as made. The Commission's view is that the removal of rule 111 wouldn't necessarily flow from the making of the final rule as rule 111 requires different information from different parties.

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<sup>29</sup> APGA, consultation paper submission, p10.

<sup>30</sup> These details could, however, be provided voluntarily via a secondary capacity trading platform.

<sup>31</sup> Section 291(1) states that the AEMC may only make a rule if it is satisfied that the rule will or is likely to contribute to the achievement of the national gas objective.

### **3.1.5 Conclusion**

The Commission considers that there would be a benefit from this information being reported in a consistent format and published in a central location. These outlooks would make it easier for market participants to identify opportunities to procure pipeline services.

However, it would be more appropriate for the outlook period to be 12 months, rather than the 36 month outlook proposed in the rule change request, or 18 month outlook proposed by PIAC. The Commission considers that this response is proportional to the issues identified in the rule change request.

The issue of how contractual options would be treated in the reporting has been considered in the drafting of the rule. Uncontracted primary pipeline capacity is defined as primary pipeline capacity that is available for sale by a pipeline operator. Where an option to extend a contract exists, this capacity would not meet this definition and would therefore not be reported in this outlook.

The Commission is of the view that rule 111 should be retained as its removal would be inconsistent with the s. 297(1) of the NGL and may create gaps in the information available on spare pipeline capacity. It is more appropriate for this issue to be addressed in any rule changes that may arise from the East Coast Wholesale Gas Market and Pipeline Frameworks Review, when broader changes to the information reporting framework can be considered.

## **3.2 Shippers' contact details**

### **3.2.1 COAG Energy Council's proposal**

The Energy Council proposes that pipeline operators should be required to report on the names and contact details of their contracted shippers on a monthly basis. Under this proposal, the shippers would be listed in order of their contracted capacities, to provide market participants with an indication of which shippers are most likely to hold unused capacity.

Currently, some pipeline operators provide a list of contracted shippers. However, they are not listed in relative order of their contracted capacities and their contact details are not provided. The proposal seeks to reduce the search costs associated with secondary capacity trading by providing this additional information.

### **3.2.2 Stakeholder views on consultation paper**

In submissions on the consultation paper, stakeholders generally supported the provision of a list of contracted shippers and their contact details, however some opposed the shippers being listed in relative order of their contracted capacities. APA

Group and Jemena suggested that shippers' contact details should be provided by shippers rather than pipeline operators.<sup>32</sup>

Stakeholders supported the provision of this information on the basis that it will reduce the search and transaction costs associated with secondary capacity trades.<sup>33</sup> GDFSAE put forward that this information is likely to facilitate discussion and negotiation between potential contract counter parties.<sup>34</sup>

Several stakeholders questioned the need for shippers to be listed in order of their contracted capacities.<sup>35</sup> They considered that this requirement would not add any value since a shipper's relative position does not necessarily correlate with their propensity to hold unused pipeline capacity. Santos submitted that any company looking for spare capacity would contact all contracted shippers to ensure that they have a good understanding of the available pipeline capacity.<sup>36</sup>

APA Group and Jemena suggested that shippers should provide their own contact details rather than the pipeline operator acting as an intermediary.<sup>37</sup> Their reasoning was that shippers are better placed to ensure that the information remains accurate and reflects changes in personnel and contract details. Further, the appropriate contact for capacity trading inquiries may be different to a shipper's authorised representative under their contract with the pipeline operator.

### **3.2.3 Stakeholder views on draft determination**

In submissions on the draft determination, APA Group and Origin Energy supported the Commission's draft decision to not require pipeline operators to provide the contact details of contracted shippers.<sup>38</sup>

PIAC also supported the position set out in the draft determination, but suggested that the AEMC consider the potential benefit of shippers being listed in order of the amount of secondary capacity that they hold.<sup>39</sup>

AEMO requested that there be a carve-out for the Declared Transmission System as it consists of market carriage pipelines.<sup>40</sup>

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<sup>32</sup> APA Group, consultation paper submission, p3; and Jemena, consultation paper submission, p3.

<sup>33</sup> Energy Australia, consultation paper submission, p2; ESAA, consultation paper submission, p3; and Origin Energy, consultation paper submission, p2.

<sup>34</sup> GDF Suez Australian Energy, consultation paper submission, p2.

<sup>35</sup> Energy Australia, consultation paper submission, p2; ESAA, consultation paper submission, p3; Origin Energy, consultation paper submission, p2; and Santos, consultation paper submission, p2.

<sup>36</sup> Santos, consultation paper submission, p2.

<sup>37</sup> APA Group, consultation paper submission, p3; and Jemena, consultation paper submission, p3.

<sup>38</sup> APA Group, draft determination submission, p2; and Origin Energy, draft determination submission, p1.

<sup>39</sup> PIAC, draft determination submission, p5.

<sup>40</sup> AEMO, draft determination submission, p2.

### 3.2.4 Analysis and conclusion

The Commission considers that this proposal seeks to address two information gaps for shippers interested in secondary capacity trading:

1. which shippers hold capacity on particular pipelines; and
2. the contact details of those shippers.

The first gap can be addressed by requiring pipeline operators to provide a list of their contracted shippers. The second by pipeline operators or shippers providing shippers' contact details for each pipeline for publication on the Bulletin Board.

The Commission considers that pipeline operators should be required to report the names of their contracted shippers, but the contact details should instead be provided by shippers themselves. As identified by stakeholders, shippers are best placed to ensure that their contact details are correct and kept up to date.

Further, the Commission considers that it would be appropriate for shippers to provide their contact details via the existing contact list on the Bulletin Board.<sup>41</sup> The existing contact list contains individuals and organisations that are registered as BB participants. Under rule 141, all shippers are eligible to be BB participants, however it is not mandatory to register. As at 30 November 2015, there were 57 unique organisations registered.

This arrangement would allow shippers to provide their contact details on a voluntary basis. The Commission considers that this is more appropriate than placing a new reporting obligation on shippers for the following reasons:

- It is in shippers' interests to make their contact details available since they would benefit from any subsequent capacity trading.
- Shippers are not currently subject to any Bulletin Board reporting requirements and a new obligation may place a disproportionate burden on shippers and AEMO.
- The existing Bulletin Board contact list is a low cost way of this information being provided.

If shippers do not provide their contact details, the first information gap will still have been alleviated by the names of the relevant shippers being published and there are a number of other ways contract details can be located.

The Commission is of the view that shippers should not be listed in the relative order of their contracted capacities. As noted by stakeholders, a larger capacity holding does not necessarily mean that a shipper has more unused capacity.

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<sup>41</sup> Under NGR rule 148(8), AEMO must maintain a contact list of BB participants. As per the Bulletin Board Procedures, the individuals on this list are the principal organisational contact for Bulletin Board matters. The contact list can be accessed via the reports page of the Bulletin Board.

The Commission considers that it is unlikely that the benefits of listing shippers by the amount of secondary capacity held, as suggested by PIAC, would outweigh the costs. To implement this measure, an obligation would need to be placed on shippers to provide either pipeline operators or AEMO with their quantity of capacity available for secondary trade. This has not been consulted on during this rule change process and represents a greater degree of disclosure than previously discussed.

Listing shippers by the amount of secondary capacity held is unlikely to enhance efficiency by reducing transaction and search costs and has not been included in the final rule for the following reasons:

- Additional costs would be incurred by shippers in having to report capacity available for secondary trade and by pipeline operators in having to update the order as capacities change over time. These efforts would be disproportionate to the potential benefits to the market of the shippers being listed in order of the capacity they have available for secondary trade.
- The quantities provided by shippers would seemingly need to be updated frequently to account for changes in the amount of capacity available. Voluntary listings for the sale of pipeline capacity on the Bulletin Board and pipeline operators' trading platforms are typically for periods of one week or less.
- The listings on the Bulletin Board and pipeline operators' trading platforms typically specify the quantity, price, start and end dates, and receipt and delivery points between which the capacity is available, whereas the relative order listing would only reflect the first of these variables.

The rule change request proposed that pipeline operators would report on a monthly basis. This seems excessive when the names of contracted shippers do not change very often. The Commission considers that it is adequate for pipeline operators to update the list when the pipeline operator becomes aware that the information previously provided is no longer accurate. This would ensure that this reporting obligation does not impose an undue burden on pipeline operators.

### **3.3 Secondary capacity trading data**

#### **3.3.1 COAG Energy Council's proposal**

The Energy Council considers that there is a lack of transparency around secondary capacity trades, which prohibits market participants from adequately understanding the levels of secondary capacity trading. More information could encourage more trades to occur and assist price discovery, which would contribute to the efficient use of pipeline services.

The Energy Council proposes that pipeline operators who operate secondary capacity trading platforms be required to provide data from these trading platforms for publication on the Bulletin Board. The information could then be presented in a

standardised, time-series format that would better inform the decision making of new and current market participants and policy makers.

### **3.3.2 Stakeholder views on consultation paper**

In submissions on the consultation paper, stakeholders expressed divergent views regarding this proposed reporting obligation.

Jemena and Stanwell said that they support the proposal, but did not expand on this view.<sup>42</sup>

The Energy Supply Association of Australia (ESAA) questioned whether there is an information gap when the Bulletin Board already contains a link to the existing trading platforms. However, it also noted that the consolidation of this information in a central location on the Bulletin Board could assist with improving the overall usability and effectiveness of the Bulletin Board.<sup>43</sup>

APA Group noted that an obligation on shippers to report on all capacity trades is more likely to collect accurate data on the size and scope of the secondary capacity trading market.<sup>44</sup>

EnergyAustralia raised two concerns with the proposal:<sup>45</sup>

- The level of secondary trading activity may mean that the costs of reporting will outweigh the benefits of additional market information.
- It may discourage market participants from trading on the platforms due to the information that must be provided to the market.

GDFSAE considered that the Commission should wait until after the East Coast Wholesale Gas Market and Pipeline Frameworks Review is complete before implementing a rule change relating to secondary capacity trading information.<sup>46</sup>

### **3.3.3 Stakeholder views on draft determination**

In submissions on the draft determination, there were again divergent views on the reporting of data from pipeline operators' capacity trading platforms.

APA Group supported this initiative, but noted that the trades captured will only be a subset of all capacity trades.<sup>47</sup> PIAC also supported this reporting requirement, but

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<sup>42</sup> Jemena, consultation paper submission, p3; and Stanwell, consultation paper submission, p3.

<sup>43</sup> ESAA, consultation paper submission, p3.

<sup>44</sup> APA Group, consultation paper submission, p3.

<sup>45</sup> EnergyAustralia, consultation paper submission, p2.

<sup>46</sup> GDF Suez Australian Energy, consultation paper submission, p3.

<sup>47</sup> APA Group, draft determination submission, p2.

recommended that the rule should be reviewed after the East Coast Wholesale Gas Market and Pipeline Frameworks Review has been completed.<sup>48</sup>

EnergyAustralia submitted that it may be premature to introduce this obligation due to the uncertainty of the benefits exceeding the costs.<sup>49</sup> It observed that reform in this space may displace current pipeline operator trading platforms, causing this rule to become redundant in the near future. It is of the view that this reporting measure should instead be considered as part of the East Coast Wholesale Gas Market and Pipeline Frameworks Review.

AEMO raised two issues relating to the drafting of the rule, these being that:

- it could exclude offers and transactions made via capacity trading platforms by pipeline operators; and
- it may not capture other pipeline services, such as compression services, if they are traded on these platforms. AEMO is of the view that this information should be captured.<sup>50</sup>

### 3.3.4 Analysis

During the Regulation Impact Statement process undertaken by Energy Council officials in 2012, a consultant was engaged to understand a cost-benefit analysis of the policy options under consideration. The consultant observed that there was little or no objective information available on the depth of the secondary market for transmission capacity. This is because these transactions usually occur through bilateral and confidential agreements.<sup>51</sup>

The policy subsequently endorsed by Energy Ministers involved enhancements to information provision and standardisation of contractual terms and conditions for secondary capacity trading. Energy Council officials characterised this as a light-handed regulatory approach that could better enable the decision making of policy makers.

This proposal for pipeline operators to report on the bids and offers that feature on their trading platforms is consistent with this approach. It is an exercise in centralising existing information and allowing it to be presented in a format that is more accessible for analytical purposes for market participants, government officials and regulators.

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48 PIAC, draft determination submission, p5.

