



Australian Energy Market Commission

CONSULTATION PAPER

NATIONAL GAS AMENDMENT (DWGM MAINTENANCE PLANNING) RULE 2020

PROPONENT

Australian Energy Market Operator (AEMO)

22 OCTOBER 2020

RULE

INQUIRIES

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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

On 30 June 2020, the Australian Energy Market Operator (AEMO or proponent) submitted a rule change request to the Australian Energy Market Commission (AEMC or Commission) seeking to amend Part 19 of the National Gas Rules (NGR) to improve and clarify AEMO's existing maintenance coordination function in the NGR and to remove inconsistencies between the National Gas Law (NGL) and the NGR. Part 19 of the NGR covers the Victorian Declared Wholesale Gas Market (DWGM) only.

The rule change request also includes a proposed rule.¹ A copy of the rule change request and proposed rule may be found on the AEMC website, www.aemc.gov.au.

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

This paper:

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

1.1 Current arrangements

Under rule 326 of the NGR, AEMO must make maintenance planning procedures (*Wholesale Market Maintenance Planning Procedures* (Victoria) or 'the Procedure') and is responsible for the coordination of maintenance in the Declared Transmission System (DTS), and implementation of the Procedure.

Rule 326(1) of the NGR states that AEMO must, having regard to information provided by Registered participants under rule 324(4) of the NGR or otherwise, coordinate all maintenance planned by DTS service providers, interconnected transmission pipeline service providers and Storage Providers to ensure that system security is not threatened as a consequence of the unavailability of equipment undergoing maintenance.

In accordance with the Procedure, AEMO uses a risk-based approach to assess all maintenance activities and ensure compliance of each company with its Gas Safety Case.² Any significant impacts are discussed with the relevant parties and if deemed appropriate, AEMO may invite third parties to participate in a risk assessment.

If any maintenance proposed by a service provider or Storage Provider³ threatens system security, the service provider or Storage Provider must co-operate with AEMO in good faith to minimise any threat to system security. AEMO may direct a service provider or a Storage Provider to cancel, delay or suspend maintenance in accordance with rule 326(5) of the NGR.

¹ AEMO, *DWGM maintenance planning*, rule change request, June 2020, p. 10-12.

² Under the Victorian *Gas Safety Act 1997*, all gas companies are required to prepare safety cases that set out how they will meet their general duties for the safe conveyance, sale, supply, measurement, control and use of gas as detailed under the Act.

³ Note: terms are capitalised according to their current definitions under the NGL and NGR respectively.

1.2 Issues raised in the rule change request

AEMO states that there is an inconsistency between rules 326(1) and 326(4) of the NGR.⁴ This affects the safe, reliable and secure supply of natural gas by introducing a lack of clarity in the standards that apply to market participants, and increasing the administrative and operational costs associated with AEMO issuing directions to Producers.

The rule change request therefore seeks to improve and clarify AEMO's existing maintenance coordination function in the NGR, and to remove the inconsistency between the NGL and the NGR.

AEMO identified three key issues existent in the current legal framework for maintenance planning in the DWGM.

1. There are different thresholds for system security in different places in the NGR.⁵
 - a. Rule 326(1) of the NGR requires that AEMO ensures there is *no threat* to system security.
 - b. Rules 326(4), (5), and (6) of the NGR requires that AEMO and service providers cooperate to *minimise any threat* to system security resulting from proposed maintenance.
2. Producers are not expressly included in the parties identified as required to cooperate with AEMO over system security issues from proposed maintenance, requiring AEMO to issue Producers with separate directions to cancel, delay or suspend maintenance under section 91BC of the NGL.⁶
3. There is inconsistency in the definition of Producer and Storage Provider in the NGL and Part 19 of the NGR.⁷

Each of these issues is discussed in more detail below.

1.2.1 Threats to system security and maintenance

As stated above, rule 326(1) of the NGR requires that AEMO must ensure there is no threat to system security, while rules 326(4), (5) and (6) requires AEMO and service providers cooperate to minimise any threat to system security that would likely result from proposed maintenance or outages.

According to AEMO, the Rule requirement to ensure that there is *no threat* to system security as a consequence of proposed maintenance is not realistic, as all outages for proposed maintenance pose some element of risk, which AEMO minimises as far as reasonably practicable through coordination with market participants.⁸

To demonstrate these efforts of risk minimisation, AEMO provides the example of maintenance outages that are required at certain frequencies — according to the Australian

⁴ AEMO, *DWGM maintenance planning*, rule change request, June 2020, p. 3.

⁵ AEMO, *DWGM maintenance planning*, rule change request, June 2020, p. 4.

⁶ *Ibid*, p. 4-5.

⁷ *Ibid*, p. 5.

⁸ *Ibid*, p. 4.

