



**Australian Energy Market Commission**

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## **CONSULTATION PAPER**

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

**Rule Proponent**  
COAG Energy Council

16 July 2015

**RULE  
CHANGE**

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## **About the AEMC**

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

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# 1 Introduction

The COAG Energy Council has proposed changes to the National Gas Rules (NGR) which would increase the amount of information that gas market participants are required to provide to the Australian Energy Market Operator (AEMO) for publication on the National Gas Services Bulletin Board (Bulletin Board or BB).

This consultation paper has been prepared to facilitate public consultation on the rule change proposal and to seek stakeholder submissions on the rule change request.

This paper:

- sets out a summary of, and a background to, the rule change request;
- identifies a number of questions and issues to facilitate the consultation on this rule change request; and
- outlines the process for making submissions.

Submissions on this consultation paper are due by no later than 13 August 2015.

## 2 Background

This chapter provides:

- an explanation of the existing Bulletin Board reporting requirements;
- a brief overview of the COAG Energy Council process which proceeds this rule change request; and
- a summary of related work currently being undertaken by the Australian Energy Market Commission (AEMC or Commission).

### 2.1 Existing Bulletin Board reporting requirements

The Bulletin Board is an information website established in 2008 at the request of the Ministerial Council on Energy (now the COAG Energy Council). Its purpose is to:

- facilitate trade in natural gas and a market for natural gas services (including pipeline capacity) through the provision of gas system and market information; and
- assist in emergency management through the provision of system and market information.<sup>1</sup>

AEMO operates and maintains the Bulletin Board in accordance with its obligations under the National Gas Law (NGL) and the NGR.<sup>2</sup> Designated BB facilities, which include gas pipelines, storage facilities and production facilities, are required by Division 5 of the NGR (rules 163-175) to provide certain information to AEMO.

#### **Box 2.1 Designation as a BB facility**

The obligations on gas market participants to provide information to AEMO are separate from the economic regulation regime. A transmission pipeline that is unregulated (ie not required to submit an access arrangement to the Australian Energy Regulator) can still be required to provide information to AEMO if it is designated as a BB facility.

Most facilities will be classified as BB facilities unless they are subject to an exemption declaration. There are two ways in which a facility can be classified as a BB facility:<sup>3</sup>

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1 NGR, rule 142.

2 Chapter 7 of the NGL and Part 18 of the NGR.

3 Previously facilities could be classified as a BB facility by being specified as an initial facility in Schedule 2 to the NGR. Schedule 2 to the NGR was deleted as of 16 June 2011 as a result of AEMC rule change GRC0009. It was considered to be redundant owing to there being a more up-to-date list of BB facilities published on the Bulletin Board.

- if it commenced operation after the commencement of the NGR on 1 July 2008; or
- if it is declared by AEMO under rule 153 to be a BB pipeline, BB storage facility or BB production facility.

A facility may apply to AEMO for an exemption declaration if its nameplate rating is less than 20 terajoules (TJ) per gas day. The other exemption criteria are:

- Storage facilities if they are solely used as part of a production facility or are not connected to a BB pipeline (rule 150(5)).
- Pipelines if they do not transport gas between production and demand zones; or only deliver gas to an injection point on that pipeline (rule 149(5)).
- Production facilities if gas from the facility will not flow (directly or indirectly) into a BB pipeline (rule 151(7)).

Rule 153 applies when AEMO has reasonable grounds to believe that a transmission pipeline, storage facility or production facility, that is not currently a BB facility or subject to an exemption declaration, does not meet the relevant exemption criteria.

The Bulletin Board information reporting requirements currently differ between BB pipelines, BB storage facilities and BB production facilities. These are set out in Table 2.1.

**Table 2.1 Information currently provided to AEMO**

| Market participant    | 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 and production zone for the previous day                         | Daily   |
|                       | Aggregated delivery nominations by zone and aggregated forecast deliveries by zone for subsequent gas days (up to 7 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                                 |

| Market participant       | Information   | Frequency of information provision |
|--------------------------|---|------------------------------------|
|                          | 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 existing maintenance reports that are created by facility operators and provided to relevant shippers.

