



## DWGM interim LNG storage measures

The Australian Energy Market Commission (AEMC) has published a consultation paper on an urgent rule change request that seeks to reduce the risks to system security and public safety and improve the reliability of supply in the Victorian declared wholesale gas market (DWGM) between winter 2023 and 2025.

### Overview of the rule change request

On 8 August 2022, the AEMC received a rule change request from the Victorian Minister for Energy, Environment and Climate Action seeking to amend Part 19 of the National Gas Rules (NGR) to require the Australian Energy Market Operator (AEMO) to:

- act as buyer of last resort of capacity in the Dandenong liquified natural gas (LNG) storage facility and hold a target level of LNG stock in this facility during the winter months
- act as supplier of last resort in relation to the use of its LNG stock.

The proposed rule also sets out:

- the contractual arrangements to be put in place between AEMO and the LNG storage provider to support AEMO's roles as buyer and supplier of last resort
- how the costs AEMO incurs as buyer and supplier of last resort are to be recovered from market participants
- the accountability and transparency measures that would apply to AEMO in its capacity as buyer and supplier of last resort.

### Context

The rule change request was one of the priority actions that was agreed to by Energy Ministers on 8 June 2022, as they acknowledged the critical role of gas storage facilities.

The Dandenong LNG facility (which is owned and operated by APA Group) is an LNG tank located in Melbourne. The facility can store relatively small volumes (~680TJ) of gas and is typically used to address short-term peaks in demand, maintain system security and for emergency management.

Contracted inventory levels at the Dandenong LNG facility have fallen dramatically since late 2019. AEMO issued threats to system security notices on both 29 March 2021 and 29 March 2022 seeking a market response to increasing the amount of gas held in the facility. Responses from the market were not forthcoming.

### Issues for consultation

The consultation paper identifies the key issues for stakeholders to provide feedback on to the Commission, including:

- whether the assessment framework is appropriate for considering rule change request
- whether the issues identified by the proponent are accurately described and if other risks should also be considered
- whether the proposed solution is a proportional way to respond to the issues identified in the rule change request.

**This rule change is a temporary solution to reduce the risks to system security and public safety and improve the reliability of supply in the Victorian DWGM between winter 2023 and 2025.**

### **Treatment as an urgent rule change request**

The Commission considers that this rule change request is a request for an urgent rule. As a result, it has decided to use an expedited rule change process, provided that it does not receive any valid requests not to use the expedited process by **15 September 2022**.

The expedited rule change process does not include the publication and consultation on a draft rule determination. A final rule determination is scheduled to be published 12 weeks after the publication of the consultation paper.

Requests to not use the expedited process must be made in writing to the AEMC, however, we request you contact the project team before doing so.

### **Consultation process**

Stakeholders are invited to make written submissions by **29 September 2022** and are encouraged to use the stakeholder submissions template when providing feedback. A final determination is expected to be published by **24 November 2022**.

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