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John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney NSW 1235

Dear Mr Pierce

Re: submission to AEMC consultation stage – National Gas Amendment (NT Emergency Gas Supply Arrangements) – Rule 2019

We appreciate the opportunity to provide a submission as part of the consultation stage of the Australian Energy Market Commission's (AEMC) Northern Territory Emergency Gas Supply Arrangements rule change process. This submission contains Australian Energy Regulator (AER) staff views on the NT Government's rule change request.

Through 2018, AER staff engaged with various parties on this matter, including NT Government officials and the respective NT LNG operators—INPEX and ConocoPhillips. In July 2018, we wrote to the NT LNG operators to express our view that, due to their connections with the domestic gas network, the facilities of Darwin LNG and Ichthys LNG will be subject to Gas Bulletin Board reporting requirements from the NT application date under Part 18 of the National Gas Rules (NGR). However, recognising NT Government concerns that Ichthys LNG and Darwin LNG may be connected to the NT gas market for emergency supply provision only, we advised that this be approached as a policy, rather than a regulatory, matter. We further recommended that the appropriate course of action may be to seek a rule change.

This submission does not directly support or oppose the rule change request. However, it does question elements of the base case for rule change and seeks to contribute to the discussion at this early consultation stage. Interlinkages between Australia's east coast gas market and international gas markets have enhanced the importance of transparency in informing investment decisions and bringing clarity to the long term consequences of these decisions on the domestic gas market. It has become increasingly difficult to see Australia's domestic gas sector and gas export sector as mutually exclusive and gas fields located within Australian territory (whether on-shore or off-shore) should be regarded as part of the one national resource. This will be an important consideration toward future development of the

Gas Bulletin Board, including through the proposed ‘tranche 2’ reforms endorsed by the Council of Australian Governments (CoAG) at its December 2018 meeting.

Further to the NT Government’s rule change request, we firstly identify some preliminary matters, for AEMC consideration, that are not directly addressed by questions in the submissions template. We outline these preliminary matters at the end of this cover letter. The AEMC’s submissions template is also included (Attachment A), with our responses to the questions raised.

Yours sincerely

Peter Adams
General Manager
Markets Performance

Preliminary Matters

The AER has reviewed the proposed rule change and based on our understanding of the arrangements in the Northern Territory and the operations of the gas markets across the eastern seaboard provide the following comments to assist the AEMC in its deliberations.

In assessing the proposed Rule change, the AEMC may wish to further consider matters in three specific areas of the Northern Territory Government's November 2018 rule change request. These include:

1. the risk of withdrawal from emergency supply arrangements if NT LNG facilities are captured by Part 18 of the NGR;

2. the scale of Darwin LNG and Ichthys LNG trade in the domestic market relative to their core business; and

3. the ability or inability of Darwin LNG and Ichthys LNG to import domestic gas for feedstock for LNG production.

The AEMC may also like to consider:

4. Potential cross-over issues associated with Part 18 and other components of the NGR.

Background to these areas are set out below.

1. The risk of withdrawal from emergency supply arrangements if NT LNG facilities are captured by Part 18 of the NGR

<u>What is the extent of the willingness to withdraw?</u>

Section 4.2.2 of the rule change request highlights that emergency back-up supply, provided by NT LNG producers, is essential to maintaining security of gas and electricity supply in the NT. AER staff understand the importance of these back-up supplies but recognise that the risk to their ongoing provision lies in the willingness of NT LNG businesses to withdraw from the emergency arrangements.

There may be value in the AEMC seeking further clarification to understand:

- the circumstances under which the NT LNG businesses may withdraw from their emergency supply arrangements
- the timing around when this could happen and the likelihood for each of the NT LNG businesses respectively.

This analysis should be broader than just considering the NT LNG businesses 'commercial incentives', and include other factors such as contractual / legal obligations and technical aspects (such as the work required to physically disconnect infrastructure from the NT domestic market).

At the time the NT Government was writing its rule change proposal (November 2018), the NT was relying on the emergency back-up connection and supply arrangements with Darwin LNG to maintain 'N-1' redundancy.

Since then, we understand separate emergency arrangements have commenced with Ichthys LNG, which further improves the reliability and security of supply of gas for the NT.[1] While both emergency arrangements are in place, the NT domestic gas market has 'N-2 redundancy'.