49 EnergyAustralia, draft determination submission, p1.

50 AEMO, draft determination submission, p2.

51 SCER, *Gas Transmission Pipeline Capacity Trading*, Decision RIS, 2 December 2013.

It is also relatively low cost. APA Group have indicated that the cost of providing this information would be in the order of \$50,000 to \$60,000 in establishment costs, with on-going costs likely to be relatively minor.<sup>52</sup>

As only a limited number of trades have taken place to date, the benefits of this information are unlikely to exceed the costs in the short term. However, over time these platforms may be used more as market liquidity improves. It will be useful for market participants, policy makers, regulators and other stakeholders to observe this process through a central location. Centralising this information will help ensure that data is collected in a standard format and a time series is built up.

While the details of this reporting obligation will be decided upon through a change to the Bulletin Board Procedures administered by AEMO, the Commission understands that the information provided would reflect the information that is already publicly available on the trading platforms. This being the case, the publication of this data on the Bulletin Board should not discourage market participants from using the platforms.

The Commission had decided against changing the drafting of the rule in response to AEMO's comment that offers and transactions made via capacity trading platforms by pipeline operators may be excluded from reporting. The stated purpose of the two capacity trading platforms that have been established to date is to facilitate capacity trades between shippers and it is unclear if pipeline operators are listing spare, uncontracted capacity (ie primary capacity). The Commission expects that the publicly available information on bids and offers listed on secondary capacity trading platforms will be reported under this obligation.

AEMO also raised the issue of whether other pipeline services should be captured in this reporting. The Commission considers that it would be more appropriate to consider this measure during the East Coast Wholesale Gas Market and Pipeline Frameworks Review as it has not been consulted on during this rule change process.

As noted by GDFSAE, EnergyAustralia and PIAC, the reporting of secondary capacity trades is being considered during Stage 2 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review. Since these submissions were received, the Commission has published its Stage 2 Draft Report.<sup>53</sup> The Commission recommends a series of reforms targeted at improving access to secondary capacity, including the mandatory creation of capacity trading platforms, through which information regarding all capacity trades, including prices, must be published.

If these recommendations are implemented, there may still be value in operators of capacity trading platforms reporting to the Bulletin Board so that trading data could be available in a central location. It could also be helpful to have a data set on secondary capacity trading that predates these potential reforms. This issue will be considered if

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<sup>52</sup> APA Group, consultation paper submission, p3.

<sup>53</sup> AEMC, *East Coast Wholesale Gas Market and Pipeline Frameworks Review*, Stage 2 Draft Report, 4 December 2015, Sydney.

the Commission receives a rule change request to give effect to these recommendations.

As the extent and timing of any further changes are unknown, the Commission considers it appropriate for reporting on trading platform data to be progressed at the current time.

### **3.3.5 Conclusion**

The Commission is of the view that the reporting of this data should be required as it will contribute to the Bulletin Board being a central repository of gas market information. It will provide useful information on the development of market-driven options for pipeline capacity trading.

The ongoing need for this reporting obligation should be considered if changes are made to the rules governing how pipeline capacity is traded.

## **3.4 Detailed facility data**

### **3.4.1 COAG Energy Council's proposal**

The Energy Council considers that facility operators should be required to provide data that identifies pipelines' receipt and delivery points, and the receipt and delivery points that storage and production facilities are connected to. The proposal also includes more granular reporting on a pipeline's nameplate capacity rating, and the nameplate rating of gate stations.<sup>54</sup>

The information would enable the publication of more accurate schematic diagrams of the east coast gas market. These diagrams could be used by interested stakeholders to understand what facilities are connected to which pipelines and where, informing decision making and analysis of market dynamics.

While this information is already provided by some facility operators, the Energy Council considers that it is necessary for this obligation to be in the NGR to ensure that the information remains up to date.

### **3.4.2 Stakeholder views**

Stakeholders were broadly supportive of this information being provided.

Origin considered that it would provide for a more holistic picture of the physical layout of the east coast gas system, EnergyAustralia submitted that it would help with operational processes, and Stanwell thought that it would reduce barriers to secondary

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<sup>54</sup> A gate station is defined in the final rule as a delivery point that serves a distribution system.

capacity trading.<sup>55</sup> APA Group noted that the publication of facility schematics has been useful for shippers in the Western Australian gas market and suggested that a similar approach be implemented on the Bulletin Board.<sup>56</sup>

APA Group expected the cost of providing this information to be relatively minor, while also raising two issues with the COAG Energy Council's proposed rule:<sup>57</sup>

- The reporting of static nameplate capacity by zone would not be meaningful as this would vary with contractual and flow characteristics in different areas.
- Pipeline operators do not always know the nameplate ratings of gate stations connected to their pipelines because these assets are sometimes owned by third parties, such as distribution network services providers.

GDFSAE suggested that reporting should be in a standard format for all BB facilities, and that where a facility rating is provided, it should be noted if there are limiting factors along the supply chain that may impact on the reported figure.<sup>58</sup>

AEMO considered that greater clarity on the timing of the initial provision of detailed facility data would assist data providers.<sup>59</sup>

### **3.4.3 Analysis and conclusion**

More detailed facility data will provide for a better physical understanding of the gas market. AEMO will be able to publish more accurate schematic diagrams, which will assist with decision making and understanding market dynamics. In particular, it will make it easier for market participants to work out who they can physically trade with.

In relation to the issues raised by APA Group, the Commission agrees that the reporting of nameplate capacity by zone would not result in useful information for the market. As gas flows to one delivery point can impact on a pipeline's capacity to deliver gas at another delivery point, it seems unlikely that a static nameplate capacity by zone would be useful for market participants.

To fully capture the nameplate ratings of all gate stations, it would be necessary to place an obligation on gate station operators, including distribution network service providers.

The Commission has decided against imposing an obligation on distribution network service providers, in their capacity as gate station operators, as they are not currently subject to any reporting requirements under Part 18 of the NGR and the information

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<sup>55</sup> Origin Energy, consultation paper submission, p3; EnergyAustralia, consultation paper submission, p2; and Stanwell, consultation paper submission, p3.

<sup>56</sup> APA Group, draft determination submission, p2.

<sup>57</sup> APA Group, consultation paper submission, p5.

<sup>58</sup> GDF Suez Australian Energy, consultation paper submission, p3.

<sup>59</sup> AEMO, draft determination submission, p2.

sought is relatively minor. Such an obligation may impose an undue burden on distributors, who are not familiar with the Bulletin Board reporting framework, and AEMO, in having to engage with these businesses.

The final rule therefore places an obligation on pipeline operators to provide the:

- name of the gate station operator; and
- nameplate rating of the gate station if they are the operator of the gate station, or if this information has been provided to them by the gate station operator.

This arrangement allows for gate station operators to provide this information, via the pipeline operator.

The Commission considers this to be preferable to imposing an obligation on a category of market participants that do not currently report to the Bulletin Board.

The Commission expects that the requirements relating to the initial provision of this information will be specified in the Bulletin Board Procedures. The provisions that currently apply to nameplate rating reporting appear suitable for this purpose.<sup>60</sup>

The wider issue of uncertainty about the link between Bulletin Board registration and the requirement to report information is being considered during the East Coast Wholesale Gas Market and Pipeline Frameworks Review. In its Stage 2 Draft Report, the Commission recommended that the registration provisions in Part 18 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.

### **3.5 Gas flow data**

#### **3.5.1 COAG Energy Council's proposal**

The Energy Council has proposed that pipeline operators be required to report the following information:

- Aggregated receipt and delivery point flow data for each zone, provided on a day after basis.
- Disaggregated receipt and delivery point daily flow data, provided monthly on a confidential basis to AEMO.

Aggregated delivery point flow data is currently reported, but aggregated receipt point data is not. The Energy Council considers that the additional data would enable a better understanding of gas flows and the current and expected supply and demand balance for gas in the east coast market.

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<sup>60</sup> Clause 5.3 of the Bulletin Board Procedures states that upon registration as a BB participant, the nameplate rating information for each BB facility must be provided by the BB participant who operates that facility within 10 business days after that BB participant registers.

In addition, the Energy Council notes that disaggregated receipt and delivery point data would be valuable to AEMO for the effective operation of the Bulletin Board. It considers that AEMO would be able to use this data to more effectively monitor compliance with Bulletin Board registration and reporting obligations, and therefore publish more accurate data.

Further, the Energy Council submits that the disaggregated receipt and delivery point flow data would be useful for AEMO's other gas market functions, such as preparing the Gas Statement of Opportunities and National Gas Forecasting Report, and operating the facilitated wholesale markets.

Despite this, the proposed rule specified that AEMO would only be allowed to use the disaggregated receipt and delivery point flow data to monitor compliance with Bulletin Board registration and compliance monitoring function. Energy Council officials considered that other uses may be inconsistent with the NGL.

The proposed function includes monitoring and reviewing the capacity of a BB transmission pipeline and the trends in injections and withdrawals of gas from the pipeline system.

### **3.5.2 Stakeholder views**

Most stakeholders supported the provision of the additional gas flow data proposed in the rule change request.

Origin and GDFSAE noted that the reported data should be aggregated so that it is not possible to identify gas flows associated with individual shippers.<sup>61</sup>

ESAA opposed the provision of disaggregated receipt and delivery point flow data.<sup>62</sup> It considered that the proposed Bulletin Board monitoring and compliance function is an unwarranted extension of AEMO's compliance monitoring activities, goes beyond the requirements of rule 146 and is outside AEMO's market and system operation functions as prescribed in the NGL.<sup>63</sup>

APA Group was concerned about the expansion of AEMO's function into monitoring the accuracy of provided data. It considers that monitoring compliance is a role of the AER and that it is unclear if data accuracy has been a consistent problem.<sup>64</sup>

Other stakeholders supported the proposed Bulletin Board compliance monitoring function, but thought that AEMO should be allowed to use this information for

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<sup>61</sup> Origin Energy, consultation paper submission, p3; and GDF Suez Australian Energy, consultation paper submission, p3.

<sup>62</sup> ESAA, consultation paper submission, p3.

<sup>63</sup> Under rule 146, AEMO must, in accordance with any memorandum of understanding established between AEMO and the AER, notify the AER of any breaches, or possible breaches, of Part 18 of the NGR that AEMO becomes aware of.

<sup>64</sup> APA Group, draft determination submission, p2.

purposes other than this function.<sup>65</sup> AEMO submitted that the costs of providing this information could outweigh the benefits unless the data can be used for AEMO's planning and forecasting functions. APA Group noted that it already provides this information for its BB pipelines to AEMO on a voluntary basis.

Stanwell supported increased monitoring of compliance with Bulletin Board registration and reporting requirements, but questioned AEMO's capacity to undertake these activities.<sup>66</sup>

The Australian Energy Regulator (AER) considered it appropriate for AEMO to have a role in monitoring compliance with Bulletin Board requirements. It suggested that new provisions should specify that AEMO is required to notify the AER if it identifies potential breaches of the registration and reporting requirements.<sup>67</sup>

APA Group estimated that it would incur costs in the order of \$100,000 to establish this reporting.<sup>68</sup> Jemena provided a confidential estimate of the costs it would incur to implement all of the additional reporting requirements in the rule change request.

### 3.5.3 Analysis

Interested stakeholders can currently observe historical and forecast gas flows through:

- a seven day outlook of delivery nominations and forecast deliveries, aggregated by zone for each BB pipeline; and
- actual flow data reported on a day after basis by pipeline, storage and production facility operators, aggregated by zone in the case of BB pipelines.

Historical data on actual gas flows is fundamental to stakeholders being able to analyse the current and expected supply and demand balance for gas. An understanding of how gas assets are operated enables market participants to anticipate how assets may operate in the future. It also enables market participants to identify trading opportunities.

In only applying to aggregated gas deliveries, and not gas receipts, the existing information appears to provide for only a partial view of gas flows. Aggregated gas receipts would represent the volume of gas received by a pipeline from a demand or production zone. This may provide additional information about gas flows in situations where a production zone is connected to multiple BB pipelines.

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<sup>65</sup> AEMO, consultation paper submission, p2; APA Group, consultation paper submission, p4; and Stanwell, consultation paper submission, p3.

<sup>66</sup> Stanwell, consultation paper submission, p3.

<sup>67</sup> AER, consultation paper submission, p2.

<sup>68</sup> APA Group, consultation paper submission, p3.

The provision of disaggregated flow data would serve a different purpose to the aggregated data. In evaluating the Energy Council's proposal, the Commission has considered the following issues:

- The extent to which this information would be useful for Bulletin Board purposes.
- The use of this information for other purposes.
- Whether this information needs to be confidential and how this can be achieved.