Standards (AS 2885.3:2018)⁹ or Victorian Legislation (*Pipelines Act 2005*) —¹⁰ such as at the Brooklyn Compressor Station.¹¹ Outages and the pigging of pipelines¹² at the Brooklyn Compressor Station may require out of merit gas to satisfy locational demand. In these circumstances, AEMO is required to issue a "Notice of a Threat to System Security" to inject out of merit order gas to facilitate this maintenance, thereby minimising any threat to system security.

Where proposed equipment maintenance presents a potential risk to the safe operation of the Victorian DTS, AEMO completes a risk assessment using the methodology described in AS 2885.6:2018 (*Pipelines — Gas and liquid petroleum, Part 6: Pipeline safety management*) and puts in place risk mitigation measures to ensure that the risk to supply is "As Low As Reasonably Practicable" (ALARP), as required under AEMO's Gas Safety Case.¹³

In addition, AEMO works collaboratively with APA Group¹⁴ and industry participants to schedule planned maintenance activities at a time that minimises market impact and threats to system security. Registered participants are notified as soon as practicable with details of the nature and location of the potential threat either through the Gas Wholesale Consultative Forums, industry conferences or market notices.

According to AEMO, in each case, the proposed maintenance approach seeks to minimise any threat to system security as compared to the alternative option of deferring maintenance. AEMO states this is particularly important when maintenance is required to meet critical safety requirements.¹⁵

1.2.2

Duplication of maintenance directions

Section 91BA(1)(e) of the NGL states that AEMO's declared system functions are to coordinate the interaction of producers, storage providers and service providers for ensuring a safe, secure, reliable and efficient Declared Transmission System.

Rule 326(4) of the NGR only requires service providers and Storage Providers to co-operate with AEMO in good faith to minimise any threat to system security resulting from proposed maintenance. Although the definition of 'maintenance' under rule 200 of the NGR includes Producers, rule 326 does not specify that Producers must coordinate maintenance with AEMO to ensure safe, secure, reliable and efficient declared transmission, which is inconsistent with section 91BA(1)(e) of the NGL.

As Producers are not expressly captured by the requirements of NGR 326, AEMO is currently required to issue Producers with directions under NGL 91BC (which has been necessary in

9 <https://www.standards.org.au/getmedia/9040df7a-0457-42f1-b7d4-8486e21e4292/standards-australia-case-study-oil-gas.pdf.aspx> - visit standards.org.au for full section access.

10 <https://www.legislation.vic.gov.au/in-force/acts/pipelines-act-2005/016>

11 Ibid, p. 4.

12 Pigging is the practice of using pipeline inspection gauges (known as pigs or scrapers) to perform various maintenance operations without stopping the flow of the product in the pipeline.

13 AEMO, *DWGM maintenance planning*, rule change request, June 2020, p. 4.

14 The Victorian Transmission System is owned and maintained by APA Group but operated by the Australian Energy Market Operator (AEMO) under a market-based centrally coordinated carriage system under the National Gas Rules.

15 Ibid.

the past) to cancel, delay or suspend maintenance.¹⁶ According to AEMO, this inconsistency creates a duplication in the organisation's administrative burden, creating an inefficiency in the market and leading to wasted resources.

1.2.3 Inconsistency of definitions

There is currently an inconsistency in the definition of Producer and Storage Provider in the NGL (Chapter 1, Part 1, Section 2 — Definitions) and Part 19 of the NGR.

In the NGL, the definitions for 'producer' and 'storage provider' are as follows:

- "producer means a person who carries on a business of producing natural gas"¹⁷
- "storage provider means any person who owns, operates or controls a facility for storing natural gas or processable gas for injection into a pipeline"¹⁸

In the NGR, the terms are capitalised to 'Producer' and 'Storage Provider', and defined in the following ways:

- Producer means a producer whose gas production facility is connected to the declared transmission system.¹⁹
- Storage Provider means a person who owns or operates a storage facility.²⁰

1.3 Proposed solutions

The proposed rule change aims to align the NGR with the NGL, Australian Standards (regarding frequency of maintenance outages), Victorian legislation and current practice. If made, the rule would:

1. Introduce a consistent standard for system security.

The proposed rule would amend the wording of rule 326(1) of the NGR to achieve consistency with the more realistic threshold to *minimise any threat* to system security in rules 326(4), (5) and (6) of the NGR and Australian Standards. This recognises that all outages for proposed maintenance will pose some element of risk, which AEMO minimises as far as reasonably practicable with market participants.²¹

2. Remove the need for extra maintenance directions.

The proposed rule would introduce a new definition of *DWGM facility operators* encompassing Producers, Storage Providers and service providers. According to AEMO, this change will make the NGR consistent with section 91BA(1)(e) of the NGL. It will: simplify the Rules; reduce the need for AEMO to issue producers with directions under NGL 91BC; and clarify AEMO's current maintenance practice to coordinate with all asset operators to ensure a safe, secure, reliable and efficient declared transmission system.²²

¹⁶ Ibid, p. 5.

