



Australian Energy Market Commission

CONSULTATION PAPER

National Gas Amendment (National Gas Bulletin Board Capacity Outlooks) Rule 2014

Rule Proponent(s)

Australian Energy Market Operator

6 March 2014

**RULE
CHANGE**

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Reference: GRC0024

Citation

AEMC 2014, National Gas Bulletin Board Capacity Outlooks, Consultation Paper, 6 March 2014, Sydney.

About the AEMC

The Council of Australian Governments (COAG), through its then Ministerial Council on Energy (MCE), established the Australian Energy Market Commission (AEMC) in July 2005. In June 2011, COAG established the Standing Council on Energy and Resources (SCER) to replace the MCE. The AEMC has two main functions. We make and amend the national electricity, gas and energy retail rules, and we conduct independent reviews of the energy markets for the SCER.

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Contents

1	Introduction	1
2	Details of the Rule Change Request	2
2.1	Rationale for the rule change request.....	2
2.2	Consideration as a non-controversial rule.....	4
3	Assessment Framework	5
4	Issues for Consultation	6
4.1	Information provision and transparency.....	6
4.2	Efficient allocation of costs	6
4.3	Confidentiality issues	7
4.4	Other ways of achieving the proponent's policy objectives.....	7
5	Lodging a Submission	9
5.1	Lodging a submission electronically	9
5.2	Lodging a submission by mail	9
	Abbreviations.....	11
A	Background to the Bulletin Board	12
A.1	Bulletin Board.....	12
A.2	Gas Market Information - Gas Bulletin Board Review	13

1 Introduction

The Australian Energy Market Operator (AEMO or the proponent) has submitted a rule change request to the Australian Energy Market Commission (AEMC or Commission) in relation to information disclosure on the National Gas Bulletin Board (Bulletin Board).

The rule change request proposes to amend the National Gas Rules (NGR) in relation to the level of short- and medium-term capacity outlook information that is required to be published on the Bulletin Board by gas pipeline, production and storage facility operators (hereafter, these parties are collectively termed "facility operators").

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

This paper:

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

Appendix A contains a brief description of the Bulletin Board, including background information on the key recommendations of a previous AEMO review of the Bulletin Board.

2 Details of the Rule Change Request

The proposed rule change would amend Part 18 of the NGR (which relates to the Bulletin Board) to:

- increase the existing short-term capacity outlook from three days to seven days; and
- implement a new medium-term capacity outlook, utilising existing maintenance reports that are created and provided by facility operators to their shippers.

A copy of AEMO's rule change request, which also contains a proposed rule, has been published on the AEMC's website.¹

2.1 Rationale for the rule change request

AEMO considers that this rule change would address:²

- Short-term information adequacy concerns - As the current short-term capacity outlook in the Bulletin Board only comprises three days, gas wholesale market participants have limited information on which to base their market bids and offers for gas; and
- Medium-term information asymmetry and adequacy concerns - Currently, there is no public information on capacity reductions in the medium term. Under bilateral contracts, parties (e.g. pipeline operators) may provide maintenance notices to contracted parties (e.g. shippers). However, this information is not provided to all market participants, meaning that some parties are more informed than others.

AEMO considers that, by addressing these concerns the outcome will be that:

- sufficient short-term information will be available to market participants to inform bids and offers for gas; and
- all affected market participants will have access to the same information, and in a similar time frame.

2.1.1 National Gas Objective

The National Gas Objective (NGO) is set out under section 23 of the NGL as follows:

“The objective of this Law is to promote efficient investment in, and efficient operation and use of, natural gas services for the long term

¹ See: www.aemc.gov.au.

² For further detail, please see pages 2 to 5 of AEMO's rule change request.

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

AEMO considers that the proposed rule change promotes the efficient operation of wholesale gas markets and gas facilities through:³

- Improved market information on upcoming capacity changes, allowing all market participants to have access to the same information in a timely manner, leading to more efficient market and pricing outcomes.
- Better reliability of supply through early identification of potential overlapping maintenance periods, allowing either rescheduling or alternate supply arrangements to be put in place.
- Where market participants can better manage their own exposure to wholesale gas markets through early identification of upcoming capacity issues at operational facilities, they will be able to compete against each other more efficiently, resulting in lower prices to consumers.

2.1.2 Expected benefits and costs of the proposed rule change

AEMO considers that the proposed rule change will result in a net benefit to the market.⁴ The proposed rule will bring benefits from:

- better coordination of planned outages; and
- more efficient risk management by market participants.

AEMO also provided estimates of the expected compliance costs for facility operators, who would be required to provide more information under the proposed arrangements:

- in order to meet the expanded short-term capacity outlook reporting requirements:
 - one-off costs, on average, of \$5,750 per facility operator (ranging from \$0 to \$30,000 for individual operators);
 - there would be no on-going costs for facility operators;
- in order to meet the new medium-term capacity outlook reporting requirements:
 - one-off costs, on average, of \$1,625 per facility operator (ranging from \$0 to \$10,000 for individual operators); and

³ For further detail, please refer to pages 5 to 6 of AEMO's rule change request.

