



30 May 2025

Submission: National Gas Amendment (Extension of the DWGM Dandenong LNG interim arrangements) Rule 2025

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors and service providers of Australia's pipeline infrastructure. APGA members ensure safe and reliable delivery of over 1,500 PJpa of gas consumed in Australia alongside over 4,500 PJpa of gas for export.

APGA welcomes the opportunity to contribute to the Australian Energy Market Commission's consultation on extending the interim arrangements for the DWGM Dandenong LNG facility (DLNG).

The DLNG facility plays a unique and critical role in the Victorian gas system. It supports local system security and reliability by providing a ready supply of stored gas effectively at the city gate. The proponent acknowledges that the need for LNG storage and liquefaction is expected to be ongoing for some time and importantly, there is currently no known or proposed alternative to fulfil this function. At the same time, the DLNG facility is ageing and increasingly subject to planned and unplanned maintenance and outages.

This rule change request comes at a juncture where the Dandenong facility will be increasingly important, such that the proponent recommends the DLNG inventory be maintained at the highest level possible across 2026 to 2028 inclusive. AEMO has been sufficiently concerned about the importance and availability of the facility to undertake a supply sensitivity for the 2025 GS00. This sensitivity considers the DLNG facility *not* being available due to issues with the liquefaction plant from 2025 and possible closure after 2027. This sensitivity reduces already fragile operational resilience in Victoria from 2025 and can increase the risks of peak day shortfalls from 2028.

It is worth quoting AEMO's 2025 GS00 on the Dandenong LNG facility (emphasis ours):

*BOC's aging liquefaction plant at Dandenong LNG has been experiencing increased issues with reliability. The liquefaction plant remains in operation, however, unplanned outages continue to occur and **there is an increased risk of a major failure occurring, posing a risk for refilling the Dandenong LNG tank.***

The reasons behind the initial interim measures, implemented in 2022 to avert ongoing low retailer holdings in the DLNG facility, remain relevant. Progressive regulatory interventions have disrupted the market, distorting what would otherwise be strong signals for the market to enter into long term contracts, which would also support the necessary maintenance and upgrades to the liquefaction plant to keep it operational. This is due to the free-rider effect –

as acknowledged by the proponent, where those contracting for storage capacity and holding inventory effectively subsidise other market participants who would benefit from the avoided high prices and avoided customer curtailment, reducing the incentive to enter into such contracts.

Ultimately it is not the responsibility of the facility operators to create a perfect environment for contracting, especially where circumstances outside the control of those operators have altered that contracting environment. This is the case here, where regulatory intervention has created a situation requiring further regulatory intervention to solve. Hence Option 1 is not a feasible option.

It is the responsibility of regulators to address this issue in a way that meets the National Energy Objectives, vis a vis the 2022 interim powers and the proposed extension of those powers. The problem now before regulators is whether the preferred Option 3 is a sufficient extension to create an environment that enables investment in the liquefaction facility. APGA argues that 3 years is not sufficient, given that it is reliant on the future implementation of powers that have already been delayed.

APGA recommends the AEMC proceed with Option 2, a 10-year extension of these powers. This would provide a much more solid foundation for investment in upgrading and maintaining the infrastructure to reduce the risk of outages.

To discuss any of the above feedback further, please contact me on +61 409 489 814 or crafael@apga.org.au.

Yours sincerely,

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Consultation questions

<p>1. Extension of the interim DLNG arrangements, including the dispute resolution mechanism</p> <p>a. Do stakeholders consider that the proposed solution to extend the interim DLNG arrangements for three years (Option 3) addresses the issue identified in the rule change request? If not, why?</p> <p>b. We are interested in stakeholder views on the need for a dispute resolution mechanism under the NGR to cover:</p> <ul style="list-style-type: none"> i. the contract extension process ii. disputes over compliance with the rules (eg, rule 282(2)) iii. disputes over contract variations sought by either party during the extended period, arising from matters not already accounted for in the rules and/or the agreement between AEMO and APA. 	<p>APGA does not agree that Option 3 addresses the issue identified in the rule change request.</p> <p>While it is true that as a stop-gap measure, this could bridge the gap between now and when the mooted Supplier of Last Resort powers for AEMO come into effect, there is no guarantee that those powers will be legislated in time. This also timeframe does not provide sufficient certainty to justify investment in the necessary equipment repairs and upgrades required to keep the facility operational as intended, which may be required sooner rather than later.</p> <p>The interim rules were designed to address market participants failing to contract sufficient volumes of storage capacity and LNG inventory to manage growing reliability risks. This risk likely remains hence the necessity of a solution other than Option 1. But this would also be true if the liquefaction facility was unable to supply the contracted gas due to equipment failure.</p> <p>Option 2, a ten year extension of the interim DLNG arrangements, provides a significantly stronger foundation to invest in the necessary upgrades for the facilities, particularly the liquefaction plant.</p>
<p>2. Costs and benefits of the proposed time extension</p> <p>a. What do you consider will be the costs and benefits of the proposed time extension compared to AEMO using the trading fund function?</p> <p>b. Do you consider the proposed time extension (Option 3) will, or is likely to, better contribute to the achievement of the NGO compared to AEMO relying on its existing powers (Option 1) or a longer-term extension (Option 2)?</p>	<p>AEMO's use of its trading fund function would only be a short term solution (as it is intended to be). APGA does not consider that it provide signals to market sufficient for ongoing supply or provide incentives for investment in the infrastructure to keep it operational.</p> <p>A longer term extension (Option 2) would better contribute to the achievement of the NGO relative to the other options because it</p>