¹⁷ National Gas (South Australia) Act 2008, 1.1.2,

¹⁸ Ibid, p. 48.

¹⁹ National Gas Rules, Part 19, Division 1, Section 200

²⁰ National Gas Rules, Part 19, Division 1, Section 200

²¹ AEMO, *DWGM maintenance planning*, rule change request, June 2020, p. 4.

²² AEMO, *DWGM maintenance planning*, rule change request, June 2020, p. 6.

3. Introduce consistent definitions across the NGL and NGR.

The proposed rule would remove the definition of Producer and Storage Provider in Part 19, rule 200 of the NGR and change all references to Producer and Storage Provider to 'producer' and 'storage provider' so that only NGL definitions apply to Part 19 of the NGR.²³

This would simplify the Rules by replacing the need to list the various facility types in all relevant Rules with one defined term.

If a rule is made, AEMO will commence a procedure change consultation process to reflect the new Rules and definition in the *Wholesale Market Maintenance Planning Procedures* (Victoria).²⁴

1.3.1

Previous consultation

AEMO discussed this rule change proposal with the Gas Wholesale Consultative Forum (GWCF) on two separate occasions: 12 June 2018 and again on 19 March 2020. Despite the almost two-year gap between each consultation, no issues were raised or feedback provided by members of the GWCF.²⁵

The Commission has now commenced its own consultation process and is seeking stakeholder feedback on AEMO's proposed solutions.

QUESTION 1: PROPOSED SOLUTION

1. Do the proposed solutions address the issues adequately?
2. Do stakeholders agree that *minimise any threat* is the appropriate standard for system security when maintenance planning for the DWGM?
3. Are there any alternative solutions to the identified issues that could be more effective?
4. Is there any potential for the changes proposed by AEMO to lead to unintended consequences? If so, how and in what ways?

²³ Ibid.

²⁴ Ibid, p. 6.

²⁵ A link to the GWCF meeting minutes can be found in the rule change request.

2 ASSESSMENT FRAMEWORK

2.1 Achieving the national gas objective

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 national gas objective (NGO).²⁶ This is the decision-making framework that the Commission must apply.

The NGO is:²⁷

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, safety, reliability and security of supply of natural gas.

AEMO's assessment on how the proposed rule contributes to the NGO

AEMO considers that the implementation of the proposed changes to the existing NGR are consistent with the national gas objective by improving the safe, reliable and secure supply of natural gas via the clarification and enhancement of AEMO's maintenance coordination function, thereby facilitating its more efficient operation.²⁸

AEMO has not identified any adverse impacts on price or competition. The proposed changes seek to remove inconsistencies within the NGL, NGR, Australian Standards and Victorian legislation to reflect current maintenance practices, and therefore would not change the operation of the Declared Wholesale Gas Market or the Declared Transmission System.

2.2 Making a more preferable rule

Under s. 296 of the NGL, the Commission may make a rule that is different (including materially different) to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule will or is likely to better contribute to the achievement of the NGO.

2.3 Proposed assessment framework

In determining whether the rule change request promotes the NGO, the Commission will have regard to the following criteria:

- **Improving administrative and regulatory processes:** reducing the number of separate directions to producers required from AEMO could reduce costs for participants and contribute to cost savings being passed on to customers. The Commission will have regard to the extent to which the proposed changes improve the administrative and regulatory processes.
- **Improving clarity, transparency, and certainty of the rules:** the provision of clear, accurate and consistent rules is important as it enables participants to understand what

²⁶ Section 291(1) of the NGL.

²⁷ Section 23 of the NGL.

²⁸ Ibid, p. 8.

their and others' obligations are with respect to the transactions they undertake. This will promote confidence in, and efficiency of, the market. The Commission will have regard to the extent to which the proposed changes provide regulatory certainty.

QUESTION 2: ASSESSMENT FRAMEWORK

1. Is the proposed assessment framework appropriate for considering AEMO's rule change request?
2. Are there any other relevant considerations that should be included in the assessment framework?

3 PROCESS FOR THIS RULE CHANGE

3.1 Treatment as a non-controversial rule change

AEMO proposed the rule change request be treated as non-controversial in accordance with s. 304 of the NGL such that it could be processed on an expedited basis. This request has been made on the basis that the proposed rule is unlikely to have a significant effect on a market for gas or the regulation of pipeline services.²⁹

The Commission considers that the rule change request should be subject to the expedited rule making process under s. 304 of the NGL on the grounds that it considers the rule change request to be non-controversial and is unlikely to have a significant impact on a market for gas or the regulation of pipeline services.³⁰ This is because the rule change is narrow in scope and does not propose any changes to the underlying or existing policy intent of the relevant rules in the NGR.