Pipeline operators may be eligible to recover, from AEMO, their costs of aggregating and providing information to AEMO in compliance with rules 173 and 196.<sup>4</sup> There is no mechanism for the recovery of costs associated with providing other types of information to AEMO under rules 163-174.

The costs incurred by AEMO in operating and maintaining the Bulletin Board are recovered from shippers that use BB pipelines. Shippers are liable to pay a fee reflecting the shipper's share of the volume of gas transported during the relevant period.<sup>5</sup>

## 2.2 COAG Energy Council Regulation Impact Statement process

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

In 2013, COAG 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.

COAG Energy Ministers subsequently endorsed a policy of enhancements to information provision and standardisation of contractual terms and conditions for secondary capacity trading.<sup>7</sup>

<sup>4</sup> Rule 173 relates to the provision of nominated and forecast delivery information. 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>5</sup> NGR, rule 191.

<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/>

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

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.

## **2.3 Related AEMC work**

The COAG Energy Council has requested that the AEMC undertake a wide-ranging review of the gas markets and gas transportation arrangements on the Australian east coast (the East Coast Review). The Stage 1 Final Report of the East Coast Review was sent to COAG Energy Ministers on 3 July 2015 and will be available from the AEMC's website on 23 July 2015.

The Stage 1 Final Report found that information sources on the eastern Australian gas market are fragmented and somewhat under-developed by international standards. To address this issue the report recommends measures that can be progressed over the short term, including the potential introduction of a wholesale gas price index and assessing the degree to which additional information gaps fall within the scope of this rule change process (see section 5.2).

Further issues have been allocated to Stage 2 of the East Coast Review where they will be the subject of detailed analysis and industry consultation. To the extent possible given the different scopes and time frames, this rule change process will be coordinated with Stage 2 of the East Coast Review. In particular, the following Stage 2 workstreams will be relevant to this rule change process:

- Pipeline capacity trading, which will investigate and consider potential measures to better facilitate pipeline capacity trading.
- Information provision and the Bulletin Board, which will undertake a strategic review of gas market information needs and consider further development of the Bulletin Board.

### 3 Details of the rule change request

This chapter summarises the issues identified and solutions proposed in the rule change request.

#### 3.1 Issues identified in the 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 within the east coast market; and
- enable AEMO to more effectively undertake its monitoring and operational functions.

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. Primary capacity is sold by pipeline owners to shippers, a category of market participant which includes gas retailers, industrial users and producers. These transactions have historically underpinned transmission pipeline investment.
- Market participants and interested stakeholders are unable to adequately understand the level of secondary capacity trading. These trades involve primary capacity holders on-selling their capacity to other market participants on a temporary or permanent basis.
- Market participants and interested stakeholders are unable to adequately understand gas flows and market dynamics due to a lack of published receipt data. For example, this impacts on AEMO's ability to monitor Bulletin Board reporting compliance and undertake planning and forecasting activities.
- Reliable pipeline schematics can't 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.

## 3.2 Proposed solutions

To address the issues identified, the rule change request 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 months) 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.

The COAG Energy Council's rule change request includes a proposed rule and sets out arguments for mandating the provision of each category of information, as well as the potential benefits and costs.

## 4 Assessment framework

The Commission's assessment of this rule change request must consider whether the proposed rule promotes the national gas objective (NGO):

“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>8</sup>

The objective captures the three dimensions of efficiency: productive (efficient operation), allocative (efficient use of) and dynamic efficiency (efficient investment).<sup>9</sup>

Greater gas market transparency may lead to improved decision making by market participants, policy makers and the market operator. In particular, participants may experience lower search and transaction costs when engaging in transmission pipeline capacity trading.

In a more transparent market, it may also be easier for new participants to enter the market, resulting in improved competition and subsequent benefits for consumers.

Importantly, greater transparency should be for an identified purpose rather than for its own sake.

Based on a preliminary assessment of this rule change request, the most relevant aspects of the NGO, for the purpose 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.

To determine whether the proposed rule, if made, is likely to promote the NGO, the following principles may be considered as part of the AEMC's assessment of the rule change request:

- **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 (ie should support productive and allocative efficiency).

