



Consultation paper: Northern Gas Pipeline – derogation from Part 23

The AEMC has started consultation on a rule change request that seeks to remove an exemption applicable to the Northern Gas Pipeline.

Background

As part of the recent reforms to regulation of the gas market, a framework for arbitration and information disclosure was introduced for non-scheme pipelines. The framework set out in Part 23 of the National Gas Rules (NGR) came into effect on 1 August 2017. The framework sits alongside the regulatory arrangements for scheme pipelines that are contained in Parts 8 to 12 of the NGR.

The Northern Gas Pipeline (NGP) currently being developed by Jemena between Tennant Creek in the Northern Territory and Mt Isa in Queensland is exempt from application of the Part 23 framework by the effect of a specific rule put in place on 1 August 2017.

The NGP project was initiated through a tender process that was run by the Northern Territory Government and won by Jemena in 2015. The NGP is subject to the Northern Gas Pipeline – access principles.

The derogation to Part 23 of the NGR does not impact on the ability of any party to apply for the NGP to become a covered pipeline and be subject to the regulatory oversight of the Australian Energy Regulator.

The rule change request

The rule change request from Environmental Justice Australia and the Institute for Energy Economics and Financial Analysis seeks to revoke the derogation in the NGR, which exempts the NGP from application of the Part 23 framework.

The rule change proponents consider that the derogation results in Jemena being able to set tariffs for the NGP without any regulatory oversight for 15 years, the term of the derogation. In addition, the NGP is exempt from the information disclosure requirements of the Part 23 framework designed to create an informed and efficient market.

Consequently, the proponents are concerned that the current derogation does not provide for efficient future investment. Furthermore, the proponents raised concerns that the NGP is not on a level playing field with other gas pipelines in Australia with respect to the applicable regulatory arrangements.

The proponents claim that revoking the derogation would prevent the issues associated with the derogation from occurring.

Issues for consultation

The AEMC has published a consultation paper that seeks stakeholder feedback on a number of issues including:

- the likely outcomes for monopoly pricing and information asymmetry under the Part 23 of the NGR as compared with the outcomes under the current regulatory arrangements applicable to the NGP
- any special circumstances regarding or impacting the NGP that may be relevant
- the likely outcomes for regulatory complexity under the current and proposed rules

The AEMC is seeking feedback on the Northern Gas Pipeline – derogation from Part 23 rule change request

Consultation process

The consultation paper and the rule change request are available on the AEMC's website. Stakeholders are invited to make submissions by **13 December 2018**.

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