### **Use for Bulletin Board**

As noted above, the proposed rule specified a new Bulletin Board compliance monitoring function for AEMO. This function involves monitoring and reviewing the capacity of BB pipelines and the trends in demand for the injection of gas into, and the withdrawal of gas from, that system.

Under the NGL, compliance monitoring, investigation and enforcement are functions allocated to the AER.<sup>69</sup> The AER is empowered to:

- monitor compliance with the NGL, NGR and Regulations;
- investigate breaches of provisions of the NGL, NGR or Regulations; and
- institute civil proceedings in a court in relation to breaches of the NGL, NGR or Regulations.

AEMO's involvement in monitoring the accuracy of Bulletin Board data arises from NGR rule 146 and ss. 91A and 228A of the NGL:

- Under rule 146, AEMO must notify the AER of any breaches, or possible breaches, of Part 18 that it becomes aware of.
- Under s. 91A of the NGL, AEMO has a statutory function to investigate breaches or possible breaches of procedures made by AEMO under the NGR (including the Bulletin Board Procedures). Section 228A of the NGL empowers AEMO to direct a person to comply with the Bulletin Board 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 could refer it to the AER.

AEMO has no other function or power in relation to enforcing the Bulletin Board Procedures, the NGR or NGL.

Currently, aggregation of gas flow data is undertaken by pipeline operators and there is no formal, independent oversight. The Commission considers providing AEMO the

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<sup>69</sup> Section 27 of Chapter 2, Part 1 of the NGL.

ability to check the accuracy of aggregations and consider alternative methods could also contribute to the development of the Bulletin Board. For example, AEMO could:

- undertake more thorough data verification, such as cross-checking reporting by storage and production facility operators;
- verify the aggregation methods used by pipeline operators in their reporting of aggregated data that is published on the Bulletin Board; and
- consider alternative ways of aggregating the data to more accurately reflect gas flow dynamics, such as flows on bi-directional pipelines.

The Commission considers that the proposed function would be more appropriately characterised as monitoring the accuracy of data provided by facility operators.

As Bulletin Board operator, AEMO is experienced in processing Bulletin Board data and therefore better equipped than the AER to check the accuracy of data provided by facility operators. In its submission, the AER considered it appropriate for AEMO to undertake data monitoring to determine whether registration and reporting obligations are met.<sup>70</sup>

The AER is in the process of establishing a system that will enable it to monitor the timeliness and accuracy of Bulletin Board information on a closer to real time basis. The Commission understands that this initiative is complementary to AEMO's responsibilities under NGR rule 146 and ss. 91A and 228A of the NGL.

More thorough monitoring of data accuracy by AEMO has the potential to increase the level of confidence that Bulletin Board users have in the published data. This would be of benefit to the market and increase the likelihood that information provision via the Bulletin Board can contribute to increased pipeline capacity trading.

During the East Coast Wholesale Gas Market and Pipeline Frameworks Review, the Commission was provided with compliance statistics prepared by AEMO and the AER suggesting that there are issues with the reporting standards that some facilities are applying. More thorough monitoring of data accuracy may assist in addressing this situation.

ESAA raised some concerns with the proposed Bulletin Board compliance monitoring function for AEMO. It considers that the function goes beyond the requirements of NGR rule 146 and is outside AEMO's market and system operation functions as prescribed in the NGL.<sup>71</sup> APA Group also noted that monitoring compliance is a role for the AER.<sup>72</sup>

The Commission considers that the proposed function is consistent with AEMO's existing activities under s. 91A of the NGL. It is reasonable to expect that the

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<sup>70</sup> AER, consultation paper submission, p2.

<sup>71</sup> ESAA, consultation paper submission, p3.

<sup>72</sup> APA Group, draft determination submission, p2.

monitoring and review activities specified by the new function could lead to AEMO identifying breaches, or possible breaches, of the Bulletin Board Procedures. In accordance with Part 18 of the NGR, the Bulletin Board Procedures contain the specific details of Bulletin Board reporting obligations.

### **Other purposes**

The proposed rule submitted with the Energy Council's rule change request contained a restriction whereby AEMO would only be allowed to use the disaggregated receipt and delivery point flow data for the purpose of the proposed Bulletin Board compliance monitoring function. Energy Council officials considered this to be necessary for the rule to be consistent with ss. 91F-91FE of the NGL, which relate to AEMO's information gathering powers by market information instrument.

The Commission considers however, that there is no inconsistency with AEMO's information gathering powers under s. 91F of the NGL, since the new rule will introduce a specific obligation on facility owners to provide information to AEMO for a specific purpose. It will not add to AEMO's broader information gathering powers.

As noted by AEMO, the NGL provides that AEMO may use information that it obtains in any way for any purpose connected with the exercise of any of its statutory functions.<sup>73</sup> It would be consistent with this section of the NGL for AEMO to be authorised to use the disaggregated data for purposes other than monitoring the accuracy of Bulletin Board data, so long as this information is kept confidential. There is some support amongst stakeholders for AEMO being able to use this data in its planning and forecasting activities, including the Gas Statement of Opportunities.<sup>74</sup>

Information provided to AEMO on a confidential basis is protected by s. 91G of the NGL, which requires AEMO to take all reasonable steps to protect confidential information from unauthorised use or disclosure. However, there are limited exceptions to s. 91G, under which AEMO is authorised to disclose protected information. These include disclosure with written consent, as required by law, disclosure of documents with confidential information omitted, for safety and proper operation of the market and if the detriment to the person who has given the information does not outweigh the public benefit of the information being disclosed.

There is a minor risk to the participants who provide this confidential information that AEMO may want to use one of the disclosure exceptions in ss. 91GA-GH of the NGL if it is allowed to use the information for a broader purpose than its function of monitoring the accuracy of Bulletin Board data. This risk would be reduced if AEMO is restricted in its use of this information. However, this would be at the cost of any benefits arising from AEMO using the disaggregated data in other applications, such as planning and forecasting.

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<sup>73</sup> NGL s. 91FD.

<sup>74</sup> APA Group, consultation paper submission, p4; APA Group, draft determination submission, p2; and Stanwell, consultation paper submission, p3.

## Confidentiality

Unlike the other information proposed in the rule change request, the disaggregated flow data would not be published on the Bulletin Board. It is considered to be confidential by the Energy Council on the basis that it would reveal the positions of individual market participants by identifying gas flows at individual receipt and delivery points.

The Commission notes that if this information was to be made public it would represent a significantly higher level of information disclosure than is currently required. For example, it would reveal the gas consumption of large gas users who are not currently subject to Bulletin Board reporting requirements on the east coast.<sup>75</sup> The Commission considers that a requirement for this reporting would go beyond the scope of this rule change process. It is therefore appropriate for this information to be treated as confidential for the purpose of this rule.

Section 223(4) of the NGL states that AEMO must make available for the operation of the Bulletin Board information about natural gas services that it acquires in its capacity as operator or administrator of a regulated gas market. Hence, if the disaggregated data is acquired by AEMO in its capacity as an operator or administrator of a regulated gas market, it could be required to publish the information on the Bulletin Board.<sup>76</sup>

However, it is the Commission's understanding that if the disaggregated data is received by AEMO in undertaking the function of monitoring the accuracy of Bulletin Board data, as opposed to operating a regulated gas market, s. 223(4) would not apply and the confidential information would not be required to be made available for publication on the Bulletin Board.

The Commission notes that information disclosure is being considered more broadly during Stage 2 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review. In its Stage 2 Draft Report, the Commission recommended changes to the NGR that would require more facilities to report to the Bulletin Board and give AEMO greater flexibility to determine how information is aggregated.<sup>77</sup>

### 3.5.4 Conclusion

The Commission considers that the reporting of receipt point flow data, aggregated by zone, would provide for a more complete picture of gas market flows and should be required. In a market where gas and pipeline capacity is more actively traded, this

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<sup>75</sup> While there is no explicit provision for large gas users to report to the Bulletin Board, an equivalent level of information is currently provided by pipeline operators in the case of single shipper pipelines, such as those connected to the LNG export facilities at Gladstone.

<sup>76</sup> Further, under s. 224 of the NGL a person must not refuse to comply with an obligation to give information to AEMO under s. 223(1) on the ground of any duty of confidence.

<sup>77</sup> AEMC, *East Coast Wholesale Gas Market and Pipeline Frameworks Review*, Stage 2 Draft Report: Information Provision, 4 December 2015, Sydney.

additional detail has the potential to assist market participants and interested stakeholders in making better informed decisions.

The Commission also considers it appropriate for AEMO to be provided with disaggregated gas flow data so that it can monitor the accuracy of data provided by facility operators. Additional monitoring of data accuracy has the potential to increase the level of confidence that Bulletin Board users have in the published data, which would be beneficial for the market. It also has the potential to inform the ongoing development of the Bulletin Board.

In order to ensure that AEMO can extract the most benefit from the disaggregated data, it should also be allowed to use the data for its other market functions, such as preparing the Gas Statement of Opportunities.<sup>78</sup> While this may increase the likelihood of this information being disclosed for one of the reasons set out in ss. 91GA-91GH of the NGL, the Commission is of the view that this risk is relatively minor and that the NGL provides sufficient protection against it being disclosed. In submissions on the draft determination, no stakeholders raised any specific concerns with AEMO using this data for other purposes.

The Commission is of the view that the disaggregated data should be treated as confidential and not published on the Bulletin Board. The Bulletin Board accuracy monitoring function is an appropriate mechanism for AEMO to acquire this data in a way that is consistent with s. 223(4) of the NGL. If the recommendations from the East Coast Wholesale Gas Market and Pipeline Frameworks Review are implemented, it would be appropriate to reconsider the confidentiality provisions associated with the disaggregated flow data.

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<sup>78</sup> The Commission acknowledges however that AEMO can also use its information gathering powers under s 91F of the NGL to acquire information for the preparation of the Gas Statement of Opportunities.

## 4 Information to address other information gaps

During Stage 1 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review, the AEMC identified additional information that may address some of the issues raised in the Energy Council's rule change request. In the consultation paper for this rule change, the AEMC sought stakeholder feedback on the potential provision of four additional categories of information.

The four additional categories of information identified by the AEMC as potential solutions to the issues raised in the rule change request are discussed in the following sections.

### 4.1 Storage facilities

The Commission consulted on the following two issues relating to storage facility reporting:

- Additional reporting by storage facilities that currently report to the Bulletin Board, including the actual volume of gas held in the storage facility for each gas day; aggregated injections and aggregated withdrawals for the previous gas day, nominated for each gas day and a seven day forecast; and a 12 month outlook of uncontracted storage capacity.
- The removal of the reporting exemption for storage facilities that are used solely as part of a production facility.

#### 4.1.1 Stakeholder views on the consultation paper

In submissions on the consultation paper, there was broad support amongst stakeholders for increased reporting by gas storage facilities.

Stakeholders submitted that increased storage facility reporting would allow for more informed decision making, especially in the short term.<sup>79</sup> APA Group said that this information is required to provide a complete picture of the supply/demand dynamics.<sup>80</sup> ESAA agreed with the AEMC's view that more information on storage facility operation may improve the ability of stakeholders to identify opportunities to procure storage services.<sup>81</sup>

Several stakeholders commented on the current exemption criteria. APA Group considered that reporting by currently exempt storage facilities is essential to provide a

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79 AEMO, consultation paper submission, p2; Origin Energy, consultation paper submission, p3; and Stanwell, consultation paper submission, p4.

80 APA Group, consultation paper submission, p6.

81 ESAA, consultation paper submission, p4.

full picture of system capability.<sup>82</sup> ESAA submitted that all storage facilities connected to BB pipelines should provide the same level of information.<sup>83</sup>

EnergyAustralia was of the view that production facilities, storage facilities, and in-pipe storage should be treated equally to maintain competitive neutrality and provide the market complete information. It considered that actual storage levels and reserves would help market participants predict likely supply availability, thereby assisting participants in valuing gas correctly.<sup>84</sup>

In contrast, Stanwell supported the existing exemption for storage facilities used solely as part of production facilities, but questioned whether Santos' Moomba storage facility is actually eligible for this exemption. It submitted that if storage facilities are used solely as part of registered production facilities, information on their injections and capacity is unlikely to be helpful to market participants.<sup>85</sup>

Santos provided evidence on the design and operation of its Moomba storage facility in support of its view that it should continue to be exempt from reporting.<sup>86</sup> It explained that its Moomba storage facilities are integrated into the upstream processing facility. Processed gas can be returned to the storage facility, however when it is later withdrawn in preparation for export it is still subject to further processing at the processing facility.