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<sup>8</sup> NGL, s. 23.

<sup>9</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 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.

Information should be available to all interested stakeholders so as not to create a barrier to entry (ie should support dynamic efficiency).

- **Potential regulatory and administrative burden.** The value provided by more transparent market information over time should outweigh the costs of providing it (ie should support productive efficiency).
- **Balance between information transparency and confidentiality.** In a more dynamic east coast gas market, greater information transparency will likely promote more efficient short term decisions. Greater transparency measures should be considered against the need for some information to be confidential.

## 5 Issues for consultation

Issues relevant to this rule change request are outlined below and have been provided for guidance. Stakeholders are encouraged to comment on these issues as well as any other aspect of the rule change request or this paper, including the proposed assessment framework.

The Commission acknowledges that stakeholders may have already responded to these issues during consultations undertaken by the COAG Energy Council and the AEMC. In such instances, stakeholders are encouraged to refer the AEMC to their earlier comments, to the extent that they are still current and address the specific issues raised in this chapter.

### 5.1 Need for additional information

The Standing Council on Energy and Resources, now the COAG Energy Council, noted in the Regulation Impact Statement preceding this rule change request that secondary capacity trading can improve short run efficiencies and contribute to longer term market development.<sup>10</sup> They note that secondary capacity trading can improve efficiency by allocating capacity to shippers that value it most highly, improving the utilisation of the network, reducing barriers to entry, and providing signals on the need for infrastructure investment.

The proposed rule's primary aim is to increase pipeline capacity trade, focussing on secondary trade. The rule change request identifies information barriers that may be limiting pipeline capacity trading. It proposes addressing these by giving current and potential market participants access to additional information that may reduce search and transaction costs (eg contracting and negotiation costs).

The Commission is interested in stakeholders' views on the current and potential future demand for secondary pipeline capacity trading, barriers to this trade and solutions to address these barriers. The Commission will consider evidence gathered through COAG Energy Council consultations and the AEMC's East Coast Review as well as any additional information provided.

The AEMC will also consider whether the value of additional information outweighs the cost of providing it. The AEMC will need to take account of current estimates and how benefits and costs may evolve as the market develops.

The rule change request acknowledges that the proposed rule will impose costs on BB facility operators and AEMO. During the COAG Energy Council Regulation Impact Statement process, the Commonwealth engaged NERA Economic Consulting to

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<sup>10</sup> Standing Council on Energy and Resources (SCER), *Regulation Impact Statement: Gas Transmission Pipeline Capacity Trading*, decision paper, 2 December 2013.

undertake a cost-benefit analysis of the policy options under consideration.<sup>11</sup> Option 2 in the cost-benefit analysis is similar to the proposed rule.<sup>12</sup>

NERA relied upon anecdotal evidence from its discussions with stakeholders to measure potential costs and benefits due to a lack of publicly available information.

NERA found that:

- Option 2 would likely only result in very small increases in capacity traded, and potentially no increase.
- For this reason, it is unlikely that the implementation of Option 2 would impact on retail gas prices.

Importantly, NERA did not attempt to quantify the potential benefits arising through improved decisions by market participants and potentially lower barriers to entering the market. The Commission considers these to be important factors in assessing whether the proposed rule is consistent with the NGO.

| <b>Issue 1</b> | <b>Barriers to secondary capacity trading</b>   |
|----------------|---|
| 1.             | <b>Is there currently unmet demand for secondary pipeline capacity? If not, under what circumstances and over what time frame could there be increased demand?</b>                                |
| 2.             | <b>In your experience, to what extent are search and transaction costs a barrier to secondary capacity trading? Would the information proposed in the rule change request reduce these costs?</b> |
| 3.             | <b>What costs would be incurred in providing the additional information proposed in the rule change request and this consultation paper?</b>  |

The proposed rule also aims to achieve other benefits through the provision of information, beyond facilitating capacity trading. The proposed rule aims to:<sup>13</sup>

- assist market participants with managing risks;
- enable AEMO to effectively manage the operation of facilitated wholesale gas markets and inform its planning and forecasting processes; and
- facilitate policy makers' decision making.