We understand the emergency arrangements will remain in place as follows:

- For Darwin LNG, until the end of 2022
- For Ichthys LNG, until the end of 2033 (assuming the arrangements commenced at the start of 2019)

This timing suggests the security of gas supply in the NT will remain at 'N-2' redundancy for almost four years – until the end of 2022 – when it will return to 'N-1' redundancy for a further 11 years – until the end of 2033. This assumes Darwin LNG doesn't continue to have emergency supply arrangements with the NT post 2022, which we understand is not known.[2]

There would be value in the AEMC looking at each project and their respective emergency supply arrangements separately when considering this proposal.

The urgency of the rule change process

On the basis of the above, there appears to be no real urgency associated with this rule change request and the NT's gas supply security situation.

Any stated or inferred urgency around risk to emergency supply in the NT should be measured against the current N-2 security situation, including the emergency arrangement with Darwin LNG, which remains in place for the next four years. Accordingly, this rule change assessment should be examined carefully and in our view does not require a hastened timeframe.

Further, this request is progressing concurrently with tranche 2 Bulletin Board reforms endorsed by the Council of Australian Governments (CoAG) in December 2018. Proposed tranche 2 reforms include amendments to the National Gas Law to extend Bulletin Board reporting to LNG production. Exempting NT LNG gas facilities from Bulletin Board reporting now and or indefinitely could undermine the policy intent of the tranche 2 reform process. The outcomes of this rule change process should be sensitive to the potential outcomes of the tranche 2 reforms.

[1] Section 4.2.1 of the NT Government's proposal states back-up gas will be available from Ichthys LNG from late 2018.
[2] *Power System Review 2016-17*, The Utilities Commission of the Northern Territory, p.143

Similarly, this rule change process is not subject to time pressures associated with the NT application date, which imposes Bulletin Board reporting obligations on NT gas facilities from 3 April 2019. To assuage any compliance concerns, AER staff have advised NT LNG operators that the AER will not take action on potential non-compliance with Part 18 reporting while the NT Government's rule change proposal is pending.

<u>What potential supply alternatives exist?</u>

In considering this application, there would be value in assessing the risks associated with any proposed withdrawal from emergency supply arrangements. The consequences of there not being access to Ichthys LNG emergency gas should be measured against other potential supply sources that may help with NT system security in the medium to long term. The importance of a single back-up supply source should be considered in the context of the NT's other resource options. The impact of the potential gas sources listed below are worthy of further consideration.

- What is the potential for security supply arrangements with Darwin LNG to be extended (renegotiated) beyond 2022? This date is associated with the projected end of field life for the Bayu-Undan resource that supplies Darwin LNG. The operator of DLNG, ConocoPhillips, states on its website that it is 'in discussion with a number of projects in Northern Australia that could extend the life of Darwin LNG'.

- The commissioning of the Northern Gas Pipeline (NGP) has enabled gas swaps between parties on either side of the NGP, meaning NT gas slated for east coast markets could potentially serve NT demand under a swap arrangement with an east coast supplier. Presumably, as a supplier to east coast markets, the NT has gas production capability in excess of local demand requirements and this could help to underpin NT supply security through a swap arrangement.

- Impediments to developing on-shore gas fields have been removed following the partial lifting of the moratorium on hydraulic fracturing in the NT. This should be considered in the context of the 2022 expiry date of the emergency supply arrangement with DLNG. To what extent do new supply developments help to mitigate against future supply risks?

- The NT Utilities Commission identifies several 'major' sources of back-up supply in its *Power System Review 2016-17*. In addition to LNG, section 7.3.3 identifies that the NGP opens up new gas supply opportunities in relation to uncontracted Amadeus Basin gas. It also identifies the existence of back-up diesel generation if limited gas supply is available for electricity generation.

2. The scale of Darwin LNG and Ichthys LNG trade in the domestic market relative to their core business

Section 4.2.2 of the Northern Territory Government's rule change request argues that:

> any interaction between the Northern Territory gas market and the LNG producers is likely to be inconsequential to the Territory LNG producers' core business of producing LNG due to the relatively small size of the Territory gas market compared to their own operations (p.8-9).

In stating this, the NT Government draws comparison with Queensland LNG export businesses, which have a higher degree of integration with the domestic market. The rule change request argues that Queensland's three LNG producers are:

> active and influential participants in the east coast gas market;

and that in comparison

> both Territory LNG producers (Darwin LNG and Ichthys LNG) source their gas from offshore gas fields and only engage in limited and periodic trade with the Northern Territory gas market (p.8).