In addition, no issues were raised or feedback provided by stakeholders after the draft proposal was provided by AEMO to its Gas Wholesale Consultative Forum (GWCF) in June 2018 and in March 2020.

Rule changes that are considered to be non-controversial may be processed under an expedited (faster) process under which there is only one round of consultation and the AEMC is required to publish its final rule determination within eight weeks of commencing the rule change process.³¹

The Commission has decided to use an expedited process to consider this rule change request provided that it does not receive any valid written requests not to use the expedited process by **5 November 2020**. To be valid, a written request not to use the expedited process should set out the reasons why the rule change request will have a significant impact on a market for gas or the regulation of pipeline services.

3.2 Key dates

Given the tightly defined nature of the issues, and the background information provided in the rule change request, this consultation paper is brief. Nevertheless, submissions are invited in relation to the matters identified above, and any other relevant issue.

The key dates for stakeholders in this process are as follows:

- Commencement of this rule change process: **22 October 2020**
- Objections to an expedited process to be received by: **5 November 2020**
- Submissions to the proposal to be received by: **19 November 2020**
- Final decision to be published under an expedited process by: **17 December 2020**.

²⁹ AEMO, *DWGM maintenance planning*, rule change request, June 2020, p. 3.

³⁰ Section 290 of the National Gas Law.

³¹ The AEMC has published a notice under sections 303 and 304 of the National Gas Law to commence and assess this rule change request as a non-controversial rule.

4 LODGING A SUBMISSION

The Commission invites requests not to make a rule under the expedited process and written submissions on this rule change proposal.

All enquiries on this project should be addressed to Alice Hawkins on (02) 8296 0675 or alice.hawkins@aemc.gov.au.

4.1 Lodging a request not to make a rule under an expedited process

Written requests not to make a rule under the expedited process in s. 304 of the NGL must include reasons for the request, and must be lodged with the Commission by **5 November 2020** online in accordance with the process specified below.

4.2 Lodging a submission to this rule change request

Written submissions on the rule change request must be lodged with Commission by **19 November 2020** online in accordance with the process specified below.

Where practicable, submissions should be prepared in accordance with the Commission's guidelines for making written submissions on rule change requests.³² The Commission publishes all submissions on its website, subject to a claim of confidentiality.

4.3 Lodging online

Submissions, or requests not to make a rule under the expedited process, 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 GRC0058.

The request or submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

³² This guideline is available on the Commission's website www.aemc.gov.au.

ABBREVIATIONS

AEMC	Australian Energy Market Commission
AEMO Commission	Australian Energy Market Operator See AEMC
DTS	Declared Transmission System
DWGM	Victorian Declared Wholesale Gas Market
GWCF	Gas Wholesale Consultative Forum
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules

A AEMO'S PROPOSED DRAFT RULE

AEMO has included a draft rule incorporating the proposed amendments to Part 19 of version 55 of the National Gas Rules.

The following table provides a comparison between some selected example passages within the Rules to demonstrate how AEMO proposes they would be redrafted under the proposed rule.

Note that this table is illustrative only and does not include an exhaustive list of all passages that would be affected in the Rules. It is also noted that any further references to Producer and Storage Provider in other parts of the Rules are also to be changed to 'producer' and 'storage provider' to align with the NGL.

Table A.1: Examples of amendments to Part 19 of the NGR

RULE	CURRENT WORDING	PROPOSED WORDING
200, Definitions	"Maintenance means work carried out by service providers, Producers and Storage Providers..."	"Maintenance means work carried out by DWGM facility operators..."
216(4), Failure to conform to scheduling instructions	"if, in the case of the Market Participant, not being a Producer, Storage Provider or interconnected transmission pipeline service provider..."	"if, in the case of the Market Participant, not being a DWGM facility operator..."
324(4), Participant disclosure obligations	"declared transmission system service provider, interconnected transmission pipeline service providers, and Storage Providers must include the following additional forecasts, where relevant to the operation or security of the declared transmission system..."	"DWGM facility operators must include the following additional forecasts, where relevant to the operation or security of the declared transmission system..."
326(1), Maintenance Planning	"AEMO must, having regard to information provided by Registered participants (under rule 324(4) or otherwise), coordinate all maintenance planned by the declared transmission system service provider, interconnected transmission pipeline service providers, and Storage providers to ensure that system security is not threatened as a consequence of the unavailability of equipment undergoing maintenance."	"AEMO must, having regard to information provided by Registered participants (under rule 324(4) or otherwise), coordinate all maintenance planned by the DWGM facility operators to minimise any threats to system security as a consequence of the unavailability of equipment undergoing maintenance."

Source: AEMO, *DWGM Maintenance Planning*, rule change request, June 2020, p. 10-12. Note: please see AEMO's rule change request for complete draft rule.