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<sup>11</sup> NERA, 2013, *Analysis of Policy Options to Facilitate Enhanced Gas Transmission Capacity Trading*, 11 November 2013.

<sup>12</sup> Rule change request, p17. Option 2 included an upgrade to the Bulletin Board and development of standard contractual terms and conditions, both of which have now been completed, as well as the provision of real-time flow data, which is not included in the proposed rule.

<sup>13</sup> Rule change request, pp5-6.

Market participants and policy makers may be able to make more informed decisions (including risk management decisions) based on the additional information proposed in the rule change request.

In relation to the second dot point, the proposed rule introduces a new Bulletin Board monitoring and compliance function for AEMO (proposed rule 174A). AEMO's Bulletin Board compliance role arises from NGR rule 146, whereby AEMO must notify the Australian Energy Regulator of any breaches, or possible breaches, of Part 18 of the NGR.

The proposed new function would see AEMO monitoring and reviewing the capacity of a BB transmission pipeline and the trends in demand for gas into and out of that system. In order for AEMO to fulfil this function, pipeline operators would be required to provide AEMO with disaggregated flow data by receipt and delivery point for each gas day.<sup>14</sup> This information is confidential information and will not be published by AEMO on the Bulletin Board.

Subrule (9) of proposed rule 174A states that AEMO is only authorised to use the disaggregated flow data for the purpose of its Bulletin Board monitoring and compliance function. This would preclude AEMO from using this data for its forecasting and planning activities.

The Commission is seeking stakeholders' views on these other potential benefits.

| <b>Issue 2</b> | <b>Other benefits from additional information</b>   |
|----------------|---|
| <b>4.</b>      | <b>What other benefits will the proposed additional information provide to market participants and stakeholders?</b>  |
| <b>5.</b>      | <b>Is the new role proposed for AEMO an appropriate mechanism for monitoring compliance with Bulletin Board registration and reporting requirements? Is proposed subrule (9) too prohibitive?</b> |

A key determinant of how useful the proposed data could be to market participants is the granularity of the data. This refers to reporting frequency, data resolution and outlook periods. For the existing Bulletin Board reporting requirements, these are specified in either the NGR or the Bulletin Board Procedures.

The proposed rule specifies varying levels of granularity. This was decided upon by COAG Energy Council officials following consultation with stakeholders. The granularity of the proposed rule is summarised in Table 5.1. Further details, such as the time, manner and form for providing AEMO with information, will be specified in the

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<sup>14</sup> This is compatible with section 233(4) of the NGL, which requires 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" As AEMO would receive the information in its capacity of monitoring compliance with Bulletin Board registration and reporting requirements, it would not be obliged under the NGL to publish this information.

Bulletin Board Procedures. AEMO will undertake its own consultation on these details if new procedures are required.

**Table 5.1 Granularity of proposed data**

| Information type  | Reporting frequency   | Data resolution                                    |
|---|---|--|
| Uncontracted primary capacity outlook - 36 months                   | Monthly   | For each month                                     |
| Contact details of contracted shippers                              | Monthly   | For each shipper                                   |
| Secondary capacity trading  | Weekly  | For each pipeline                                  |
| Detailed facility data  | As soon as practicable once information previously provided is identified to be inaccurate. | For each facility                                  |
| Gas flow data – aggregated  | Daily   | For each zone                                      |
| Gas flow data - disaggregated (but not published on Bulletin Board) | Monthly   | For each day, for each receipt and delivery point. |

Note: Under rule 174, pipeline operators may provide aggregated flow data updates at any time. It is anticipated that this would occur if there were substantive changes to the data.

**Issue 3 Granularity of proposed data**

6. **Is the proposed granularity sufficient to address the issues raised by the rule change request and summarised in section 3.1 of this paper?**
7. **Do you have any concerns regarding the data resolution, reporting frequency and outlook periods? Does the proposed rule contain a sufficient level of detail on data granularity?**

## 5.2 Other information gaps

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.

During Stage 1 of the East Coast Review, the AEMC considered other information gaps that may inhibit the efficient operation of gas markets. The AEMC also identified additional information that may address the information gaps highlighted in this rule change request. Since the provision of this information may address some of the issues

raised in this rule change request, it will be considered by the AEMC as part of this rule change.