<u>Should relativity offer a path to exemption?</u>

Whilst the domestic trade volumes of NT LNG producers are not, at this time, comparable to those of Queensland LNG producers, this does not offer grounds for exemption from Part 18 of the NGR. Likewise, the extent to which Queensland LNG producers are 'active and influential' in the domestic market, compared to NT LNG producers, does not mean the latter are somehow not to be regarded as gas market participants under the Bulletin Board framework. The triggers through which participants are captured under the framework are clearly set out in Part 18 (as follows).

<u>Materiality and locality are factored into the Bulletin Board reporting framework</u>

Part 18 of the NGR applies to gas facilities (production facilities, pipelines and storage facilities) that are part of the interconnected east coast gas pipeline system. Physical connection to that system is the primary cause of capture under Part 18—on the basis that the infrastructure supports the physical receipt or delivery of natural gas in the domestic market. Conversely, remote BB facilities are exempt from Part 18 (c.144), on the basis that gas cannot flow to/from east coast gas markets (gas trading exchanges) via those facilities. This is evidenced by the definition of remote BB facilities under Part 18. In the case of the lateral pipelines connecting Darwin LNG and Ichthys LNG to the domestic market, this is evidenced by the Part 18 definition of a remote pipeline[3]:

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[3] It is possible that a gas facility is both a remote BB facility (under Part 18) and physically connected to the east coast gas network. In this instance, no gas would flow across the connection—the remote BB facility operating as part of a closed system. To maintain its definition as a remote BB facility, no quantity of gas could flow across the connection, regardless of its intermittency.

remote BB facility means a BB facility that is or is connected to a remote pipeline.

remote pipeline means a transmission pipeline that:

(a) is not an STTM facility or part of a declared transmission system;

(b) is not a pipeline on which natural gas sold through the gas trading exchange may be physically delivered or received or through which such natural gas may be transported;

(ba) is not a Part 24 facility; and

(c) is not connected directly or indirectly to a pipeline satisfying paragraph (a), (b) or (ba) of this definition.

Importantly, many east coast gas market facilities are comparatively small, next to the facilities of LNG producers, yet are captured by Part 18 of the NGR. The key precondition for capture applies to receipts and/or deliveries, in the east coast gas market, by gas facilities with a nameplate rating equal to or greater than 10 terajoules per day. If a facility meets the nameplate threshold, and is part of the interconnected east coast market, it is captured by Bulletin Board reporting requirements.

AER staff have therefore highlighted the following factors, presented in the NT Government's rule change request, as not relevant to Part 18 capture:

- the relativity of trade volumes between gas market participants;
- the relativity of components of a gas market participant's operations (in this case the relativity of NT LNG export trade to domestic trade); and
- the source of gas from off-shore fields.

Materiality of gas flows and remoteness were previously considered by the AEMC in developing the current Bulletin Board reporting framework. The AEMC will now need to consider if and why NT LNG facilities should be treated differently. It is useful to revisit the purpose of the Bulletin Board, under Division 2 of Part 18 of the NGR, when considering this rule change request:

145 Purpose of the Bulletin Board

The purpose of the Bulletin Board is to make information available to BB users to facilitate:

(a) trade in natural gas and natural gas services; and

(b) informed and efficient decisions in relation to the provision and use of natural gas and natural gas services.

In this respect, the trading relationship between NT LNG and the domestic market may seem inconsequential to the LNG operators (relative to their export volumes) but could have large consequences for the domestic market.

3. The inability of Darwin LNG and Ichthys LNG to import domestic gas for feedstock for LNG production

<u>Electricity generation</u>

Further consideration of the relationship between NT LNG production and the domestic market, most particularly Ichthys LNG's involvement in the domestic market, would be useful. This should include the relationship between domestic gas used for electricity generation and Ichthys LNG's processing facilities. The rule change request states that:

> There is also capacity for Ichthys LNG to import small quantities of gas from the Northern Territory gas market intermittently on a spot or as available basis, however, there is only capability for Northern Territory gas to be used for Ichthys LNG for electricity generation (p.8).

The relevance of this distinction is unclear. As section 4.2.2 of the rule change request notes, Queensland LNG producers:

> source their gas from onshore gas fields connected to the domestic market…'(p.8).

