



## NT Emergency Gas Supply Arrangements

### Final rule on Bulletin board reporting requirements for Northern Territory LNG facilities

On 15 August 2019 the Australian Energy Market Commission made a final rule providing an exemption for the Northern Territory (NT or Territory) LNG facilities, Darwin LNG and Ichthys LNG, from Bulletin Board information reporting requirements in relation to the facilities that are upstream of the connection point of these projects with the domestic market. Gas flows into the domestic market will still be reported at the connecting points with the Wickham Point pipeline.

### Bulletin Board reporting requirements under part 18

In October 2018 a new rule started, *Improvements to Natural Gas Bulletin Board*, to enhance the breadth and accuracy of information provided to the market and the public through the Natural Gas Bulletin Board. The Bulletin Board, managed by the Australian Energy Market Operator, provides up-to-date gas system and market information to help participants make more informed decisions about trading, investing in, or using gas.

The new rule increases the amount and frequency of data reported on the Bulletin Board, along with greater data accuracy requirements and a stronger compliance framework.

The rule obliges certain facilities to be registered on the Bulletin Board based on a minimum 10 TJ per day threshold. With the completion of the Northern Gas Pipeline connecting the Territory to the wider east coast market in January 2019, NT facilities were required to be registered on the Bulletin Board by 6 May 2019.

### The rule change request

In response to these developments, and the potential for the upstream activities of the NT LNG projects to be covered by Bulletin Board reporting requirements, the NT Government submitted a rule change request in November 2018. The rule change request proposed to exempt certain LNG facilities from providing information to the Natural Gas Bulletin Board.

The Territory Government claimed the NT LNG projects operate differently to their east coast counterparts, engaging in only very limited trade with the domestic market, as all gas for LNG is sourced from offshore fields and most of the gas produced is dedicated to LNG production. However, in the event that emergency or back-up gas supply is required, gas can be made available to the NT's Power and Water Corporation via a smaller pipeline connecting to the domestic market.

The Territory Government maintained there would be negligible benefit from the publication of information related to Territory LNG producers' upstream facilities. However, the cost in terms of the administrative burden of reporting and the commercial disadvantage to the LNG projects from revealing operational data, would be considerable.

The Territory Government argued that as a result of new Gas Bulletin Board reporting obligations under Part 18 of the NGR, the NT LNG facilities might choose to stop providing emergency back-up gas supply to the domestic market. The Territory Government considered the rule change necessary to preserve the commercial incentives for Territory LNG producers to maintain their connections to the NT gas market and to continue with their emergency back-up gas supply arrangements. Alternative sources of emergency back-up supply, it was argued, are likely to be more expensive and offer less security of supply than the existing arrangements.

In submissions to the draft determination, both the NT Government and the NT's Power

and Water Corporation indicated that the draft rule in allowing for only emergency back-up gas flows was overly restrictive. The NT Government expressed the view that the draft rule represented a barrier to trade. The NT Government and Power and Water Corporation called on the Commission to provide an exemption for all gas flows between the NT LNG projects and the domestic gas market.

### The final rule

The final rule provides the NT LNG facilities, Ichthys LNG and Darwin LNG, with an exemption from reporting requirements on the Bulletin Board for their facilities that are upstream of the connection point with the domestic market. All flows into the domestic market will still be reported on the connecting Wickham Point pipeline.

The exemption is provided under circumstances in which gas flow occurs for the purposes of emergency back-up supply and testing of emergency gas supply facilities only. The buyer of emergency back-up supply, Power and Water Corporation, is required under the final rule to provide the Australian Energy Regulator with written notice of the reasons for emergency supply following each instance of emergency supply or testing of the emergency supply facilities.

Under the final rule the AER may remove the exemption (and require the NT LNG facilities upstream of the domestic market to report on the Bulletin Board) if gas flows from those facilities to the NT domestic market other than on a gas day when there is gas supply outage or emergency gas supply test.

The exemption also allows for all remaining commissioning gas flows during 2019 from the domestic market to Ichthys LNG.

The exemption does not prohibit wider trade with the domestic market, but at the discretion of the AER the exemption can be removed if gas flows between the NT LNG plants and the domestic market take the form of trade, either flows into the domestic market that are not for emergencies or sales of gas into the NT LNG plants. The trade of gas over a connection that is in excess of the bulletin board threshold of 10 TJ per day has a material impact on the domestic market and as a result the flows of gas in interconnected facilities that are upstream of the connection point with the domestic market would be required to be reported on the bulletin board.

The final rule commences on 15 August 2019.

### Tranche 2 Bulletin Board reforms

Consultation is underway on further reforms to improve transparency in gas markets (these are known as "tranche 2" reforms). Proposed changes include requiring more types of facilities to report on more of their gas market activities, including options that could impose reporting obligations on the NT LNG facilities exempted under this rule.

The proposed changes were first recommended by the AEMC in its East coast gas market review in 2016, and backed up by the Australian Competition and Consumer Commission (ACCC) and Gas Market Reform Group (GMRG) in December 2018. On 8 August 2019 COAG Energy Council released a Regulation Impact Statement (RIS) seeking stakeholder views and information by 5pm (AEST) Thursday 12 September 2019.

For information contact:

AEMC Senior Adviser, **Russell Pendlebury** (02) 8296 0620

AEMC Director, **Michael Bradley** (02) 8296 7868

Media: Communication Director, Prudence Anderson 0404 821 935 or (02) 8296 7817

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