The AEMC is seeking stakeholders' views on the potential provision of four additional categories of information to AEMO for publication on the Bulletin Board. These relate to storage facilities, the medium term capacity outlook, linepack and supply nominations for production facilities.

In assessing other information gaps and their potential solutions, the AEMC considered information that:

- has been raised by stakeholders in earlier consultations by the COAG Energy Council and AEMC;
- is published on other gas bulletin boards, including those of the Western Australian Independent Market Operator and National Grid, the operator of the gas transmission system in the United Kingdom; or
- may otherwise address information gaps in the Australian east coast market.

The Western Australian Gas Bulletin Board is a particularly relevant comparison as its development has been informed by the experience of the east coast Bulletin Board. The additional information provided for the Western Australian gas market has been noted by COAG Energy Council officials.<sup>15</sup> This includes large user information, detailed facility data, nominated and forecast flow data by delivery and receipt points and medium term capacity outlook.

The four additional categories of information identified by the AEMC as potential solutions to the issues of information gaps raised in the rule change request are described in the following sub-sections. These initial questions apply to all of the additional categories.

| <b>Issue 4</b> | <b>Other information gaps</b>  |
|----------------|--|
| 8.             | <b>To what extent would these additional categories of information address the issues raised in the rule change request?</b> |
| 9.             | <b>How would these categories of information be useful to you if they were be published on the Bulletin Board?</b>           |
| 10.            | <b>What costs are involved with reporting these additional categories of information?</b>                                    |
| 11.            | <b>Do you have confidentiality concerns or consider there are other risks associated with publishing this data?</b>          |

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<sup>15</sup> COAG Energy Council Officials, 2014, *Enhanced Pipeline Capacity Information*, consultation paper, June 2014, p9.

**12. Having regard to the scope of the AEMC's more preferable rule making power, are there any other information gaps or potential solutions that should be considering during this rule change process?**

**5.2.1 Storage facilities**

BB storage facilities are currently required to provide nameplate rating information,<sup>16</sup> a seven day capacity outlook reported daily, medium term capacity outlook and actual daily storage production data.<sup>17</sup> A storage facility may be exempt from being a BB storage facility and the obligation to report this information to AEMO if its production nameplate rating is less than 20 TJ per gas day, it is used solely as part of a production facility or it is not connected to a BB pipeline.<sup>18</sup>

Storage facilities can impact on pipeline gas flows through the injection and withdrawal of gas. There is currently insufficient publically available information to understand the dynamic operation of these facilities and the potential impact these facilities may have on the system in the short term.

More dynamic information on the operation of storage facilities may improve the ability of stakeholders to identify opportunities to procure storage services and make better informed trading decisions on the facilitated markets. This could contribute to more efficient risk management and portfolio decisions.

The Commission is seeking stakeholder's views on the potential provision of the following information by BB storage facilities:

- Actual volume of gas held in the storage facility for each gas day, provided daily.
- Aggregated injections and withdrawals nominations for the current gas day and seven day forecast, provided daily.
- 12 month outlook of uncontracted capacity, reported monthly.
- More detailed medium term capacity outlook (see section 5.2.2).

The Commission is also seeking stakeholders' views on a potential change to the exemption criteria for storage facilities, whereby all storage facilities connected to a BB pipeline would be deemed to be a BB facility even if they are used solely as part of a production facility. This change would require storage facilities that are used solely as part of a production facility to provide the same information as other BB storage facilities.

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<sup>16</sup> NGR, rule 167. A BB storage provider must provide AEMO with the production nameplate rating, refill nameplate rating and storage nameplate rating of each BB storage facility that it operates.

<sup>17</sup> NGR, rules 167-169.

<sup>18</sup> NGR, rule 150.