⁴ AEMO applied a cost-benefit analysis that was undertaken for the introduction of a Bulletin Board into Western Australia, to the eastern Australian gas markets. For further details of this analysis please see pages 6 to 8 of AEMO's rule change request.

- on-going costs, on average, of \$900 per facility operator (ranging from \$0 to \$6,000 for individual operators).

2.2 Consideration as a non-controversial rule

The Commission proposes to treat this rule change request as a non-controversial rule.

Under section 290 of the National Gas Law (NGL), a "non-controversial Rule" is defined as:

“a Rule that is unlikely to have a significant effect on a market for gas or the regulation of pipeline services.”

Rule changes that are considered to be non-controversial may be processed under an expedited process, as provided under section 304 of the NGL. Additional information on due dates for submissions and objections are contained in chapter 5 of this paper.

The AEMC will proceed to make a rule change determination on an expedited basis unless a valid objection is received.

Although the Commission considers this rule change request to be non-controversial, it is of the view that it raises issues of sufficient complexity to make it necessary for the standard period of time for the expedited process to be extended by two weeks. Consequently, on 6 March 2014, the Commission also published a notice under section 317 of the NGL extending the period for publication of the final rule determination (and final rule) until 1 May 2014.

3 Assessment Framework

The Commission's assessment of this rule change request must consider whether the proposed Rule promotes the NGO as set out under section 23 of the NGL.

In assessing the rule change request against the NGO, the rule change request will be assessed for its effect on the:

- efficient use of natural gas services; and
- efficient investment in natural gas services.

The Commission considers that better fulfilling the NGO generally supports the public release of market information for market transparency purposes, where the costs of information provision are clearly less than the potential benefits of information release. In assessing the rule change request, the costs of extracting, providing and publishing the data, as well as issues of confidentiality, will need to be considered. The materiality of these costs would need to be compared against the materiality of the potential benefits that would result from an increase in the availability of information.

Accordingly, to give effect to the NGO the following principles will be used to guide the assessment of this rule change request:

- Information provision: adequate information about the natural gas and pipeline markets may assist energy market participants in making efficient decisions that maximise the value of trade across their gas and electricity portfolios (through gas-fired electricity generation).
- Information transparency: by publically disclosing, at the same time, to all interested parties information that is, or has the potential to be, market-sensitive, this may help energy market participants to make more efficient decisions. Information should be published in a format that allows ease of interpretation by users.
- Efficient allocation of costs: the costs associated with providing the information may be best managed by those parties which face such costs, since this allows costs to be minimised and risks to be managed in the most effective way possible.

The proposed rule will be assessed against the relevant counterfactual arrangements, which, in this case, are the existing provisions in the NGR.

4 Issues for Consultation

Taking into consideration the assessment framework and potential requirements to implement the proposed rule change, we have identified a number of issues for consultation that appear to be relevant to this rule change request.

These issues outlined below are provided for guidance. Stakeholders are encouraged to comment on the issues below, as well as any other aspect of the rule change request or this paper and the proposed assessment framework outlined in chapter 3.

4.1 Information provision and transparency

The proposed rule change seeks to increase the level of information that is available to interested parties through the Bulletin Board. Issues to consider include the type of information required by market participants, the time period over which information is published and the format of publication.

This rule change request should be considered in light of developments in the gas market that have occurred since the introduction of the Bulletin Board in 2008 (e.g. introduction of short-term trading markets and the Wallumbilla Gas Supply Hub).

We would welcome stakeholders' comments on these questions.

Question 1	Information provision and transparency
(a)	What level of information do gas market participants require to effectively carry out their operations?
(b)	Does this data and information need to be published in a standardised format (for example, in a spreadsheet) for ease of interpretation?
(c)	Does this data and information need to be provided at regular intervals to be of use?

4.2 Efficient allocation of costs

It is expected that there would be two types of costs associated with this rule change:

- **One-off establishment costs:** This may include the additional costs facility operators may incur in providing information they already produce to a larger group of interested parties.
- **On-going compliance:** This may include the costs facility operators may incur with updating and providing this information periodically.

We would welcome stakeholders' comments on these questions.

Question 2 Efficient allocation of costs

- (a) What are the expected one-off establishment activities/tasks and costs in implementing this rule change? Please provide an indication of the magnitude of these costs.
- (b) What are the expected on-going activities/tasks and costs in complying with this rule change? Please provide an indication of the magnitude of these costs.
- (c) Are there other expected activities/tasks and costs associated with this rule change that have not been identified? If yes, please provide an indication of the magnitude of these costs.

4.3 Confidentiality issues

There is potential for information that is contained in facility operators' current maintenance notifications to be regarded as confidential, as it may reveal commercial information about individual customers to market participants.

We would welcome stakeholders' comments on these questions.

Question 3 Confidentiality issues

- (a) Are there any confidentiality issues for participants or customers surrounding the publication of short-term or medium-term capacity outlook information?
- (b) If confidentiality issues arise, which party (or parties) is best placed to manage such issues? Are there any costs involved in the management of such issues?