Santos's position is that Moomba storage facility should remain exempt as all gas that enters the east coast market comes directly from the production facility and is therefore reported on the Bulletin Board on a day after basis.

#### **4.1.2 Stakeholder views on the draft determination**

In submissions on the draft determination, fewer stakeholders explicitly commented on storage facility reporting. AEMO, APA Group and PIAC supported the provision of additional information by storage facilities.<sup>87</sup> The Australian Petroleum Production and Exploration Association (APPEA), Iona Operations Pty Ltd<sup>88</sup> and Santos opposed the storage facility reporting provisions in the draft rule.

Those opposed to additional storage facility reporting were generally of the view that the additional obligations would be onerous and not provide the market with useful information. APPEA considered that the additional requirements would overreach the

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82 APA Group, consultation paper submission, p6.

83 ESAA, consultation paper submission, p4.

84 EnergyAustralia, consultation paper submission, pp3-4.

85 Stanwell, consultation paper submission, pp4-5.

86 Santos, consultation paper submission, pp2-3.

87 AEMO, draft determination submission, p1; APA Group, draft determination submission, p2; and PIAC, draft determination submission, pp6-7.

88 Iona Operations Pty Ltd is the operator of Iona Gas Storage Facility. In October 2015, a consortium led by funds manager QIC entered into a binding agreement to acquire the facility from EnergyAustralia.

market need and cause additional reporting and compliance burdens for market participants.<sup>89</sup>

APPEA and Iona Operations thought that the existing information published on the Bulletin Board provides sufficient information on storage facilities.<sup>90</sup> APPEA submitted that storage facility reporting should be limited to those facilities that are not already covered by an existing Bulletin Board production facility.

There were some concerns that some of the information proposed to be reported is commercially sensitive. Santos submitted that gas flows from storage wells are confidential, in the same way that gas flows from production wells are confidential.<sup>91</sup> APPEA said that storage facility flows, inventory and seven day capacity outlook shouldn't be published if it represents information of a single market participant.<sup>92</sup>

Santos submitted that the proposed reporting measures go beyond the reporting requirements in international markets, such as the United States and United Kingdom. It noted that when the United States Energy Information Administration reports on gas storage, individual facilities are aggregated into regions to avoid the release of commercial in confidence information. It suggested that all storage facilities in the east coast market could be aggregated and report on a monthly basis.<sup>93</sup>

Santos also noted that most production facilities have the ability to manage seasonal contractual flexibility, not just those with integrated storage. Santos submitted that its storage facilities have similar capabilities to off-shore production facilities that don't have storage and that both types of facilities have a minimal ability to affect the market.<sup>94</sup>

Iona Operations questioned why the proposed requirement for a 12 month outlook for uncontracted capacity should apply exclusively to storage when there has been no suggestion of inefficient levels of secondary trading of storage.<sup>95</sup> It submitted that consistency across the gas market would require similar reporting on uncontracted production and pipeline "park and loan" services.

APPEA noted that the AEMC's suggested benefits are difficult to quantify as they rely on possible future market developments. It recommends a delay to the decision on removing the exemption for integrated storage facilities to a time when the benefits and costs are clearer.<sup>96</sup>

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89 APPEA, draft determination submission, p2.

90 APPEA, draft determination submission, p2; and Iona Operations, draft determination submission, p1.

91 Santos, draft determination submission, p2.

92 APPEA, draft determination submission, p2.

93 Santos, draft determination submission, pp2-3.

94 Santos, draft determination submission, p2.

95 Iona Operations, draft determination submission, p1.

96 APPEA, draft determination submission, p2.

### 4.1.3 Analysis

In its analysis of the need for additional reporting by storage facilities, the Commission considered:

- the different types of storage facilities and how they can be used;
- the adequacy of existing Bulletin Board information reported by storage facilities;
- whether additional storage facility reporting is likely to promote the NGO, based on the AEMC's assessment framework; and
- whether the reporting exemption for storage facilities that are used solely as part of production facilities should be removed.

According to information provided to AEMO for its 2015 Gas Statement of Opportunities, there are eight gas storage facilities currently operating in the east coast gas market.<sup>97</sup> Only two of these currently report to the Bulletin Board, with the other facilities being exempt under NGR rule 150(5).

Rule 150(5) specifies that a storage facility may be exempt from Bulletin Board reporting if its production nameplate rating is less than 20 terajoules (TJ) per gas day, it is used solely as part of a production facility or it is not connected to a BB pipeline.

#### **Gas storage facilities and how they can be used**

In Australia there are three types of gas storage facilities:

- underground storage in depleted gas fields;
- LNG stored in an above ground tank; and
- pipeline storage through linepack.

These storage facilities have different physical characteristics that influence the way in which they are operated. Underground storage involves injecting gas into geological formations, such as depleted gas wells, and can be used to store gas over a long period. LNG is expensive to produce and is primarily used to meet critical peak demand. Pipeline linepack can be used to manage supply and demand imbalances over the short to medium term. It is generally more expensive and can hold less gas than underground storage.

Some specific uses for gas storage facilities include:

- Meeting seasonal variations in demand by injecting gas into storage when demand is low and supplying it back to the market during high demand periods.

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<sup>97</sup> AEMO, 2015 GSOO Supporting Information.

- Optimising gas production by allowing producers to supplement gas well performance to meet contractual arrangements.
- For gas-fired peaking generators to take advantage of high wholesale electricity prices by generating at short notice for longer periods than may be possible without storage.
- Spot market trading in response to price volatility or seasonality by injecting gas into storage when the price is low and selling gas into the market when the price is high.
- Providing hub services, such as operational balancing and additional flexibility for market participants wanting to move gas into and out of the hub area.
- As insurance against the risk of supply disruptions, to provide for security of supply for end users during unplanned outages.

Storage facilities face different commercial incentives based on their business models, with implications for the way in which they are operated. Some facilities actively market a third-party service, whereas others are primarily used to manage producers' gas supply agreements and as insurance against supply shortfalls or disruption. Storage facilities could in the future operate on a purely merchant basis, with revenue derived from spot market trading.

Over time, business models and the operation of storage facilities are likely to change in response to market incentives. Storage facilities can also be reconfigured and upgraded to increase their capacity to hold gas and inject and withdraw it from the system.<sup>98</sup>

The development of the LNG export industry, along with a reduction in the flexibility traditionally offered by producers in supply agreements, is altering the way gas and pipeline capacity is bought and sold.<sup>99</sup> Historically, bilateral gas and transportation contracts were used as the primary means of trade and as a mechanism for managing seasonal demand variations. While bilateral contracts will remain a fixture of the market, participants are likely to require more flexible ways of managing the variability in gas demand into the future.

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<sup>98</sup> For example, the Mondarra Gas Storage Facility in Western Australia can store 15 PJ of gas in a depleted gas field and contains three wells accessed through two compressors. The operator notes that the facility has been designed in a way that allows for easy expansion through additional wells, compressors and gas processing equipment. See APA Group, 2013, *Mondarra Gas Storage Facility*, fact sheet.

<sup>99</sup> Flexibility in gas supply agreements can be expensive for producers, as the production facility, and associated capital, is underutilised outside peak periods. The ACCC recently noted that there has been a reduction in the level of flexibility traditionally afforded to buyers under long term gas supply contracts, see: <https://www.accc.gov.au/speech/the-importance-of-adequate-competition-for-the-east-coast-gas-market>

For example, instead of a retailer contracting for a load factor from a producer to meet its peak retail load, the retailer may instead contract for a flat load from the gas producer (ie no load factor flexibility) and purchase seasonal flexibility services from a storage facility instead.<sup>100</sup>

### Adequacy of existing information

Under the current rules, storage facilities that are not subject to an exemption are required to provide nameplate rating information, a seven day capacity outlook reported daily, medium term capacity outlooks and daily storage production data. This information is summarised in Table 4.1, along with a description of the information, its purpose and how frequently the information is required to be updated.

**Table 4.1 Current reporting obligations for non-exempt BB storage facilities**

Information category	Description	Purpose	Update frequency
Nameplate ratings	Production and refill nameplate ratings under normal operating conditions and storage nameplate rating.	Provide the market with information on the size of the storage facility and its capacity to inject and withdrawal gas.	Annually, unless capacity changes
Short term capacity outlook	Good faith estimate of the daily production capacity of the storage facility for the next seven days on a rolling basis.	Provide the market with standardised daily information on the ability of the storage facility to inject gas.	Daily
Medium term capacity outlook	Information about matters expected to affect the daily capacity of the facility for an outlook period extending beyond the seven day capacity outlook.	Provide the market with ad hoc updates on the ability of the storage facility to inject gas outside of the 7 day short term capacity outlook.	As issued
Daily storage production data	Net flows out of the storage facility on a day after basis (injections minus withdrawals).	Provide the market with historical information on the net flows of gas out of the storage facility.	Daily

Most of the available information in the table above relates to the capacity rating of storage facilities - nameplate capacities, as well as short and medium term capacity outlooks - rather than their actual or forecast operation. Nameplate ratings are

<sup>100</sup> As a recent example of this, AGL Energy announced in December 2015 that it had entered into a 15 year Gas Storage Services Agreement with Iona Gas Storage Facility to provide it with flexibility to manage its forecast retail winter gas demand. It noted that utilising storage is expected to result in more than a 30 per cent reduction in costs to manage seasonal demand. AGL Energy, *AGL secures long term gas storage rights*, ASX media release, 1 December 2015.

primarily static measures and are unlikely to be updated unless the technical capability of a storage facility changes due to an upgrade or expansion.

While nameplate capacities provide market participants with an understanding of how the facility could be used in terms of injection and withdrawal rates and the overall storage capability, they do not provide information on how the facility is currently being used or how it is intended to be used in the short term. This is important for market participants to understand if they are prospective third party customers of the facility or if they are looking to understand how the operation of the facility could impact market prices and the demand and supply balance on a particular day.

Currently, storage production is defined in the NGR as net flows out of the facility, which is less informative than separate reporting of daily injections and withdrawals. Reporting of aggregated information obscures the subtleties around how storage is being used to support the market and the potential impact on market prices.

If injections and withdrawals occur on the same day, then withdrawals from storage are likely to occur during peak periods while injections to refill the storage facility will occur during off peak periods. Reporting on a net basis could obscure how much gas is injected and withdrawn. For example, if a facility was to inject 5 TJ into storage in the morning and withdraw 5 TJ from storage in the afternoon, this would be reported as storage production of zero. Participants will likely value this information when making decisions to trade gas and pipeline capacity.

In addition to the reporting of daily injections and withdrawals, the volume of gas in storage is currently not required to be reported to the Bulletin Board. Storage inventories provide important information to the market in two ways:

- Ability of the storage facility to impact market prices. The volume of gas in storage provides short and long term signals to market participants. If market expectations are that the demand for gas is likely to increase (due to high forecast prices in the National Electricity Market) or decrease (due to LNG train maintenance) then the ability to deplete or refill a storage facility, or not, could influence spot prices. With respect to longer term signals, if the weather bureau is forecasting an unusually cold winter or an active cyclone season during summer, then the level of gas currently in storage may influence forward wholesale gas prices on trading markets.<sup>101</sup>
- Third party users of the storage facility. If a potential third party user of storage facility is looking to contract storage, then being able to analyse daily inventory levels across multiple facilities will provide information on what contracting options may be possible.

The Commission notes that it is not possible to deduce this information from other sources on the Bulletin Board or more generally. This means that there is currently an incomplete picture of the gas supply and demand balance for participants to make

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<sup>101</sup> Cyclones can require the temporary closure of large industrial operations, which may create a need for gas to be stored or diverted for other purposes.

decisions. As the volume of gas in storage is significant, and growing in importance to the market, this forms a notable omission from the supply and demand balance picture.<sup>102</sup> Storage inventory reporting could also assist the market and government officials during a gas emergency.