## **Issue 5                      Storage facilities**

- 13.    How would more additional information on storage facilities be useful to you?**
- 14.    Would reporting by storage facilities that are currently covered by the exemption criteria result in the provision of useful information?**

### **5.2.2    Medium term capacity outlook**

Since 8 January 2015, BB facilities have been required to provide AEMO with a medium term capacity outlook. This captures information that facility operators provide to relevant BB shippers about matters expected to affect the capacity of the facility beyond the seven day short term outlook.<sup>19</sup> This requirement was introduced following a rule change submitted by AEMO and which was made by the AEMC in the first half of 2014.<sup>20</sup>

Currently this information is provided by email to AEMO when facility operators send maintenance reports to relevant shippers. This arrangement requires AEMO to format large volumes of email correspondence so that the reports can be uploaded to the Bulletin Board. As a result of using the maintenance reports, the information is not in a standard format, nor provided on a consistent basis. The AEMC understands that AEMO is not currently able to compile this information into a centralised medium term capacity outlook for all BB facilities.

This arrangement could be improved through more consistent reporting to AEMO in a standardised format, such as a rolling twelve month capacity outlook reported on a monthly basis. This could reduce the administrative burden on AEMO, while also allowing AEMO to produce a more useful source of information on facilities' maintenance schedules. Such a resource could make it easier for:

- BB facilities to coordinate their respective maintenance activities.<sup>21</sup>
- Affected market participants to reduce their exposure, through hedging, during an upcoming period of maintenance.

The Commission is seeking stakeholders' views on whether this would be a useful improvement on the current arrangements.

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<sup>19</sup>    NGR, rules 141, 168 and 171.

<sup>20</sup>    National Gas Amendment (National Gas Bulletin Board Capacity Outlooks) Rule 2014 No. 3, which commenced on 8 January 2015.

<sup>21</sup>    This was a point of contention during the National Gas Bulletin Board Capacity Outlooks rule change. APA Group and the Australian Pipeline Industry Association (now the Australian Pipelines and Gas Association) did not consider there would be any benefits for pipeline operators from the rule change through better coordinated maintenance activities. However, AEMO provided examples to demonstrate that maintenance coordination issues were occurring.

**Issue 6                      Medium term capacity outlook**

15. What has been your experience with providing or using the medium term capacity outlook data since the National Gas Bulletin Board Capacity Outlooks rule came into effect in January 2015?
16. Would a centralised medium term capacity outlook for all BB facilities be useful to you?

### 5.2.3 Linepack

Pipeline operators maintain pipeline pressure to be within certain thresholds necessary for system integrity. The pressure in any particular section of a pipeline is proportional to the amount of gas in the pipeline, as well as other factors.<sup>22</sup> Linepack measures the amount of gas contained in a pipeline, thereby indicating the pipeline’s ability to tolerate further gas injections (“packing”) and withdrawals (“unpacking”).

Pipeline operators can use linepack to store gas in the pipeline or inject gas into other parts of the network or connected facilities. Through this process, pipeline operators can manage short term demand and supply fluctuations, and potentially provide a storage service to market participants (eg “park and loan”).

Information on linepack is currently provided to AEMO by pipeline operators via a three day linepack capacity adequacy outlook, which is expressed as either a green, amber or red flag for each BB pipeline. These broad categories respectively indicate business as usual, the likely shedding of interruptible load and the likely shedding of firm load. Pipeline operators must also provide a reason for changes in the colour of the flag.

It has been argued that the publication of more information on linepack may be helpful in situations where the system is under stress.<sup>23</sup> By providing a more complete picture of short term system adequacy, participants could direct gas to where it is most valued or prepare for a demand side response.

This scenario has been challenged by APA Group, which is of the view that it’s unlikely that linepack data would give the market information that could be meaningfully used by market participants.<sup>24</sup> Nonetheless, other stakeholders submit that data on linepack could better inform participant decision making<sup>25</sup> and facilitate opportunistic trades.<sup>26</sup>

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22 Such as the size of the pipeline, temperature and gas composition.