This includes gas used for electricity generation for the purposes of LNG processing. Assuming Ichthys LNG sources gas from onshore gas fields (the NT market) for electricity generation, this is receipt of gas as part of LNG processing. There is value in further considering this issue in the context of Bulletin Board reporting requirements and the degree to which Ichthys LNG operations can be regarded as separate to the domestic market.

<u>Bilateral flows</u>

A review of actual and potential flow activity on pipelines connecting Ichthys LNG to the domestic gas market would also provide useful insight. The rule change request argues that Ichthys LNG will not be importing gas from the domestic market under 'normal circumstances' (p.8). Given that Ichthys LNG is connected to the domestic network via a bilateral pipeline, further information should be sought on the circumstances under which domestic importing could arise. This would include circumstances through which gas may be imported for different phases of LNG plant commissioning.

We further highlight that section 4.2.5 of the NT Government's proposal acknowledges:

> that infrequently and for short periods of time, gas flows from Territory LNG producers to the Northern Territory gas market under the emergency back-up supply arrangements may be of relevance to Northern Territory gas market participants (p.11)

However, regarding gas flows in the other direction under a spot sales arrangement (i.e. from the domestic market to the NT LNG projects), the proposal states these flows:

are not relevant at the present time because major users are not reporting entities under Section 223 of the NGL (p.11)

We think that flows in either direction between the NT domestic market and the NT LNG businesses, for any reason, are relevant to the NT gas market participants and the east coast gas market more broadly. Both circumstances should be considered when examining the benefits arising from the provision of information to the domestic market. The fact that major users (including LNG producers) are not current reporting entities under Section 223 of the NGL is not a reason to ignore the benefits that will be achieved when these reforms commence in the near future.

Lastly, we wish to emphasise that the inability to import 'domestic' gas for feedstock for LNG production does not, in itself, provide a basis for exempting NT LNG facilities under Part 18. As previously outlined, this is due to the ability of these facilities to supply the NT market with emergency gas flows (gas that potentially flows to east coast markets).

4. Potential cross-over issues associated with Part 18 and other components of the NGR

Further to the new Bulletin Board reporting requirements that took effect from 30 September 2018, recent changes to the NGR include the amended Part 23 and the new Parts 24 and 25. These changes impact the compliance obligations of the lateral pipelines connecting NT LNG to the domestic market. In the case of the pipeline connecting Ichthys LNG, Parts 23 and 24-25 require the owner to consider whether the connection is a third party access pipeline (the pipeline can be regarded as having two shippers—INPEX gas for Ichthys LNG electricity generation and PWC gas for emergency supply).

Consideration of the implications of this rule change application in the context of Parts 24-25 in particular would be useful. For example, if a Part 18 exemption were to be extended to the lateral pipelines, there is still potential for the Ichthys LNG lateral to be captured under elements of Parts 24-25, which are designed to compliment Part 18 of the Rules.

In relation to the undersea pipelines, which connect to the lateral pipelines, NT LNG operators may need to consider exemption paths under Parts 23-25 of the NGR. The AEMC's analysis, as part of this rule change request, should inform these considerations. The AEMC analysis should determine whether the gas in the undersea pipelines (downstream of off-shore processing facilities) meets the definition of natural gas under the National Gas Law. If it does, Part 23-25 pipeline exemption applications will be required.

AEMC

ATTACHMENT 1
STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in this paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

SUBMITTER DETAILS

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CHAPTER 5 – SECTION 5.1 – COST BENEFIT OF NORTHERN TERRITORY LNG REPORTING ON THE BULLETIN BOARD

1. What bearing does information on the NT LNG projects upstream of the connection point with the lateral pipelines have on the domestic market? What is this information likely to be used for and who will benefit from its provision?	• As discussed in the AER staff cover letter, this depends on the extent of NT LNG interaction with the domestic market, which needs to be more clearly established as part of this rule change assessment. • Bulletin Board reporting builds on CoAG's Australian Gas Market Vision, which endorses the: *'provision of accurate and transparent market making information on pipeline and large storage facilities operations and capacity, upstream resources, and the actions of producers, export facilities, large consumers and traders'.* Information that is 'market making' is not necessarily restricted to current domestic trade and, under the future proposed tranche 2 reforms, will include reporting of 2P gas resources (which extends Bulletin Board reporting beyond a focus on interconnectedness or participation in domestic trade). This is commensurate with the purpose of the Bulletin Board under clause 145 of Part 18: *The purpose of the Bulletin Board is to make information available to BB users to facilitate:* *(a) Trade in natural gas; and* *(b) Informed and efficient decisions in relation to the provision and use of natural gas and natural gas services* The Bulletin Board therefore has a transparency role beyond immediate market participation. Arguments around the extent to which gas flows between interconnected facilities ignore the Bulletin Board's on-going reform direction. As envisioned by CoAG, the Bulletin Board is developing into a 'one-stop shop' for information on the Australian gas market. It promises a