### Additional reporting requirements

Table 4.2 sets out the new reporting obligations in the final rule for Bulletin Board storage facilities that are above the 20 TJ per day threshold, connected to BB pipelines and not used solely as part of a production facility. These are in addition to the reporting obligations in Table 4.1 above, with the exception of daily storage production data which will no longer be required as it will be replaced by reporting on daily aggregated injections and aggregated withdrawals.<sup>103</sup>

To enable market participants to develop a complete picture of how storage is being used and how it might impact the market, this information will be supported by daily reporting of the volume of gas in storage, as well as monthly outlooks for uncontracted storage capacity (injection, withdrawal and storage capacities in TJ) on a rolling 12 month basis.

**Table 4.2 New reporting obligations for all BB storage facilities**

Information category	Description	Purpose	Update frequency
Actual daily injections and withdrawals	Daily flows into and out of a storage facility, provided on a day after basis.	Provide the market with historical information on how much gas has been injected and withdrawn from storage.	Daily
Volume of gas in storage	Daily volume of gas held in a storage facility, provided on a day after basis.	Provide the market with information on how much gas is current in storage on the east coast.	Daily
Daily <i>forecast</i> injections and	Nominated flows and forecast daily flows into and out of a storage	Provide the market with information on how much gas is likely to be	Daily

<sup>102</sup> AEMO's 2015 GSOO indicated that there is around 222 PJ of gas storage capacity in the east coast market, of which only 23 PJ is accounted for by facilities reporting to the Bulletin Board. To put this in perspective, AEMO expected domestic gas demand in the east coast market to be 610 PJ in 2015. LNG demand was expected to be 500 TJ in 2015, ramping up to 1419 TJ in 2018. To make a similar comparison on a daily basis, average daily consumption on the east coast is around 1,665 TJ/day, and winter peak demand on the east coast is around 2,560 TJ/day (EnergyQuest, EnergyQuarterly March 2015 Report, pp. 69-75; AER Industry Statistics). AEMO's 2015 GSOO indicated that there is around 1000 TJ/day of withdrawal capacity from gas storage in the east coast market, of which 617 TJ/day is accounted for by facilities reporting to the Bulletin Board

<sup>103</sup> The term aggregated injections refers to the total amount of gas injected *into* the storage facility during the day. Aggregated withdrawals are the total amount of gas withdrawn from the storage facility during the gas day.

Information category	Description	Purpose	Update frequency
withdrawals	facility for seven days on a rolling basis, if available to the storage provider.	injected and withdrawn from storage in the short term.	
Uncontracted storage capacity outlook	Outlook of uncontracted storage capacity that is available for sale on a 12 month rolling basis.	Provide the market with information on how much storage capacity is available to be contracted on the east coast.	Monthly

This additional information will fill the gap between what is currently reported in terms of capacities and net flows on a day after basis, and what market participants are likely to need in a market with more short term trading of gas and pipeline capacity, and less flexibility in gas supply agreements.

Understanding how storage has been used in the past will inform market participants' expectations around how it will be used in the future under similar market conditions and inform expectations around price. Nominated and forecast injections and withdrawals will provide market participants with information on how storage is expected to be used over the following seven days, providing the basis for participants to make more confident and efficient trading decisions.

Iona Operations submitted that its customers do not provide it with forecast injections and withdrawals and it does not have the tools or expertise to form its own. The Commission expects that storage providers would receive a forecast of expected injections and withdrawals, in the same way that shippers provide this information to pipeline operators. Notwithstanding this, if a storage facility operator is not provided with this information, it is not required under the rules to report a seven day forecast of injections and withdrawals.<sup>104</sup>

An uncontracted storage capacity outlook on a rolling 12 month basis provides the market with an understanding of how much storage capacity is available to be contracted on a firm basis. As storage services become more important and valuable to a larger number of market participants, this is expected to reduce transaction costs and enable participants to better compare and value the different storage services on offer. To provide an accurate representation, the outlooks will capture uncontracted volume in the storage facility, as well as uncontracted withdrawal and injection capacities, which are the three key metrics that shippers contract for.

Iona Operations questioned why this new obligation applies exclusively to storage facilities and does not capture uncontracted production facility capacity or pipeline "park and loan" services. The Commission considers that the new obligation for uncontracted pipeline capacity outlooks provides an equivalent level of reporting between pipeline and storage facilities. As contracting levels for both facility types are

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<sup>104</sup> This is consistent with reporting by pipeline operators under rule 173(1)(b).

expected to change infrequently, the costs of providing these outlooks are expected to be low. The availability of park and loan services would be more variable as it depends on pipeline flows and linepack, making this a more substantive reporting requirement.

On uncontracted production capacity outlooks, the Commission is of the view that storage and production facilities provide different services that warrant different reporting requirements. Production facilities receive gas from specific reserves, whereas storage facilities offer greater flexibility to more customers in being able to receive gas from pipelines that connect the entire east coast gas pipeline system. The use of a gas storage facility would typically be a shorter term prospect than decisions to acquire gas reserves and extract gas via a production facility. In providing a more dynamic service that is potentially relevant to a larger number of market participants, it is appropriate for reporting on uncontracted storage capacity to be required in the absence of uncontracted production capacity outlooks.

A more comprehensive picture on gas storage will enable stakeholders to undertake more thorough analysis of the market, providing for better informed, and therefore more efficient, investment decisions to upgrade and build new storage facilities, as well as associated gas pipeline and processing infrastructure. Information on how storage is being used and the capacity available to be contracted is likely to assist in developing a secondary market for gas storage services, if this is something required by participants.

### **Removal of reporting exemption**

The Bulletin Board currently contains no capacity or production information about storage facilities that are subject to an exemption. Under the current rules, exemptions are available for the following three situations:

1. The production nameplate rating of the storage facility is less than 20 TJ.
2. The storage facility is or will be used solely as part of production facility.
3. The storage facility is not connected to a BB pipeline.<sup>105</sup>

Out of the eight storage facilities active in the east coast gas market, only two report information to the Bulletin Board and four of the five largest facilities are exempt from reporting.<sup>106</sup> This has resulted in a large information gap that could hamper the development of a liquid wholesale gas market, including a liquid market for pipeline capacity trading.

Under this rule change process the Commission has only considered the exemption for storage facilities that are used solely as part of a production facility. These storage

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<sup>105</sup> A BB pipeline is a transmission pipeline that is not subject to an exemption declaration under rule 149 of the NGR. Initial BB pipelines were specified in Schedule 2 to the NGR when Part 18 of the rules came into effect. Transmission pipelines that were commissioned after Part 18 commenced, or that have been declared by AEMO under rule 153, are also BB pipelines.

<sup>106</sup> The five largest storage facilities in terms of storage capacity are Moomba Underground Gas Storage (operated by Santos), Ballera Underground Storage (Santos), Roma Underground Storage (Santos GLNG), Iona Underground Gas Storage (QIC) and Silver Springs (AGL).

facilities are referred to as integrated facilities and represent around 20 per cent of the withdrawal capacity and 70 per cent of storage volume of storage facilities in the east coast market.

Some stakeholders were of the view that production facility reporting provides adequate information on the storage facilities that they are integrated with. Production facilities are currently required to report their nameplate capacity rating, a short term and medium term capacity outlook and actual production data for each gas day (on a day after basis). The nameplate rating and capacity outlooks are primarily static pieces of information, while daily production data is reported after the event. There is no forward looking reporting on expected flows from production facilities or integrated storage facilities, nor can this information be deduced from pipeline reporting.

The Commission considers that the information currently reported by production facilities with integrated storage is inadequate to provide market participants with an understanding of the potential short and longer term impacts of integrated storage facilities on supply and demand. It is also inadequate for market participants to quickly identify opportunities to procure third party storage services via the Bulletin Board. To address this, integrated storage facilities should report on:

- Nameplate ratings;
- Volume of gas in storage;
- Short and medium term capacity outlooks;
- Actual daily injections and withdrawals (on a day after basis); and
- 12 month outlooks of uncontracted storage capacity.

Nameplate ratings enable market participants to understand how integrated storage facilities can impact the market by injecting gas, or by acting as a buffer in the case of supply or demand side disruptions. The storage inventory level is also required to assess the length of time that a withdrawal or injection capacity can be sustained for. The Commission notes that nameplate data for integrated storage facilities is mostly already publicly available.<sup>107</sup> In the interests of the Bulletin Board being a central repository of gas market information, nameplate information should be published on the Bulletin Board and updated annually to account for changes over time. Annual updates are appropriate since deviations within the year will be reported via short and medium term capacity outlooks.

Santos suggested that reporting on storage inventory levels could be aggregated across all storage facilities to protect commercial in confidence information. The Commission has not accepted this proposal as facility level information is important to inform the market about the current and expected supply and demand balance for gas, in which storage flows play a role. Facility level reporting is also required for pipelines and

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<sup>107</sup> AEMO, 2015 GSOO Supporting Information.

production facilities. Some gas flows are aggregated by zone, but the reported flows are still specific to a particular pipeline.

Given that there are relatively few storage facilities in the east coast market, aggregation would not indicate the amount of gas available for delivery from storage into particular pipelines. Facility level reporting would better inform price expectations and the potential for pipeline capacity trading.

Short and medium term capacity outlooks will inform the market about deviations from facilities' nameplate ratings, which is relevant to the assessment of market impacts. The Commission notes that integrated storage facilities are currently included in the existing short and medium term capacity outlooks of production facilities. Since this information is already known, the cost of providing a separate outlook for the integrated storage facility is expected to be minimal. This reporting is also necessary to ensure that nameplate ratings and capacity outlooks are comparable on the Bulletin Board.

As noted above, actual flows are necessary to inform market participants' expectations around how the facility will be used in the future under similar market conditions. This is particularly important for integrated storage facilities as it would provide for greater visibility around both the operation of the production facility as well as the integrated storage facility.

By observing the output of a production facility without storage it is possible to gain insights about the operation of the production facility and productivity of the gas field. This is less clear for production facilities with storage since gas injected into the system could have come from either production wells or the storage facility. It would be more consistent for the production facility and integrated storage facility to report actual flows on a day after basis. This would provide for similar information for all production facilities. Since field production rates can already be implied through reporting of production facilities not integrated with storage, the Commission does not consider that this reporting will reveal confidential information.

An exemption for nominated and forecast injections and withdrawals remains for storage facilities that are used solely as part of a production facility. The Commission considers that it could be useful for market participants to have a forecast of expected injections and withdrawals from integrated storage facilities, though under the existing rules such an obligation is unlikely to result in information being reported where there is no direct relationship with shippers.<sup>108</sup> An obligation on integrated storage facilities to provide a forecast could also be viewed as inconsistent with production facility and pipeline receipt point reporting, for which there is currently no forecast on the Bulletin Board. The Commission intends to consider this issue alongside production facility reporting if it receives a rule change request to implement its recommendations from the East Coast Wholesale Gas Market and Pipeline Frameworks Review.

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<sup>108</sup> In Part 18 of the rules, nominations are defined as gas quantities nominated by BB shippers to a pipeline operator to be delivered by the BB pipeline. Further, storage providers are only required to report on forecast injections and withdrawals if this information has been provided to the storage provider by shippers.

Finally, the 12 month outlook of uncontracted storage capacity will make it easier for market participants to assess opportunities to procure third party storage services. This reporting obligation is expected to be low cost since this information doesn't change very often. If an integrated storage facility is fully contracted to the production facility operator then an outlook of zero uncontracted capacity can be provided. In the future, integrated storage facilities may move towards operating on more of a standalone basis by the producer supplying storage services to third parties or through the divestment of the storage asset. In this case the 12 month outlook of uncontracted capacity will identify when these services will become available. It will be helpful for market participants if information on uncontracted storage capacity is available in one place and in a consistent format.

With storage services expected to become more important in the east coast gas market, the Commission considers that information on storage should be unambiguous and accurate. While the Commission recognises the costs associated with information provision, the Commission does not consider there is a strong argument for storage facilities categorised as being used solely as part of a production facility to be treated differently from non-integrated facilities going forward.

The Commission considers that the information reporting framework should effectively support the decision making of market participants; treat all participants - on the supply and demand side of the market - on as equal a basis as possible; and avoid the potential for regulatory arbitrage to occur between different exemption categories.<sup>109</sup> The Commission also considers that it is appropriate to implement a reporting framework that is agnostic to the business model of the current facility operator and is instead based on the characteristics of a facility, whether that is storage, production or pipelines.

By removing the exemption for integrated storage facilities, the final rule avoids the need for AEMO to reassess exemptions under rule 150(5)(b). This is expected to reduce compliance costs, as determining whether a storage facility is in fact being used solely as part of production facility can be an ambiguous question based on how the facility is being used on any given day and open to different interpretations.