23 AEMO, 2012, *Gas Market Information – Gas Bulletin Board Final Report*, 30 March 2012, pp27-28.

24 APA Group, East Coast Review Stage 1 Draft Report submission.

25 Alinta Energy, East Coast Review Discussion paper submission.

26 GDF Suez Australian Energy, East Coast Review Discussion paper submission.

The Commission is seeking stakeholders' views on whether there is a case for mandating additional linepack information. This could be in the form of more granular flag-based indicators or numerical reporting. Numerical reporting, in tera-joules, could include beginning of day (or end of day) linepack, intra-day linepack and forecast beginning of day (or end of day) linepack for the following two days.

| <b>Issue 7</b> | <b>Linepack</b>   |
|----------------|---|
| 17.            | <b>Would more information on linepack be useful for market participants and lead to more efficient decisions and response to events?</b>  |
| 18.            | <b>Are there alternative ways in which market participants can access information on short term opportunities? Can changes in linepack be understood through the analysis of other information already existing or proposed in the rule change request?</b> |

#### **5.2.4 Supply nominations for production facilities**

Production facilities are currently required to report on nameplate rating information, a seven day capacity outlook (reported daily), medium term capacity outlook and actual production data for each gas day (reported on a day after basis).<sup>27</sup>

The AEMC considers that there may be merit in production facilities also reporting on supply nominations for the current gas day and forecast production for subsequent gas days. Such information could assist market participants in understanding short term supply and demand dynamics, and contribute to more efficient short term trading decisions.

This reporting requirement could be implemented in a similar way to how pipeline operators are currently required to provide nominated and forecast delivery information under NGR rule 173.

| <b>Issue 8</b> | <b>Supply nominations</b>  |
|----------------|--|
| 19.            | <b>Is there value in this information being published? To what extent are supply nominations complementary to information currently available on the Bulletin Board?</b> |

### **5.3 Alternative solutions to the problem**

Additional gas market information could be made available to AEMO and other market participants through three alternative methods:

- AEMO's existing information-gathering powers;

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<sup>27</sup> NGR, rules 164-166.

- industry-led initiatives, such as trading platforms for secondary capacity; and
- the voluntary provision of data to AEMO.

These alternative solutions are explained below and compared with the solution proposed in the rule change request.

### 5.3.1 Existing information-gathering powers

Under Chapter 2 of the NGL, AEMO may make a general market information order requiring information from persons of a class specified in the order if it is necessary for the exercise of a relevant function (s. 91F). AEMO's relevant functions include the preparation, review, revision or publication of the gas statement of opportunities.

The rule change request notes that the provision of gas pipeline flow and detailed facility data would better inform the gas statement of opportunities.<sup>28</sup> This being the case, it may be more appropriate for this information to be collected via a general market information order than increased Bulletin Board reporting requirements for facility operators. However, this information is not explicitly referenced in the content of the gas statement of opportunities set out in the NGR.<sup>29</sup>

### 5.3.2 Industry-led initiatives

APA Group and Jemena have developed their own online capacity trading platforms for some of each company's respective pipelines.<sup>30</sup> The platforms advertise sought and available capacity, thereby potentially assisting buyers and sellers to connect and make a trade. The prices and terms of the trade are negotiated offline.

The pipelines currently featured on these platforms are the Queensland Gas Pipeline (owned by Jemena), the South West Queensland Pipeline, the Roma to Brisbane Pipeline, Carpentaria Gas Pipeline, Moomba to Sydney Pipeline and the South East Australia Gas Pipeline (all owned by APA Group). More pipelines may be added to these platforms in the future. It is understood that only a handful of trades have occurred to date on APA Group's platform and none of Jemena's shippers or third parties have used its capacity trading service.<sup>31</sup>

These platforms provide data on contracted and uncontracted capacities, pipeline utilisation, volume traded, and bids and offers. The main benefit identified in the rule change request for platform operators to provide this data to AEMO is that AEMO could present the data in a time-series format. It is possible that the platform operators could create and publish such a time-series. However, even if this was to occur, the

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28 Rule change request, p3.

29 NGR, rule 135KB.

30 These are accessible at <http://capacitytrading.apa.com.au/> and <http://jemena.com.au/industry/pipelines/capacity-trading>. Collectively, APA and Jemena's assets make up 90% of transmission pipeline capacity in the east coast gas market.

31 Jemena, East Coast Review Discussion paper submission, p5.

information would still be divided across multiple websites rather than being in a centralised location like the Bulletin Board.