	big picture view of resource availability and investment opportunity that facilitiates market development. This contrasts with the historical reporting of east coast gas market activity, in which significant components of activity and resource availability remained opaque. • As evidenced by the current debate around potential east coast gas supply shortfalls, information on resource availability and gas trade (including domestic versus export trade) underpins both commercial investment and government policy decisions. AER staff have advised NT LNG businesses that their upstream facilities are captured by the current Part 18 of the NGR. A rule change proposal to exempt these facilities from Part 18 should be considered in the context of the policy intent behind the tranche 2 reform process (refer to question 15).
2. What drawbacks are there to the domestic market of not being provided with information on these upstream activities?	• Refer to answers to question 1 – reduced transparency needs to be considered in terms of its value to commercial investment decisions, market operator functions, regulation and government policy-making. • We acknowledge that reduced transparency, from any exemptions applying to NT LNG facilities, is potentially mitigated by data reporting by the Wickham Point Pipeline (WPP). Bulletin Board data from the WPP may reflect some of the gas flow activity at NT LNG facilities.
3. Are the additional administrative costs of reporting under Part 18 likely to be significant to the NT LNG operations. Would this data be captured as part of ongoing operations?	• Metering infrastructure should exist across upstream facilities as part of normal operations. Installation of some metering infrastructure, specific to the requirements of Bulletin board reporting, would presumably be needed. Once systems are established, day-to-day reporting should be automated. Some on-going manual reporting would be required in relation to ad hoc issues such as facility outages. • The costs of administering Bulletin Board reporting are small next to the size of the NT LNG investments. The Ichthys LNG project brochure highlights the $20 billion raised in 2012 to sanction the project. More recent media reports put the total project investment cost at $45 billion. If the costs associated with Part 18 compliance are an important consideration, then they should firstly be considered in relation to much smaller gas facilities that have registered as Bulletin Board participants and currently comply with Part 18.
4. In what respects are the NT LNG projects likely to suffer commercial disadvantages in the international market as a result of providing the information required under Part 18?	• We highlight that Part 18 rule changes concern benefits to the domestic market, noting that the purpose of the Bulletin Board is to facilitate domestic trade and investment. This rule change process should therefore be targeted toward domestic impacts and only consider international factors as far as they may have domestic impacts. • This question primarily concerns Part 18 requirements to report medium term capacity outlooks, capturing facility capacity changes, and reasons for those changes, over a 12 month forward period. A degree of transparency already exists in this area following the ACCC's 2018 authorisation allowing WA and NT LNG processing facilities (including Ichthys LNG) to coordinate maintenance on the

	basis of facilitating access to skilled contractors. A condition of this authorisation was that the operators publish this information publicly. This condition brings some level of redundancy to concerns that capture by Part 18 will disclose NT LNG maintenenace schedules. • This may depend on the diversity of the project owner's international portfolio. Presumably, a diversified portfolio enables a business to trade on international spot markets without the significant exposure associated with reporting disruptions at single facilities. The AEMC may want to consider the extent to which export businesses use brokers to trade on international spot markets. Where a business lacks portfolio diversity, a broker can be used to conceal identity, mitigating against exposure of its competitive position. This increases the pool of potential buyers and liquidity.

