

Draft rule determination

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

Proponents

The Hon. Lily D'Ambrosio, Minister for Energy and Resources, Climate Action, and State Electricity Commission

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About the AEMC

The AEMC reports to the energy ministers. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the energy ministers.

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Summary

- 1 The Commission has decided to make a more preferable draft rule (draft rule) in response to the rule change request submitted on 3 April 2025 by The Hon. Lily D'Ambrosio, Minister for Energy and Resources, Climate Action, and the State Electricity Commission.
- 2 The draft rule promotes the NGO and provides for improved outcomes for Victorian consumers by:
 - **Extending AEMO's interim buyer and supplier of last resort powers for the Dandenong liquefied natural gas (LNG) storage facility for a short-term period of four years** to enable AEMO to address threats to system security and reliability in the Declared Wholesale Gas Market (DWGM). The term of the extension under the draft rule is longer than the proposed three years to allow for the development of a fit-for-purpose and enduring solution to manage security and reliability risks in the DWGM.
 - **Introducing permanent measures to improve transparency and oversight of the Dandenong liquefaction facility** that supports the Dandenong storage facility to facilitate more informed and efficient decision-making and use of the Dandenong storage facility by AEMO and market participants. This is consistent with the rule change proposal.
 - **Ensuring gas consumers are not exposed to the costs of significant investments in the Dandenong storage facility**, noting that long-term capital investments in unregulated assets should be supported by market participant contracting rather than AEMO contracting. Compared to the rule change proposal, the draft rule provides for additional measures to limit the costs that AEMO may otherwise incur under the interim arrangements.
- 3 We are seeking feedback on our draft determination and rule by **18 September 2025**.

Our draft rule would address continuing security and reliability threats in the DWGM

- 4 Our 2022 final rule established an interim framework for AEMO to act as both buyer and supplier of last resort in relation to the Dandenong storage facility. The AEMC made the 2022 final rule in the context of projected threats to system security and reliability over 2023-26 and a general decline in the amount of Dandenong storage capacity being contracted by market participants. The interim arrangements seek to ensure that storage capacity at the Dandenong storage facility is fully maximised in the lead up to critical winter periods to address projected shortfall supply risks in the DWGM. To this end, the interim arrangements require AEMO to purchase all uncontracted storage capacity as at 1 March each year.
- 5 The 2022 interim arrangements are time-bound and expire at the end of 2025, in line with the anticipated implementation of reforms to improve reliability and supply adequacy in the east coast gas system (ECGS) more generally. In this regard, the Commission notes the rule change request from the Commonwealth Government to implement a Supplier of Last Resort (SoLR) mechanism for AEMO as part of the broader program of ECGS Reliability and Supply Adequacy Stage 2 reforms. The Commission considers that such a Supplier of Last Resort mechanism could deliver the enduring solution for the Dandenong storage facility.
- 6 The Commission notes that the conditions that led to the establishment of the interim arrangements continue. The ACCC's June 2025 gas inquiry report noted that southern states are facing growing shortfall risks from 2026, particularly over the winter months. AEMO's most recent projections suggest that peak day shortfalls in the DWGM will not emerge until 2028. The tight demand-supply outlook would occur when market participant contracted storage capacity

(without any AEMO intervention) for the Dandenong storage facility is projected to decline substantially based on data available from AEMO's Gas Bulletin Board.

7 Against this background, the Commission considers a four year extension is the most efficient solution to enable AEMO to address projected risks to security and reliability in the DWGM. The four year extension under the draft rule would:

- build on the interim framework established by the AEMC's 2022 DWGM interim storage measures final rule
- recognise that the interim arrangements were not designed as a long-term or enduring solution, but instead as a stop-gap measure until more permanent and fit-for-purpose arrangements can be implemented.

The draft rule would lead to more efficient use of the Dandenong storage facility

8 The increasing potential for peak-day supply shortfalls to arise in southern jurisdictions may result in the Dandenong storage facility being called upon more frequently to help alleviate peak day supply adequacy events and/ or threats to system security in the DWGM. The Dandenong storage facility is supported by a liquefaction facility. The liquefaction facility plays a critical role in enabling the storage tank to be refilled with LNG and determining the refill speed.

9 It is important, therefore, that market participants and AEMO have a good understanding of the operation of the Dandenong liquefaction facility. However, the separate ownership of the Dandenong storage and liquefaction facilities (APA and BOC respectively) creates a risk that inaccurate or incomplete information relevant to the operation of the storage facility (i.e. refill capacity) may be reported on the Gas Bulletin Board. AEMO's ability to carry out its declared system functions may also be impeded, because it does not currently have visibility of the liquefaction facility nor the ability to coordinate maintenance of the facility.