	would incentivise the infrastructure investment necessary for the facility to maintain its operations.
<p>3. Improving transparency and oversight of the Dandenong liquefaction facility. Do you think there is a lack of transparency and oversight over the Dandenong liquefaction facility and the declared LNG supply agreement, and if so, how material do you think the transparency and oversight problems are and what impacts could they have on:</p> <ul style="list-style-type: none"> i. market participants' ability to make informed and efficient decisions? ii. AEMO's ability to perform its declared system functions? 	APGA accepts the proponent's proposition that transparency and oversight may be insufficient for the Dandenong facility. Should Options 2 or 3 be recommended by the AEMC, increasing the level of oversight and transparency to enable AEMO to undertake its function with respect to these powers.
<p>4. Extending Gas Bulletin Board reporting obligations to the Dandenong liquefaction facility (Part 18 NGR)</p> <ul style="list-style-type: none"> a. Do you consider the proposed extension of the Gas Bulletin Board reporting obligations to the Dandenong liquefaction facility is required to address the issues identified by the proponent? b. Do you consider market participants and AEMO need visibility of all the proposed information, or are some less relevant to the Dandenong liquefaction facility? c. Do you have any suggestions on how the terms daily capacity, daily consumption, daily flow and/or daily production should be defined for the DLNG liquefaction facility to ensure that meaningful information is reported? 	In the case of Option 2 or 3 is reasonable to extend GBB reporting obligations to the DLNG facility. APGA notes the capacity outlooks and bookings reporting may not be especially relevant to this facility.
<p>5. Extending DWGM disclosure obligations to the Dandenong liquefaction facility (Part 19 NGR). Do you consider the proposed extension of the DWGM participant and LNG storage disclosure obligations to the Dandenong liquefaction facility is required to address the issues identified by the proponent?</p>	Under a 2009 Ministerial Order the BOC liquefaction facility is a Declared LNG Supplier, under a Declared LNG Supply Agreement, to a Declared LNG Storage Provider. While it is not currently a DWGM Facility it is a necessary component of the DWGM, and where AEMO is granted powers with respect to the operation of this facility it is overall reasonable to extend DWGM participant obligations to that facility.

	This should only apply for the duration of the interim measures extension.
6. Extending DWGM maintenance obligations to the Dandenong liquefaction facility (Part 19 NGR). Do you consider the proposed extension of the DWGM maintenance obligations to the Dandenong liquefaction facility is required to address the issues identified by the proponent?	See above.
7. Reintroduction of AEMO oversight and consent to changes of the declared LNG supply agreement. Do you consider the proposed oversight of the declared LNG supply agreement by AEMO and in particular, the prohibition on this agreement being terminated or varied without AEMO's consent (which must not be unreasonably withheld or delayed) is required to address the issues identified by the proponent?	APGA considers this to be reasonable in the context of the extension of the interim powers, but should only apply for the duration of the interim measures extension.
8. Costs and benefits of the proposed transparency and oversight obligations <ul style="list-style-type: none"> a. What do you consider will be the costs and benefits of the proposed transparency and oversight measures? b. Do you think the proposed transparency and oversight measures will, or are likely to, contribute to the achievement of the NGO? c. Are there other more efficient ways to address the identified problems that the AEMC should consider? 	<p>Increases in reporting obligations are not free from cost, and APGA disagrees the proponent's assertion that compliance costs will likely be immaterial. Noting this, Option 2 (a ten year extension) provides a much longer timeframe over which to spread the costs of compliance with new reporting obligations.</p> <p>Regarding other, more efficient ways to address the identified problems, as noted in our substantive response this situation has arisen due to a series of market interventions which did not adequately address failures and created new ones. These are beyond the scope of the current rule change request to address, but are worth considering in context.¹</p>

¹ APGA, 2023, *Reliability and Supply Adequacy framework for the East Coast Gas Market*, <https://apga.org.au/submissions/reliability-and-supply-adequacy-framework-for-the-east-coast-gas-market>