Santos submitted that the proposed reporting measures for storage facilities go beyond the reporting requirements in international markets, such as the United States and United Kingdom. In support of this view, it referenced the United States Energy Information Administration's weekly and monthly reports, in which storage facilities are aggregated into regions.<sup>110</sup> The Commission has reviewed the Energy Information Administration's storage reporting and notes that it also reports monthly for each

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<sup>109</sup> For example, a situation where a participant who is no longer exempt under one criterion applies for exemption under another criterion.

<sup>110</sup> For example, the Weekly National Gas Storage Report. Available at <http://ir.eia.gov/ngs/ngs.html>

reservoir on the total storage capacity, working gas capacity, and maximum daily deliverability.<sup>111</sup>

Storage reporting in the United Kingdom and Western Australia also involves reporting at the facility level. Facilities in the United Kingdom report daily on the volume of gas in storage, aggregated injections, aggregated withdrawals and available storage capacity.<sup>112</sup> The Western Australian Gas Bulletin Board includes nameplate capacities, actual flows, as well as nominated and forecast flows.<sup>113</sup>

#### **4.1.4 Conclusion**

Upon implementation of this final rule, market participants will be able to better anticipate the impact that storage facilities may have on the gas and electricity markets. This is important for the price discovery process and will allow market participants to more effectively value gas and gas storage services.

Stakeholders will also be able to undertake more thorough analysis of gas storage capabilities in the east coast market. This information may assist existing and new entrant market participants to identify opportunities to procure storage services and inform decisions to develop new storage facilities.

Accordingly, the final rule is expected to promote the efficient allocation, use and investment in natural gas in the long term interest of consumers. Without this information, market participants and other stakeholders would be unable to form accurate expectations around how storage facilities, including integrated storage facilities, are being used and the impact they could have on trading market prices, as well as how they contribute to the broader gas market dynamic.

## **4.2 Medium term capacity outlook**

The Commission consulted on potential changes to the existing medium term capacity outlook so that this information is provided in a standard format and on a consistent basis, such as a rolling twelve month capacity outlook reported monthly. The Commission also sought stakeholder feedback on experiences providing or using the medium term capacity outlook data.

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111 US Energy Information Administration, *Natural Gas Annual Respondent Query System*, Report 191 Field Level Storage Data (Monthly). Available at [http://www.eia.gov/cfapps/ngqs/ngqs.cfm?f\\_report=RP7](http://www.eia.gov/cfapps/ngqs/ngqs.cfm?f_report=RP7)

112 UK National Grid's supplementary report on Storage and LNG Operator Information. Available at <http://www2.nationalgrid.com/UK/Industry-information/Gas-transmission-operational-data/Supplementary-Reports/>

113 The information reporting requirements are set out in the WA Gas Services Information Rules. Available at <http://wa.aemo.com.au/home/imo/gsirules/gsi-rules>

#### 4.2.1 Stakeholder views on consultation paper

In submission on the consultation paper, stakeholders generally agreed that the current medium term capacity outlook reporting arrangements are sub-optimal and that standardised reporting would be an improvement on the status quo. There were a range of views on whether a defined outlook period is required.

Stanwell noted that the current information is difficult to use due to differences in the information provided by facility operators and the format in which it is published on the Bulletin Board.<sup>114</sup> It supported this information being reported to AEMO in a standardised format, as did AEMO, APGA, GDFSAE and Jemena.<sup>115</sup>

AEMO submitted that this measure would reduce administrative burden and enable publication of more consistent and useful information.<sup>116</sup>

APGA and Jemena questioned the materiality of the administrative burden on AEMO from managing the medium term capacity outlook.<sup>117</sup> However, APGA accepted that standardised reporting would make it easier for AEMO to provide a centralised report. To support this, it proposed that existing facility maintenance information notices be modified to include a standard table of information. The proposed standard table of information would include: the facility's name, activity start date, activity end date, a traffic light indicator (discussed below) and a free text field.<sup>118</sup>

Pipeline operators opposed the requirement for a 12 month rolling outlook. APGA stated that:

*"In APGA's view, the provision of a 12-month rolling capacity outlook is an example of a transparency initiative that increases the complexity of both reporting for facility operators and analysis required by market participants with very little, if any, material increased benefit."*<sup>119</sup>

Instead of numerical capacity reporting, pipeline operators proposed that the standard table of information include a traffic light indicator which would reflect the facility's ability to meet market requirements. APGA considered this to be preferable on the basis that pipeline operators are better placed to judge a facility's ability to meet expected demand, and it would be less complex and less expensive to implement.

Origin and ESAA considered that there may be some benefit from standardised reporting on a consistent basis, but that this would depend on the detail of the changes.

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<sup>114</sup> Stanwell, consultation paper submission, p5.

<sup>115</sup> Stanwell, consultation paper submission, p5; AEMO, consultation paper submission, p3; APGA, consultation paper submission, p15; GDF Suez Australian Energy, consultation paper submission, p4; and Jemena, consultation paper submission, p3.

<sup>116</sup> AEMO, consultation paper submission, p3.

<sup>117</sup> APGA, consultation paper submission, pp14-15; and Jemena, consultation paper submission, p4.

<sup>118</sup> APGA, consultation paper submission, pp16-17.

<sup>119</sup> APGA, consultation paper submission, p16.

These details would include: the outlook period, the reporting interval, any triggers for amending information, and how the information would be provided to and presented by AEMO.<sup>120</sup>

EnergyAustralia suggested that a three year outlook for the medium term capacity outlook would be appropriate.<sup>121</sup>

#### **4.2.2 Stakeholder views on the draft determination**

In its draft determination, the Commission determined that medium term capacity outlooks should be provided in a standard format that includes a numerical estimate of the facility's capacity during the outlook period. Reporting would continue to be in the form of maintenance reports that facility operators send to their shippers.

Stakeholders supported the reporting of medium term capacity outlooks in a standard format, but raised some concerns relating to the requirement for a numerical capacity estimate. APA Group was supportive of the Commission's decision to not require a full 12 month capacity outlook.<sup>122</sup> AEMO supported the standardisation of medium term capacity outlooks and thought that they should be reported in the same way as the short term capacity outlook. It submitted that this would reduce the burden on AEMO from having to manually verify and upload files to the Bulletin Board.<sup>123</sup>

Pipeline operators and ESAA submitted that it is not common practice for pipeline operators to calculate a numerical capacity estimate when maintenance is being undertaken.<sup>124</sup> APA Group said that while it does undertake some degree of capacity assessment, that assessment does not necessarily lead to the calculation of a firm and precise revised capacity value.<sup>125</sup>

Jemena explained that:

“In cases where we are confident that the likely gas flows will be low enough so as not to be impacted by maintenance, we do not undertake detailed modelling to quantify the impact on the pipeline’s capacity.”<sup>126</sup>

Stakeholders were of the view that this reporting obligation would be more costly than envisaged by the Commission in the draft determination, especially if detailed capacity modelling is required.<sup>127</sup> APGA said that the obligation would introduce a new

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120 Origin Energy, consultation paper submission, p3; and ESAA, consultation paper submission, p4.

121 Energy Australia, consultation paper submission, p3.

122 APA Group, draft determination submission, p2.

123 AEMO, draft determination submission, p1.

124 APA Group, draft determination submission, pp2-3, APGA, draft determination submission, pp2-3, ESAA, draft determination submission, p2; and Jemena, draft determination submission, p1.

125 APA Group, draft determination submission, p3.

126 Jemena, draft determination submission, p1.

127 APA Group, draft determination submission, pp2-3; and APGA, draft determination submission, p3.

process that cannot be automated and requires attention from multiple people, including senior executives.<sup>128</sup>

Jemena raised the issue of there being no single methodology for pipeline capacity modelling.<sup>129</sup> Similarly, APGA said that each pipeline operator will have its own processes to determine the estimate. It was of the view that it would be outside existing practice for this process to be detailed in the NGR or Bulletin Board Procedures.<sup>130</sup>

APA Group and Jemena continued to be of the view that a traffic light indicator would be a preferable alternative to the numerical estimate.<sup>131</sup> ESAA suggested that the numerical estimate only be required when a reduction in capacity is expected to materially impact the market, and a traffic light indicator used at other times.<sup>132</sup>

#### 4.2.3 Analysis

The existing medium term capacity outlooks were introduced following a rule change submitted by AEMO and made by the AEMC in the first half of 2014.<sup>133</sup> The outlooks have been provided by facility operators and published on the Bulletin Board since 8 January 2015. Reporting is in the form of maintenance notices that facility operators send to their contracted shippers.

The maintenance notices observed by the AEMC typically state the name of the facility, maintenance dates and include a high level statement about the impact on capacity, or a statement that is relative to a contracted shippers requirements. Since other market participants are unlikely to know what the shippers requirements are, this information appears to be of limited value.

The Commission considers that the current usability issues with the medium term capacity outlook are due to:

- information not being provided in a standard format; and
- not all facility operators providing a numerical estimate of the impact that the maintenance activity will have on the capacity of the facility.<sup>134</sup>

As noted by the Commission in its draft determination, the standard table of information proposed by pipeline operators appears adequate to address these issues, so long as it includes a numerical estimate of the facility's capacity during the outlook period.

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128 APGA, draft determination submission, p3.

129 Jemena, draft determination submission, p1.

130 APGA, draft determination submission, p4.

131 APA Group, draft determination submission, p3; and Jemena, draft determination submission, p1.

132 ESAA, draft determination submission, p2.

133 National Gas Amendment (National Gas Bulletin Board Capacity Outlooks) Rule 2014 No. 3.

134 The Commission has observed medium term capacity outlooks for the SEA Gas pipeline, as well as some production and storage facilities, which include a numerical estimate of capacity.

EnergyAustralia explained that it would use this information to manage its positions and maintenance schedules, but that the existing data cannot be used for this purpose.<sup>135</sup> Stanwell thought that this information would be useful and noted that it was very difficult to conduct capacity analysis with the current data.<sup>136</sup>

The Commission acknowledges that the costs involved in calculating the numerical capacity estimate are likely to be greater than initially envisaged. The costs incurred by data providers will depend on the amount of effort required to produce the estimate. The Commission understands from stakeholder submissions that a requirement for detailed modelling, of the same standard used for short term capacity outlooks, would be significantly more costly than a 'best estimate', arrived at using information available at the time it is reported.

The quality of the estimate is determined by the reporting standard for Bulletin Board information. While there is currently no explicit standard, the NGL states that:

- the information provided to AEMO must not be knowingly false or misleading (s. 225); and
- a person does not incur any civil monetary liability for any acts or omissions in providing Bulletin Board information to AEMO unless the act or omission was done or made in bad faith or through negligence (s. 226).

A 'best estimate' by facility operators would appear to be consistent with the current NGL requirements. It is also reasonable to expect that there could be some variation between the short and medium term capacity estimates for the same day if these outlooks are calculated at different points in time, potentially using different information and assumptions.

In the Stage 2 Draft Report of the East Coast Wholesale Gas Market and Pipeline Frameworks Review, the Commission recommended that a reporting standard should be introduced into the NGR and be based on the 'good gas industry practice' standard that applies in the Short Term Trading Market.<sup>137</sup>

This standard was referenced by APGA in its submission on the draft determination.<sup>138</sup> It is of the view that a numerical capacity estimate would meet good gas industry practice if it is the best estimate of experienced and competent persons. If the Commission receives a rule change request to implement a reporting standard for the Bulletin Board, the Commission will consider whether there is a need for a less vigorous obligation for particular reporting requirements. The Commission considers

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135 Energy Australia, consultation paper submission, p3.

136 Stanwell, consultation paper submission, p5.

137 NGR rule 364. 'Good gas industry practice' means 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, authorisations and industry codes of practice.

138 APGA, draft determination submission, pp3-4.

that it would be inappropriately costly for the medium term capacity outlook to require detailed modelling equivalent to the short term capacity outlook.

The Commission continues to be of the view that a numerical capacity estimate is preferable to a traffic light indicator as it will be more useful for market participants. A numerical estimate of capacity has broader application than the proposed traffic light indicator and is less subjective. If another traffic light system was implemented there is the risk of it being confused with the existing linepack capacity adequacy flag.

It is not necessary for medium term capacity outlooks to be updated at regular intervals, such as monthly. It is unclear if there would be a benefit from requiring this since, by definition, an asset should be capable of operating at its nameplate capacity when no maintenance is taking place. Any variations will be captured in the short term capacity outlook.