10 The Commission's draft rule seeks to address these gaps by permanently extending the Part 18 Gas Bulletin Board reporting obligations, the Part 19 DWGM participant information disclosure obligations, and the Part 19 maintenance reporting and coordination obligations to the Dandenong liquefaction facility. The extension of these obligations would:

- enable market participants and AEMO to make more informed and efficient decisions about their use of the Dandenong storage facility and LNG stock
- support the efficient operation of the Dandenong liquefaction facility, the Dandenong storage facility, and other DWGM facilities by enabling maintenance to be more efficiently coordinated across facilities
- bring the Dandenong storage facility into line with the treatment of other LNG storage facilities by addressing a gap in the current arrangements arising out of the separate ownership of the storage and liquefaction facilities.

Our draft rule better promotes the NGO and provides improved consumer outcomes than the proposed rule

11 The Commission has made a more preferable draft rule that we consider better promotes the NGO and provides for improved outcomes for Victorian gas consumers. Our more preferable draft rule differs from the proposed rule in several areas.

12 Regarding the extension of and amendments to the interim arrangements, the more preferable draft rule provides for:

- An extension of four years, rather than the proposed three years.
- A rules-based arbitration mechanism to be called upon if a dispute arises about the extension of the LNG storage agreement between AEMO and the Dandenong storage facility operator, APA, but not for other disputes that may arise over the term of the extended agreement.
- Additional measures to limit the costs that AEMO may otherwise incur under the interim arrangements, including through:
 - removing the rules mechanism permitting variations to the LNG storage agreement for safety and reliability reasons
 - clarifying that AEMO is not required to contract unusable uncontracted storage capacity.
 The more preferable draft rule provides for the following transparency and oversight measures:
- The application of a more targeted set of Gas Bulletin Board reporting obligations to the Dandenong liquefaction facility.
- AEMO to have greater operational visibility of the Dandenong liquefaction facility, but does not require it to consent to changes to, or the termination of, the declared LNG supply agreement between the Dandenong liquefaction and storage facility operators, i.e. the contract between APA and BOC.

We have considered stakeholder feedback and undertaken further analysis in making our decision

13 The key findings and observations that shaped the Commission's draft rule determination included:

- Most stakeholders supporting the need to extend the 2022 interim buyer and supplier of last resort arrangements and agreeing this was preferable to relying on AEMO exercising its directions/trading functions because it maintains a clear framework for AEMO to exercise buyer and supplier of last resort powers in relation to the Dandenong storage facility.
- AEMO and APA supporting the inclusion of a rules-based arbitration mechanism to facilitate their negotiations to extend their contractual arrangements.
- Stakeholders generally supporting the extension of NGR Part 18 and 19 information disclosure, reporting and maintenance obligations to the Dandenong liquefaction facility. We have considered BOC's concerns about extending Part 19 DWGM maintenance reporting and coordination obligations to its liquefaction facility and increased compliance costs associated with reporting Part 18 Gas Bulletin Board information. However, we consider extending these obligations to the liquefaction facility would bring it into line with the treatment of other storage facilities and addresses a gap in the current arrangements arising out of the separate ownership of the storage and liquefaction facilities.
- The Commission's original intent in establishing the interim buyer and supplier of last resort arrangements, was to provide AEMO with additional tools to manage projected threats to the security and reliability of the DWGM. The interim arrangements were not intended to support capital investment to address reliability issues in the Dandenong liquefaction facility, which we note has become less reliable in recent years. Our draft rule would ensure that the interim arrangements are not relied on as the mechanism to underwrite capital investment to address reliability issues with the liquefaction facility, recognising that any major upgrade of these unregulated assets should be underwritten through commercial-market based arrangements, as they have been to date.

- Concerns by some stakeholders, in response to our consultation paper, that the extension of the interim arrangements would not address an underlying market power issue that is perceived to be contributing to the lack of market participant contracting at the Dandenong storage facility. The Commission emphasises that this rule change process is not the appropriate mechanism to address perceived underlying market power issues. We note that there are potential solutions, which could be considered through a separate rule change request or the establishment of specific Victorian arrangements. We have mentioned some of these potential solutions in our draft determination.