CHAPTER 5 – SECTION 5.2 – THE CONSIDERATIONS OF THE NT LNG PROJECTS IN MAINTAINING EMERGENCY SUPPLY ARRANGEMENTS

5. What are the likely direct and indirect costs of the projects reporting under Part 18?	• Costs include: - Those associated with installation and administrative operation of metering for the purposes of Bulletin Board reporting. Presumably, most costs are upfront, with on-going costs minimised through automation. - Some costs can be anticipated in association with on-going regulatory engagement (e.g. future rule changes, providing updates to standing data) - Potential competitive disadvantages associated with publicly reporting operational information, most significantly in relation to outages affecting plant capacity. This specifically relates to competitive disadvantage in international spot trade and is further addressed above at question 4.
6. Is the replacement cost of emergency or back-up supply likely to be that much greater than existing agreements?	• As evidenced by the title of the rule change request—Northern Territory Emergency Gas Supply Arrangements—the foremost perceived cost associated with reporting under Part 18 lies in the risk that NT LNG will withdraw from emergency back-up supply arrangements. This matter is addressed in our submission cover letter.
7. What is the cost of upgrading the NGP to enable flow into the NT gas market?	• This would also require changes to enable bidirectionality for the Carpentaria Gas Pipeline. • Even without bidirectionality, the commissioning of the NGP enables parties with positions on either side of the pipeline to enter into swap arrangements, meaning there can be notional gas flows from Queensland to the NT. • Owner, Jemena, has flagged feasibility studies to increase the eastbound capacity of the NGP. This assumes increased production capacity in the NT, which should be considered in the context of the NT's future supply security. Future development of NT gas resources (noting the partial lifting of the moratorium on hydraulic fracturing) to supply east coast markets, will also be important in terms of providing local supply security. Given the extent of gas resources in the NT relative to the

	local market, an initiative to enable imports from the east coast, for the purpose of supply security, seems unlikely.
8. If the NGP is upgraded for bi-directional flow, is this supply less reliable than supply from the LNG projects, if so why?	• Presumably, emergency supply from the NGP would be less timely. NT LNG operations are located close to Darwin, where they could more rapidly maintain linepack and supply electricity generation (Channel Island) at short notice.

CHAPTER 5 – SECTION 5.3 - SCOPE TO EXEMPT THE NT LNG PROJECTS FROM PART 18 REPORTING REQUIREMENTS UNDER THE EXISTING RULES

9. Clarification of the location of the natural gas processing facilities within each project and the point at which gas is processed into a form which is suitable for consumption will assist in determining the data required to be reported under the existing rules.	• Part 18 reporting does not extend to facilities carrying off-spec gas; namely gas that is not suitable for consumption. This typically means all activity that is downstream of natural gas processing facilities is captured. There needs to be a more detailed understanding of where NT LNG processing occurs and the state of gas before it is injected into the NT market. In the event that NT LNG facilities are not exempted from the NGR, this will determine what upstream facilities are required to report under Part 18. • We do not anticipate that this will be relevant to some gas facilities. For example, if the lateral pipeline connecting Ichthys LNG is bidirectional and can receipt gas from the domestic market, then some upstream facilities will likely have ability to transport gas that is fit for consumption. An exception to this would be if gas processing is located at the receipt/delivery point on the lateral pipeline and all upstream gas is off-spec. • The AEMC may want to consider the definition of natural gas under the NGL and how this relates to LNG. We note that LNG facilities currently do report to the Bulletin Board under Part 18—Dandenong LNG and the Newcastle Gas Storage Facility.
10. Are there any circumstances in which rule 164(2) should not allow for an exemption for any flows of gas from the LNG projects to the connection to the domestic market?	• 164(2) allows for exemptions where the same data is provided by another facility (person). Data associated with flows on the lateral pipelines connecting NT LNG to the Wickham Point Pipeline will not replicate data associated with upstream LNG activity. This is because lateral pipeline flows represent a small component of upstream activity. Upstream activity also includes gas facilities other than pipelines. No reporting exemptions are therefore available to upstream NT LNG facilties under 164(2). • Reporting exemptions under 164(2) could apply to the lateral pipelines, where flow data is captured at receipt/delivery points on the Wickham Point Pipeline (WPP). In this case, the owner of the WPP would be the 'person' reporting replicating data and exemptions would extend to the lateral pipelines only.