### 5.3.3 Voluntary provision of information

As noted in the rule change request, some of the information in the proposed rule is already being provided to AEMO to varying degrees by some market participants. For example, pipeline operators voluntarily provide AEMO with disaggregated receipt and delivery data on an informal annual basis.<sup>32</sup>

While this is a helpful contribution, a regime of voluntary provision would be seemingly unlikely to address the issues raised in the rule change request. Without a formal obligation it is unlikely that all necessary market participants would provide the information, nor would it be provided in a standardised format. For this reason, a regime of voluntary provision would most likely result in a continuation of the status quo.

| Issue 9 | Alternative solutions  |
|---------|--|
| 20.     | <b>Do you consider any of these alternative options to be more preferable than additions to Bulletin Board reporting obligations? If so, for which categories of information would these alternatives be more appropriate?</b> |
| 21.     | <b>Should the Commission consider any other ways in which participants can disclose the proposed information to interested stakeholders?</b>   |

## 5.4 Transitional arrangements

If new reporting obligations are created as a result of this rule change process, it will be necessary for AEMO to undertake changes to the Bulletin Board Procedures, and for AEMO and market participants to upgrade their systems to accommodate the new reporting requirements. Transitional arrangements would specify how soon the new obligations will apply and whether they will be introduced incrementally.

The rule change request states that much of the proposed additional information is already known or collected by relevant market participants. Specifically it states that:

- Uncontracted capacity and detailed facility data would already be known by facility operators and is unlikely to change on a regular basis.
- Data from secondary capacity trading platforms and flow data by receipt and delivery points is already collected by the relevant market participants for operational purposes.

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<sup>32</sup> Rule change request, p18.

The categories of information discussed in section 5.2 would potentially require more significant action on the part of the reporting entities. Stakeholders are invited to propose suitable transition arrangements for these categories of information:

- Storage facilities – dynamic reporting and coverage of storage facilities that are currently exempt by being used solely as part of a production facility.
- Medium term capacity outlook – more frequent and standardised reporting.
- Linepack – more detailed reporting, either in terms of increased granularity in the flag system or numerical reporting.
- Supply nominations for production facilities – daily nominations and forecast production.

More fundamental additions to the Bulletin Board reporting regime potentially require more structured transitional arrangements. For example, the following transitional arrangements have been in place for the first two years of the operation of the Western Australian Bulletin Board:<sup>33</sup>

- Reporting on the short term capacity outlook and nominated and forecast pipeline flows will initially be for three days (including the current and subsequent two gas days) for the first two years, increasing to seven days from 31 July 2015.
- Reporting on the medium term capacity outlook can for the first two years be in the form of information that pipeline operators provided to customers and other stakeholders prior to the commencement of the Bulletin Board. After this time outlooks must be provided monthly for the next twelve months.

**Issue 10            Transitional arrangements**

- 22.    How much time is reasonable for participants to transition to providing: uncontracted capacity information, shippers' contact details, data from secondary capacity trading platforms and additional gas flow data?**
- 23.    What transitional arrangements would be appropriate for the provision of the information categories discussed in section 5.2?**

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<sup>33</sup> Independent Market Operator, 2013, *GBB and GSOO Design Summary*, June 2013.

## 6 Lodging a submission

The Commission invites written submission on this rule change proposal by 13 August 2015. Submissions are to be lodged online via the Commission's website, [www.aemc.gov.au](http://www.aemc.gov.au), or by mail to:

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Alternatively, submissions may be sent by fax to (02) 8296 7899.

Where practicable, submissions should be prepared in accordance with the Commission's guidelines for making written submissions on rule change requests.<sup>34</sup> The Commission publishes all submissions on its website subject to a claim of confidentiality.

All enquiries on this project should be addressed to Ben Noone on (02) 8296 7800.

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<sup>34</sup> This guideline is available on the Commission's website.

## Abbreviations

|      |                                     |
|------|-------------------------------------|
| AEMC | Australian Energy Market Commission |
| AEMO | Australian Energy Market Operator   |
| LNG  | liquefied natural gas               |
| NGL  | National Gas Law                    |
| NGO  | national gas objective              |
| NGR  | National Gas Rules                  |