We assessed our draft rule against four assessment criteria

14 The Commission's draft rule would better contribute to the achievement of the NGO as follows:

- **Security, safety and reliability** - the draft rule supports the security, safety and reliability of supply of gas to Victorian consumers through a four year extension of interim arrangements empowering AEMO to act as the buyer and supplier of last resort in relation to the Dandenong storage facility.
- **Principles of market efficiency** - the draft rule promotes the efficient operation and use of the Dandenong storage facility, and supports the efficient operation of the DWGM through improved information transparency and operational visibility of the liquefaction facility.
- **Principles of good regulatory practice** - the draft rule embodies principles of good regulatory practice by being targeted, fit for purpose, and proportionate to the issues they are intended to address, and provides predictability, stability, simplicity and transparency in the arrangements.
- **Implementation considerations** - the draft rule minimises the costs and complexities associated with both the buyer and supplier of last resort arrangements and the Dandenong liquefaction facility transparency and oversight measures.

Implementation of the draft rule

15 To provide sufficient time for AEMO, APA and BOC to undertake preparatory actions, the draft rule would require:

- AEMO and APA to have an extended LNG storage agreement in place by 28 February 2026
- the Dandenong liquefaction and storage facility operators to determine who is to be the reporting entity for the facility operator group and apply to AEMO to register by 30 January 2026
- the Dandenong liquefaction facility operator to comply with its new reporting and maintenance related obligations under Parts 18-19 of the NGR from 1 April 2026
- AEMO to have made any required changes to the Wholesale Market Procedures and/ or Gas Bulletin Board Procedure by 1 April 2026.

How to make a submission

We encourage you to make a submission

Stakeholders can help shape the solution by participating in the rule change process. Engaging with stakeholders helps us understand the potential impacts of our decisions and contributes to well-informed, high quality rule changes.

How to make a written submission

Due date: Written submissions responding to this draft determination and rule must be lodged with Commission by 18 September 2025.

How to make a submission: Go to the Commission's website, www.aemc.gov.au, find the "lodge a submission" function under the "Contact Us" tab, and select the project reference code GRC0078.¹

Tips for making submissions on rule change requests are available on our website.²

Publication: The Commission publishes submissions on its website. However, we will not publish parts of a submission that we agree are confidential, or that we consider inappropriate (for example offensive or defamatory content, or content that is likely to infringe intellectual property rights).³

Next steps and opportunities for engagement

There are other opportunities for you to engage with us, such as one-on-one discussions.

Close of submissions	18 September 2025
Final determination published	30 October 2025

You can also request the Commission to hold a public hearing in relation to this draft rule determination.⁴

Due date: Requests for a hearing must be lodged with the Commission by 14 August 2025.

How to request a hearing: Go to the Commission's website, www.aemc.gov.au, find the "lodge a submission" function under the "Contact Us" tab, and select the project reference code **GRC0078**. Specify in the comment field that you are requesting a hearing rather than making a submission.⁵

For more information, you can contact us

Please contact the project leader with questions or feedback at any stage.

Email:	submissions@aemc.gov.au
Telephone:	02 8296 7800

¹ If you are not able to lodge a submission online, please contact us and we will provide instructions for alternative methods to lodge the submission

² See: <https://www.aemc.gov.au/our-work/changing-energy-rules-unique-process/making-rule-change-request/our-work-3>

³ Further information about publication of submissions and our privacy policy can be found here: <https://www.aemc.gov.au/contact-us/lodge-submission>

⁴ Section 310(2) of the NGL.

⁵ If you are not able to lodge a request online, please contact us and we will provide instructions for alternative methods to lodge the request.

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1 The Commission has made a draft determination

The Commission's draft determination is to make a more preferable draft rule (the draft rule) in response to a rule change request submitted by The Hon. Lily D'Ambrosio, Minister for Energy and Resources, Climate Action and State Electricity Commission on 3 April 2025. The draft rule would address the following matters raised in the rule change request:

- short-term extension of existing interim arrangements relating to the Dandenong liquefied natural gas storage facility (the Dandenong storage facility) under the rules governing the Declared Wholesale Gas Market (DWGM) (see chapter 3 for more detail) and
- permanent introduction of measures to improve transparency and oversight of the liquefaction facility that supports the Dandenong storage facility (the Dandenong liquefaction facility) (see chapter 4 for more detail).

We are seeking stakeholder feedback on this draft rule. For more detailed information on:

- why we made the draft rule, refer to chapter 2
- how the draft rule works, refer to chapter 3 and chapter 4
- the rule change request and background context, refer to appendix A and appendix B

1.1 Our draft rule would address short-term security and reliability threats in the DWGM

Extending the interim arrangements by four years and improving consumer outcomes

The Commission's draft determination is to extend the interim arrangements for a period of four years (instead of the proposed three years). We consider this to be the most efficient solution to address projected risks to security and reliability in the DWGM.