CHAPTER 5 – SECTION 5.4 - SCOPE TO EXEMPT THE NT LNG PROJECTS ON THE BASIS OF A NEW EXEMPTION

11. How might the operation of the emergency supply arrangements be expected to change in the near future?	• The future development of other NT gas resources will reduce any dependency on NT LNG exporters for back-up supply. This may mean that the risk of NT LNG withdrawal from back-up supply arrangements has less consequence. Accordingly, there would be less risk associated with imposing Part 18 reporting on NT LNG operators. As we highlight in our cover letter, there may also be circumstances that prevent or discourage change to the operation of the emergency supply arrangements, depending on the technical and contractual details associated with these agreements. • The scope to exempt upstream NT LNG facilities should perhaps be limited to considerations that allow subsequent capture of the facilities, under Part 18, in the event that the emergency supply arrangements change in a manner that increases interactivity (trade) with the domestic market. • It seems preferable that the scope to exempt upstream NT LNG facilities does not limit the potential for future capture under the tranche 2 reforms. Presumably, it is also preferable that there are not multiple changes to the exemption status of NT LNG within a short period.
12. In the event of plans to change the operation of the lateral pipelines connecting the projects with the domestic market, to what degree should the domestic market be informed of these changes in advance?	• Conceivably, changes to the operation of the lateral pipelines could result in greater interaction with the domestic market (buying and/or selling). In the case of Ichthys LNG, this could happen at very short notice given the ability to operate the pipeline bidirectionally. • This information is typically captured, under Part 18, within short and medium term capacity outlooks; the latter providing a 12 month outlook on facility capacity changes. Changes to facility capacity in the east coast gas market potentially impact gas flow dynamics and are therefore communicated to market participants through Bulletin Board reporting. Change to the operation of the lateral pipelines, that similarly can impact gas flow dynamics, should therefore be subject to the same reporting requirements. A case would need to be made as to why these lateral pipelines should be treated differently.
13. In the event that a new	• Refer to answer to question 1 – Information from PWC

exemption is granted in any rule made, is there any information that would be valuable to the domestic market, beyond what would be reported by PWC and APA on the connecting pipelines, for example planned shutdowns of the upstream facilities?	and APA is limited to capturing day-to-day flow activity and not higher level operations and resource information that informs market development. Looking beyond the immediate concerns that NT LNG operators will withdraw from emergency supply arrangements, the reporting of upstream LNG facility outages can be expected to play a role in informing market operation and ensuring supply security for the NT (and east coast) gas market in future. Consideration should be given to the argument that such reporting benefits the domestic market in the long term; including from the perspective of supply security. The immediate supply security concern is limited to the risk of withdrawal from emergency supply arrangements. As addressed in our cover letter, the AEMC may want to consider the ability of the NT LNG operators to do this. • We acknowledge that reporting by PWC and APA largely discloses any day-to-day NT LNG trade in the domestic market. This includes any use of domestic gas at Ichthys LNG's Weddell Power Station. • If Part 18 exemptions were to be considered for the lateral pipelines, there may be options to restrict reporting to capacity outlooks to ensure changes to the operation of these pipelines are communicated to the market.

CHAPTER 5 – SECTION 5.5 - ISSUES ARISING FROM THE OFFSHORE LOCATION OF THE PRODUCTION FACILITIES

14. Are there any issues in relation to the location of the offshore facilities that the project team should be aware of in making a rule?	• DLNG's undersea pipeline extends into the joint cooperation area with East Timor, beyond the legislative authority of the NGL.

CHAPTER 5 – SECTION 5.6 - THE IMPACT OF ANY RULE MADE ON THE APPLICATION OF THE TRANCHE 2 BULLETIN BOARD REFORMS

15. How might any rule made allow for reporting requirements that would be introduced under the tranche 2 reforms?	• The tranche 2 reforms were endorsed by CoAG at its December 2018 meeting and specifically propose change to section 223 of the NGL to capture LNG production information on the Bulletin Board. • As outlined at question 11, it is preferable that any rule change does not limit the potential for future capture of LNG production (generally – not specific to NT) under the tranche 2 reforms. Preferably, it should not lead to more than one change to the exemption status of NT LNG facilities within a short period. • Tranche 2 is in the policy development stage and the planned expansion of Bulletin Board reporting to include 2P reserves is indicative of its policy direction, meaning distinctions between NT gas used for export versus domestic consumption may not be relevant to the policy

	intent of future reporting requirements. All gas within Australia's territorial (including maritime) boundaries can be regarded as domestic gas. Bulletin Board reform is building transparency around a national resource and the trade of that resource. The value of future gas facility reporting, by NT LNG operators, will need to be considered in this context. • Tranche 2 reforms will be developed during 2019. The circumstances under which LNG facilities are included under section 223 of the NGL are likely to be considered during a period that aligns with AEMC consideration of this rule change request. We recognise that this makes the AEMC's rule change considerations more difficult given that further policy outcomes may inform the exemption status of NT LNG. The AEMC will otherwise be required to come to a decision on the extent to which interconnectedness and domestic trade should capture NT LNG pre and post tranche 2.