#### **4.2.4 Conclusion**

The medium term capacity outlook should be provided in a standard format so that it is easier for market participants to use this information in their decision making. This approach would also reduce the administrative burden on AEMO from managing this reporting. However, it is not necessary for this information to be provided at regular intervals.

The standard information must include a numerical estimate of the facility's capacity for this report to be useful for the broader market. Market participants will be able to use this information for advanced planning of their trading and operational activities ahead of the more accurate seven day short term capacity outlook.

By continuing to use information that facility operators send to their shippers, this obligation only requires facility operators to undertake this reporting when an activity affecting a facility's daily capacity, such as maintenance, is scheduled to occur. The Commission considers that this arrangement appropriately balances the effort required to comply with the obligation with the likely market benefit from this information being disclosed.

Reporting via the same interface as the short term capacity outlook may improve the usability of the information and reduce the administrative burden on AEMO. This should be considered during the change to the Bulletin Board Procedures.

### **4.3 Linepack**

The Commission sought stakeholders' views on whether there is a case for mandating additional linepack information, such as more granular flag-based indicators or numerical reporting.

### 4.3.1 Stakeholder views

Most stakeholders opposed the publication of additional linepack data and consider that the current information (provided via a traffic light reporting system) is sufficient.

Shippers were generally of the view that the existing information is adequate for their purposes and did not see a need for additional reporting.<sup>139</sup> Origin considers there to be only a limited opportunity for opportunistic trades given linepack variations are predominantly for operational risk management purposes.

ESAA noted that some stakeholders have stated that enhanced linepack information would provide a more complete picture of short term system adequacy. However, they felt that the case hadn't been made that existing information is insufficient for this purpose.<sup>140</sup>

Pipeline operators opposed the publication of numerical linepack data on the basis that it can be misleading.

APA Group identified two potential uses for linepack data and explained why it would not be suitable.<sup>141</sup> The potential uses were:

- for shippers to make their own assessment of a pipeline's delivery or storage capability; and
- to provide additional information into the supply/demand balance provided by the Bulletin Board.

APA Group considered that pipeline operators, rather than shippers, are best placed to assess a pipeline's delivery and storage capabilities as they are more informed about the physical and contractual characteristics of the pipeline.

APGA provided the following explanation of how linepack data could be misinterpreted by market participants:

“A low linepack figure may lead market participants to believe a pipeline will be facing deliverability issues when it is not. A high linepack figure may lead market participants to assume it is a resource that can be drawn upon. The reality may be very different; linepack may be being built up to cover an anticipated reduction in injections, a short-term increase in demand for a shipper or loss of capacity due to a maintenance event.”<sup>142</sup>

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139 EnergyAustralia, consultation paper submission, p3; GDF Suez Australian Energy, consultation paper submission, p4; Origin Energy, consultation paper submission, p4; and Stanwell, consultation paper submission, p5.

140 ESAA, consultation paper submission, p4.

141 APA Group, consultation paper submission, p8.

142 APGA, consultation paper submission, p18.

To balance supply and demand, APA Group considered that measures should be taken to ensure the complete and accurate representation of existing Bulletin Board data before seeking further information, such as numerical linepack.<sup>143</sup> APGA considered that changes in linepack can already be understood through the analysis of historical gas flow data from the Bulletin Board.<sup>144</sup>

In contrast to the views above, AEMO thought that further information about linepack would be useful to the market as an indicator of short term system adequacy and for better risk management by market participants.<sup>145</sup>

### 4.3.2 Analysis

As noted in APGA's submission, linepack reporting has been considered by AEMO and others through several processes in recent years. It appears that there is currently little support for additional linepack reporting amongst stakeholders.

The Commission understands that some stakeholders have previously considered linepack data to be necessary to balance supply and demand using Bulletin Board data. It is likely that stakeholders' inability to balance supply and demand is due to deficiencies in the way Bulletin Board data is reported rather than variations in linepack.

These deficiencies, including the zone definitions, are being considered in Stage 2 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review.<sup>146</sup> Once these are addressed it will be easier to determine whether linepack data is required to balance supply and demand.

In the interim, there may be a benefit in making minor changes to the existing linepack capacity adequacy indicator. APA Group raised two such changes in its submission:<sup>147</sup>

- multiple flags for each pipeline, which could correspond with zones; and
- an early warning mechanism to tell the market that a pipeline operator is dealing with an incident that may affect pipeline operation.

An alternative to having multiple flags would be for pipeline operators to provide the location of the incident. It is currently possible for pipeline operators to do this via the free text facility, but this does not always occur. These refinements could be implemented via changes to the Bulletin Board Procedures. These specify the requirements for linepack reporting and currently require the free text facility to be

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<sup>143</sup> APA Group, consultation paper submission, p8.

<sup>144</sup> APGA, consultation paper submission, pp18-19.

<sup>145</sup> AEMO, consultation paper submission, p3.

<sup>146</sup> AEMC, *East Coast Wholesale Gas Market and Pipeline Frameworks Review*, Stage 2 Draft Report: Information Provision, 4 December 2015, Sydney.

<sup>147</sup> APA Group, consultation paper submission, p8.

used by pipeline operators to provide a reason for a change in a linepack capacity adequacy flag.

### **4.3.3 Conclusion**

The Commission agrees with the views of the majority of the stakeholders that reporting of numerical linepack data is not necessary at the current time. Until deficiencies in the way the Bulletin Board is currently represented are addressed, additional linepack reporting is unlikely to usefully contribute to stakeholder understanding of the supply and demand balance.

APA Group and Origin supported this conclusion in their submissions on the draft determination.<sup>148</sup>

AEMO could consider marginal improvements to existing linepack reporting that could be implemented via changes to the Bulletin Board Procedures.

## **4.4 Aggregated supply nominations**

The Commission consulted on the potential for production facilities to report on their aggregated supply nominations for the current gas day and forecast production for subsequent gas days.

### **4.4.1 Stakeholder views**

There were divergent views on requiring production facilities to report on their supply nominations.

APA Group, GDFSAE and Stanwell indicated that the publication of this information would be helpful, though Stanwell considered it to be a low priority issue.<sup>149</sup> APGA considered it appropriate that all Bulletin Board facilities are subject to similar levels of information obligation.<sup>150</sup>

Origin and Santos opposed this proposal. Origin thought that this information would not be helpful since supply nominations can change throughout the day. It also considered this information to be commercially sensitive.<sup>151</sup> Santos said that information on actual and forecast gas injections is relevant for short term trading, not the forecast nominations for particular production facilities. On this basis it considers

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<sup>148</sup> APA Group, draft determination submission, p3; and Origin Energy, draft determination submission, p1.

<sup>149</sup> APA Group, consultation paper submission, p9; APA Group, draft determination submission, p3; GDF Suez Australian Energy, consultation paper submission, p4; and Stanwell, consultation paper submission, p5.

<sup>150</sup> APGA, consultation paper submission, p19.

<sup>151</sup> Origin Energy, consultation paper submission, p4.

production facility supply nominations as being excessive for the needs of the market.<sup>152</sup>

EnergyAustralia noted that pipeline nominations are useful for identifying spare pipeline capacity, which allows for better pipeline utilisation. Production facilities' supply nominations wouldn't offer the same advantages and may be redundant since forecast pipeline flow data is already available.<sup>153</sup>

#### **4.4.2 Analysis**

In consulting on this category of information, the Commission sought to test the view that this information could assist market participants in understanding short term supply and demand dynamics, and contribute to more efficient short term trading decisions. It would also provide for the same reporting across Bulletin Board facilities.

While there was some support for this information being reported, it is not clear that the information would address a significant need or be immediately useful.

Supply nominations do not serve the same purpose as pipeline nominations. Forecast gas flows below a pipeline's nameplate may indicate an opportunity for shippers to access 'as available' capacity, or firm capacity via secondary trading. In contrast, production below a production facility's nameplate capacity doesn't necessarily mean that the facility could inject additional gas into the system if requested.

An alternative would be for pipeline operators to report nominated and forecast receipt point flows. This information would provide greater visibility of expected supply side flows, as well as insights on pipeline linepack and the direction of pipeline flows. It would be equivalent to existing reporting on delivery point nominations and follow on from the requirement in the final rule for pipeline operators to report on aggregated receipt point flows on a day after basis. Aggregated receipt point nominations are published for the Western Australian gas market.<sup>154</sup>

The Commission is of the view that there would be value in there being a forecast on the Bulletin Board of supply side flows, though it considers that further consultation is required to determine how this information should best be provided.

#### **4.4.3 Conclusion**

The Commission has not identified a need for production facilities to report on their aggregated supply nominations at the current time. While some stakeholders indicated that they support the provision of this information, the information does not appear to be sufficiently useful for the benefits to outweigh the costs.

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152 Santos, consultation paper submission, pp3-4.

153 EnergyAustralia, consultation paper submission, p3.

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

There could be benefits to the market if the Bulletin Board contained a forecast of supply side gas flows, which could be provided by production facilities or pipeline operators. The Commission intends to consider this issue further through the East Coast Wholesale Gas Market and Pipeline Frameworks Review.

## Abbreviations

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
APGA	Australian Pipeline and Gas Association
APPEA	Australian Petroleum Production and Exploration Association
COAG	Council of Australian Governments
ESAA	Energy Supply Association of Australia
GDFSAE	GDF Suez Australian Energy
LNG	liquefied natural gas
MCE	Ministerial Council on Energy
NGL	National Gas Law
NGO	national gas objective
NGR	National Gas Rules
PIAC	Public Interest Advocacy Centre
TJ	terajoule

## A Summary of issues raised in submissions

Where relevant, stakeholder comments have been addressed throughout the draft rule determination. The tables below summarise issues raised by stakeholders that were not explicitly addressed in the body of this determination and the Commission's response to these comments.

### A.1 First round of consultation

Stakeholder	Issue	AEMC Response
<b>Cost recovery</b>		
APA Group, p5.	APA Group is concerned that the rule change proposal does not give adequate consideration to pipeline operator cost recovery in relation to additional information requirements. APA Group doesn't consider the additional requirements to be immaterial. A basic principle should be that those parties that benefit from information provision should pay the costs of it being provided.	The final rule is consistent with existing practice. Pipeline operators can only recover the costs incurred in providing AEMO with aggregation and information services under NGR rules 173 and 196. Since the additional reporting requirements in the final rule have not been classified as aggregation and information services, it is consistent with existing practice for information providers to cover the costs of providing this information for publication on the Bulletin Board.
APGA, pp3-4, p8.	APGA considered that it is not effective to ask market participants if more information is warranted without considering what they have been willing to pay for in the past and what they are willing to pay for in the future. As a matter of principle, those parties that benefit from information should bear some costs associated with the provision of that information.	
Jemena, pp4-5.	Jemena submitted that the benefits of the proposed information requirements are likely to flow to market participants other than pipeline	

Stakeholder	Issue	AEMC Response
	operators. Rule 197 should be broadened to cover any new information reporting requirements on pipeline operation resulting from the rule change request.	
ESAA, pp1-2.	ESAA submitted that decisions to implement additional information requirements should be informed by an assessment of costs and benefits.	The AEMC has considered the costs and benefits of the different categories of information in its assessment and considers that the final rule strikes an appropriate balance.
Stanwell, p2.	Stanwell indicated that it is concerned by recent increases in Bulletin Board fees, noting that AEMO's costs in operating and maintaining the Bulletin Board are recovered from shippers.	
<b>Bulletin Board reporting and registration framework</b>		
AEMO, p2.	AEMO undertook industry consultation in 2014 which indicated that the current Bulletin Board zones do not best reflect the current and changing dynamics of the gas market. AEMO supports a review of information coverage more broadly, including consideration of options outside the current regulatory framework, through the East Coast Wholesale Gas Market and Pipeline Frameworks Review.	The Commission acknowledges that there are deficiencies in the way Bulletin Board data is reported owing to the way in which the Bulletin Board zones are defined. Bulletin Board zones are defined in the Bulletin Board Procedures, and therefore AEMO can redefine them in accordance with the NGR and Procedures.  This issue and broader issues relating to the accuracy and usefulness of Bulletin Board information are being considered during the East Coast Wholesale Gas Market and Pipeline Frameworks Review. Stakeholder comments on these and other issues have been invited in response to the Stage 2 Draft Report and are due by 12 February 2016.
APA Group, p1, p7.	APA Group considered that the existing data on the Bulletin Board is not accurately represented and is incomplete. This should be addressed through redefinition of Bulletin Board zones and moves to ensure all production, demand and pipeline data are appropriately represented. APA Group strongly recommends that work commenced by AEMO to rectify issues with current data	