4.4 Other ways of achieving the proponent's policy objectives

AEMO has proposed this rule change request in response to short-term information adequacy concerns, and medium-term information asymmetry and adequacy concerns in the eastern Australian gas markets. This rule change is designed to be a low-cost way to improve information provision on the Bulletin Board.

We would welcome stakeholders' comments on these questions.

Question 4 Other ways of achieving the proponent's policy objectives

- (a) Do stakeholders agree with AEMO that the rule change is a low-cost way to improve information provision? If no, are there any alternative ways of achieving the same policy objectives?

(b) If an alternative way of achieving the same policy objectives is identified, does this raise any specific issues or considerations related to information provision and transparency, the efficient allocation of costs, or confidentiality?

5 Lodging a Submission

The Commission has published a notice under sections 303 and 304 of the NGL to assess this rule change request under an expedited rule making process.⁵ The Commission is now accepting written requests not to make a rule under the expedited process, and also invites written submissions on this rule change request.

Written requests not to make a rule under the expedited process in section 304 of the NGL must include reasons for the request, and must be lodged with the Commission by no later than 20 March 2014, either online or by mail, in accordance with the requirements specified below.

Written submissions on the rule change request must be lodged with the Commission by no later than 3 April 2014, either online or by mail, in accordance with the requirements specified below.

Where practicable, submissions should be prepared in accordance with the Commission's Guidelines for making written submissions on rule change requests.⁶ The Commission publishes all submissions on its website, subject to a claim of confidentiality.

All enquiries on this project should be addressed to Victoria Mollard on (02) 8296 7800.

5.1 Lodging a submission electronically

Electronic submissions must be lodged online via the Commission's website, www.aemc.gov.au, using the "lodge a submission" function and selecting the project reference code "GRC0024". The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

Upon receipt of the electronic submission, the Commission will issue a confirmation email. If this confirmation email is not received within 3 business days, it is the submitter's responsibility to ensure the submission has been delivered successfully.

5.2 Lodging a submission by mail

The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated. The submission should be sent by mail to:

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Or by Fax to (02) 8296 7899.

⁵ The Commission has also published a notice under section 317 of the NGL to extend the period for publication of the final rule determination (and final rule) until 1 May 2014.

⁶ This guideline is available on the Commission's website.

The envelope must be clearly marked with the project reference code: GRC0024.

Except in circumstances where the submission has been received electronically, upon receipt of the hardcopy submission, the Commission will issue a confirmation letter.

If this confirmation letter is not received within 3 business days, it is the submitter's responsibility to ensure successful delivery of the submission has occurred.

Abbreviations

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Commission	See AEMC
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules

A Background to the Bulletin Board

A.1 Bulletin Board

The Bulletin Board takes the form of a website that covers all major gas production fields, major demand centres and natural gas pipeline systems. The website is operated and maintained by the Australian Energy Market Operator (AEMO).⁷

The objective of the Bulletin Board is to facilitate trade in gas and capacity over the relevant pipeline systems through providing system and market information to all interested parties, including the general public.

The regulatory arrangements applying to the Bulletin Board are set out in Chapter 7 of the National Gas Law (NGL), and Part 18 of the National Gas Rules (NGR). These provisions apply to a broad group of transmission pipelines, production and storage facilities in eastern Australia.

In short, the Bulletin Board provisions set out in the NGL and NGR require:

- AEMO to operate and maintain the Bulletin Board, develop procedures and notify the Australian Energy Regulator (AER) of any breaches, or possible breaches, of this part of the NGR;
- operators of pipelines, production and storage facilities that are deemed to be Bulletin Board facility operators, to provide AEMO, at the start of each gas day, with information on the facility's name plate rating, a three day capacity outlook and actual utilisation data; and
- pipeline operators are also required to provide aggregated information on nominations, forecast and actual deliveries.

This information is published on the Bulletin Board by AEMO in a standardised reporting format.

Provisions in Part 18 of the NGR also allow Bulletin Board participants to notify other users if they have spare pipeline capacity or gas available for purchase, or if they wish to purchase additional gas or spare capacity. However, this part of the Bulletin Board has not, however, been used to date.

No medium-term capacity outlook information is currently published on the Bulletin Board. However, under bilateral contracts, parties (e.g. pipeline operators) may provide maintenance notices to contracted parties (e.g. shippers). This information is not, however, provided to all participants.

⁷ See: www.gasbb.com.au.

A.2 Gas Market Information - Gas Bulletin Board Review

AEMO carried out a review into the information that should be made available through the Bulletin Board in 2011/12.

The final report for this review identified the following issues with information in gas markets:⁸

- information adequacy - three day capacity outlook was too short;
- information adequacy - no medium term capacity information was published to coordinate maintenance outages; and
- information asymmetry - some participants have access to more information than others.

The above final report included the following recommendations, which are the subject of AEMO's rule change request:

- extend the three day capacity outlook to seven days; and
- to introduce a medium term capacity outlook.

This report was developed after three public workshops, and consultation on the draft report.

⁸ See: AEMO, Gas Market Information - Gas Bulletin Board - Final Report, 30 March 2012. (See: http://www.aemo.com.au/Gas/Market-Operations/Short-Term-Trading-Market/Review-of-Short-Term-Trading-Market#final_reports).