Stakeholder	Issue	AEMC Response
	representation is completed as a matter of urgency.	
APGA, p13.	APGA noted that essential work on the Bulletin Board, including revisions to the existing zone definitions, is still to be completed by AEMO. APGA believes that completion of this work is essential before further incremental information requirements are considered.	
Stanwell, p.1	Stanwell proposed a comprehensive audit be undertaken of all pipelines, production and storage facilities to ensure that all facilities are compliant with their registration obligations. The audit would reveal whether the rules are sufficiently clear on an operator's obligations and whether the rules inadvertently allow exemptions to important facilities.	This issue is being considered during the East Coast Wholesale Gas Market and Pipeline Frameworks Review. Stakeholder comments on these and other issues have been invited in response to the Stage 2 Draft Report and are due by 12 February 2016.
<b>Demand for secondary capacity trading</b>		
APA, p2; APGA, pp5-6; and Jemena, p2.	Considered that there is a low level of unmet demand for secondary pipeline capacity, as evidenced by the low levels of utilisation of the existing capacity trading platforms.	The Commission's view is that the final rule is likely to reduce the search and transaction costs associated with pipeline and storage capacity trading and make it easier for new participants to enter the market, which may lead to more trades taking place.
Hydro Tasmania, p1.	Hydro Tasmania considered that high price discovery costs, unreliable information, high transaction costs and lack of a liquid secondary market, presents significant risks for new market entrants.	The recent major changes in the east coast gas market are also likely to see the market evolve to one where gas and pipeline capacity is more actively traded.
<b>Other issues</b>		

Stakeholder	Issue	AEMC Response
Jemena, p2.	Jemena suggested that AEMO should publish usage statistics for each type of information on the Bulletin Board.	The Commission agrees that usage statistics can be insightful, but should be treated with caution as they don't provide a complete picture of the value derived from using Bulletin Board data.
AER, p2.	The AER noted that, while beyond the scope of the rule change, it may be timely to consider the approach to penalties for failure to comply with Bulletin Board provisions under the East Coast Wholesale Gas Market and Pipeline Frameworks Review.	This issue is being considered during the East Coast Wholesale Gas Market and Pipeline Frameworks Review. Stakeholder comments on these and other issues have been invited in response to the Stage 2 Draft Report and are due by 12 February 2016.

## A.2 Second round of consultation

Stakeholder	Issue	AEMC response
<b>Cost recovery</b>		
APA Group, p3.	APA Group is disappointed that once again a discussion on appropriate cost recovery principles has been deferred to another process. The cost recovery rules currently act to suppress the real total costs from being recovered more equitably. The general principle should be that the beneficiaries of information provision should pay for that information.	This issue is being considered during the East Coast Wholesale Gas Market and Pipeline Frameworks Review. In the Stage 2 Draft Report, the Commission recommends that no cost recovery provisions be introduced regarding the provision of any Bulletin Board information. This appears to be consistent with the initial intent of the rules - that cost recovery is not intended to apply to the general provision of information to AEMO for Bulletin Board purposes.
APGA, pp4-5.	APGA maintains that information obligations that have a primary purpose of informing the commercial decisions of market participants should be fully cost recoverable through Bulletin Board	If these recommendations are implemented, the burden of information provision would be distributed more broadly among market participants along the supply chain.

Stakeholder	Issue	AEMC response
	mechanisms by facility operators. It is not appropriate that facility operators try to recover these costs through negotiated outcomes from shippers as it is usually market participants that are not shippers on a particular pipeline that consider the information most useful.	
Jemena, p2.	Considers it important that Bulletin Board facility operators be able to recover the costs of providing information.	
<b>LNG facility reporting</b>		
EnergyAustralia, p2.	EnergyAustralia, ESAA and Stanwell note that the LNG facility operators are currently seeking authorisation from the ACCC to discuss and optimise maintenance schedules between themselves. They are of the view that information on maintenance schedules should be published on the Bulletin Board, if authorisation is granted by the ACCC.	While information on maintenance schedules, if made public at the ACCC's request, may be useful for market participants, there are currently no provisions in the NGR, NGL or Bulletin Board Procedures that contemplate AEMO putting up information on the Bulletin Board which has not been provided to it under the rules or NGL. It is also unclear whether this information would be covered by the terms of use of the Bulletin Board. This limits AEMO's ability to publish other information on the Bulletin Board, even if it is publicly available.
ESAA, p2.		
Stanwell, p1.		
QGC, pp2-3.	Considers that the AEMC should reconsider the treatment of the LNG export pipelines. With the declaration of the Curtis Island Demand Zone, the LNG export pipelines have commenced reporting individual flows on the Bulletin Board. QGC considers that the flows on these pipelines should be aggregated for reporting purposes.	<p>This will be addressed if the Commission's recommendations from the East Coast Wholesale Gas Market and Pipeline Frameworks Review Stage 2 Draft Report are implemented. The Commission recommends that LNG processing facilities be added to the list of persons required to provide information for the Bulletin Board. They should provide their nameplate rating, delivery points that they are connected to, short and medium term capacity outlooks, and actual consumption data on a day after basis.</p> <p>Reporting to the Bulletin Board occurs at the facility level and there are no provisions for facilities to be aggregated on the grounds of confidentiality. In would be contrary to both the AEMC's recommendations in the Stage 2</p>

Stakeholder	Issue	AEMC response
		Draft Report and existing practise for flows on the pipelines supplying the LNG facilities to be aggregated.
<b>Other issues</b>		
PIAC, p3.	PIAC would like additional analysis of the expected benefit of improved information provision in the east coast gas market, including more explicit analysis in the rule change proposal of the impact on the retail price and thus on retail consumers.	<p>The Commission's decision making test under the NGL is whether the rule will, or is likely to, contribute to the achievement of the national gas objective. The Commission is satisfied that this test has been met in relation to the final rule, for the reasons set out in this final determination.</p> <p>Prior to submitting the rule change request, the Energy Council engaged NERA Economic Consulting to undertake a cost-benefit analysis of the policy options under consideration. This report, available from the Energy Council's website, provides some commentary around the potential retail price impacts of policies to promote pipeline capacity trading.</p>
PIAC, p3.	Notes that these rule changes only apply to covered pipelines that are participants in the Bulletin Board. PIAC wonders whether it would be beneficial to include all major pipelines in the Bulletin Board.	<p>The frameworks for pipeline regulation and Bulletin Board reporting are separated such that uncovered transmission pipelines can still be required to provide information for the Bulletin Board.</p> <p>In the East Coast Wholesale Gas Market and Pipeline Frameworks Review Stage 2 Draft Report, the Commission has made a series of recommendations that would increase the number of pipelines (and other facilities) that are required to report to the Bulletin Board.</p>
Hydro Tasmania, p2.	Hydro Tasmania believes the use of the words "more detailed facility data" is too generic and does not provide clear and specific obligations as to what information is required to be disclosed by a production facility operator.	Detailed facility data is a general term used in the rule change request. In the case of production facilities, it refers to information on the receipt and delivery points at which the facility is located. This specific obligation is set out in the final rule.
Stanwell, p1.	Stanwell notes that COAG has tasked AEMO to initiate a procedure change in order to reclassify Wallumbilla as a Demand Zone and that this is a	In its East Coast Wholesale Gas Market and Pipeline Frameworks Review Stage 2 Draft Report, the Commission has made a series of recommendations to address identified deficiencies with the Bulletin

Stakeholder	Issue	AEMC response
	<p>“quick fix” to be implemented regardless of the conclusions of the AEMC's East Coast Wholesale Gas Market and Pipeline Frameworks Review. It is disappointed by this further demonstration of the lack of coordination between COAG, AEMO and the AEMC.</p>	<p>Board reporting and registration framework. If implemented, zones would no longer be used to determine reporting obligations and how information is aggregated.</p> <p>For these recommendations to be implemented, the AEMC would need to receive a relevant rule change request, which would be assessed and consulted on during a rule change process. A Wallumbilla demand zone will result in more information from facilities around Wallumbilla prior to the completion of the East Coast Wholesale Gas Market and Pipeline Frameworks Review and any resulting rule change processes.</p>
QGC, p1.	<p>QGC considers that information provision needs to shift from previous day infrastructure reporting (eg production at processing plants, pipelines and storage) to a platform that captures data that is relevant to domestic gas trading and managing commercial positions (ie real time data).</p>	<p>The potential for more frequent information provision is being consulted on by the AEMC as part of the East Coast Wholesale Gas Market and Pipeline Frameworks Review. The Commission is of the view that the benefits of moving to a real time or intra-day reporting model are unlikely to outweigh the costs at this point in time. As an interim measure, there may be some benefit in a trial of such a reporting model on a select number of facilities. The AEMC is consulting on this idea through the Stage 2 Draft Report. Submissions are due by 12 February 2016.</p>
QGC, p1.	<p>QGC considers that both the East Coast Wholesale Gas Market and Pipeline Frameworks Review and this rule change lack an overall high level strategic approach. It submits that changes put forward now could limit the ability to implement more fundamental changes in the future. It considers that there is significant benefit in deferring the issues under consideration in this rule change until the overall policy direction for the east coast gas market is clearer.</p>	<p>The AEMC's work on this rule change request has been conducted in coordination with the ongoing East Coast Wholesale Gas Market and Pipeline Frameworks Review. The Commission is of the view that the two processes are consistent with one another and no aspects of the final rule limit the potential for change in response to the review's recommendations.</p> <p>The purpose of the Bulletin Board has been consulted on during Stage 2 of the review. In the Stage 2 Draft Report the Commission recommends that the purpose of the Bulletin Board, as set out in rule 142, 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.</p>

## **B Legal requirements under the NGL**

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

### **B.1 Final rule determination**

In accordance with ss. 311 and 313 of the NGL the Commission has made this final rule determination and associated final rule in relation to the rule proposed by the COAG Energy Council.

The Commission's reasons for making this final rule determination are set out in Chapter 2.

A copy of the final rule is attached to and published with this final rule determination. Its key features are described in section 2.3.

### **B.2 Power to make the rule**

The Commission is satisfied that the rule as made falls within the subject matter about which the Commission may make rules. The final rule falls within section 74 of the NGL as it relates to regulating the collection, use, disclosure, copying, recording, management and publication of information in relation to natural gas services (s. 74 (1)(a)(iii)).

Further, the final rule falls within the matters set out in Schedule 1 to the NGL as it relates to items 58, 59, 60 and 61 because it relates to the kinds of information that must be given to AEMO for inclusion on the Bulletin Board; the persons to whom the requirement to provide Bulletin Board information applies; and the grant of power to AEMO to exempt persons from that requirement.

### **B.3 Commission's considerations**

In assessing the rule change request the Commission considered:

- the Commission's powers under the NGL to make the rule;
- the rule change request;
- the fact that there is no relevant Ministerial Council on Energy (MCE) Statement of Policy Principles;<sup>155</sup>

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<sup>155</sup> Under section 73 of the NGL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for Energy. On 1 July 2011 the MCE was amalgamated with the Ministerial Council on Mineral and Petroleum Resources. The amalgamated Council is now called the COAG Energy Council.

- stakeholder submissions received during first and second rounds of consultation; and
- the Commission's analysis as to the ways in which the final rule will or is likely to, contribute to the NGO.

#### **B.4 Civil penalties**

The final rule does not amend any rules that are currently classified as civil penalty provisions under the NGL or National Gas (South Australia) Regulations.

The final rule does however amend a number of the rules in Division 5 of Part 18 of the NGR. These rules set out what Bulletin Board information is to be given to AEMO by Bulletin Board facilities, when this information should be provided, and in what form. Section 223 of the NGL provides that certain persons must give Bulletin Board information to AEMO if required to do so under the rules in accordance with the rules. Section 223 of the NGL is a civil penalty provision.

#### **B.5 Others**

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

Under s. 296 of the NGL the Commission may make a rule that is different (including materially different) from a market initiated proposed rule if the Commission is satisfied that, having regard to the issue or issues raised by the market initiated proposed rule, the more preferable rule will or is likely to better contribute to the achievement of the NGO. As discussed in Chapter 2, the Commission has decided to make a final rule which is a more preferable rule. The Commission's reasons for this decision are set out in section 2.3.