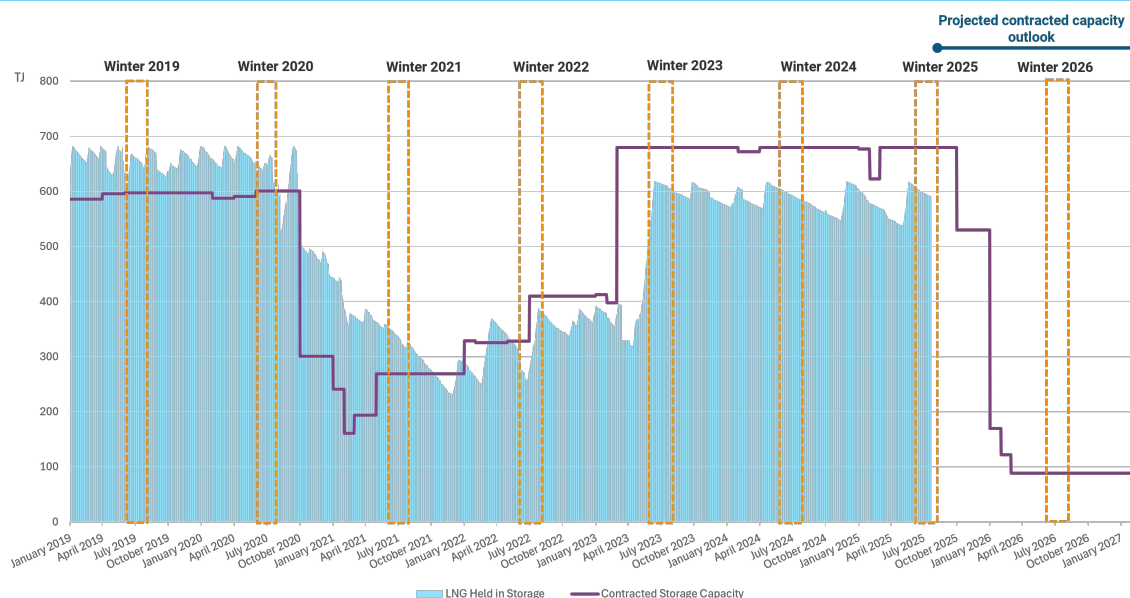
AEMO and ACCC's latest projections indicate the gas demand-supply balance in the south is tight and there is a risk of peak day shortfalls over the proposed extension period from 2026-2029. The ACCC's June 2025 gas inquiry report noted that southern states are facing growing shortfall risks from 2026, particularly over the winter months.⁶ AEMO's most recent projections suggest that peak day shortfalls in the DWGM will not emerge until 2028, however they pointed to the critical role the Dandenong storage facility plays in providing additional resilience to manage peak day threats and reduce curtailment risks in the south.⁷

The tight demand-supply outlook would occur when market participant contracted storage capacity (without any AEMO intervention) for the Dandenong storage facility is projected to decline to less than 100 TJ, as highlighted in Figure 1.1 below.

⁶ ACCC, Gas Inquiry 2017-2030, June 2025 pp. 17 and 46.

⁷ AEMO, Victorian Gas Planning Report, March 2025, pp. 15-16 and 46.

Figure 1.1: Dandenong storage facility LNG stock and contracted storage capacity



Source: AEMC analysis of actual storage and uncontracted capacity data from the Gas Bulletin Board.

Note: Winter periods reflect those used in the 2025 VGPR, which are June, July, August.

A four year extension as per our draft rule:

- builds on the interim framework established by the AEMC's 2022 final rule⁸ that provides clear guidance to AEMO for when and how it is to procure, maintain and dispose of storage capacity and LNG stock in relation to the Dandenong storage facility to manage security and reliability threats in the DWGM
- recognises that the interim arrangements were not designed as a long-term or enduring solution, but instead as a stop-gap measure until more permanent and fit-for-purpose arrangements can be implemented.
- is longer than the proposed three years to allow for the development of a fit-for-purpose and enduring solution to manage security and reliability risks in the DWGM.

We have also made a number of amendments to the interim arrangements to better promote the NGO. Our draft rule:

- clarifies AEMO's obligations with respect to unusable uncontracted storage capacity at the Dandenong storage facility
- addresses the risk of costs arising from major capital upgrades to the storage and/ or liquefaction facility being passed through to AEMO (which we consider to be contrary to the intent of the interim arrangements).

Introducing measures to improve transparency and oversight of the Dandenong liquefaction facility that supports the Dandenong storage facility

The Commission's draft determination provides for greater transparency and operational visibility of the Dandenong liquefaction facility through the:

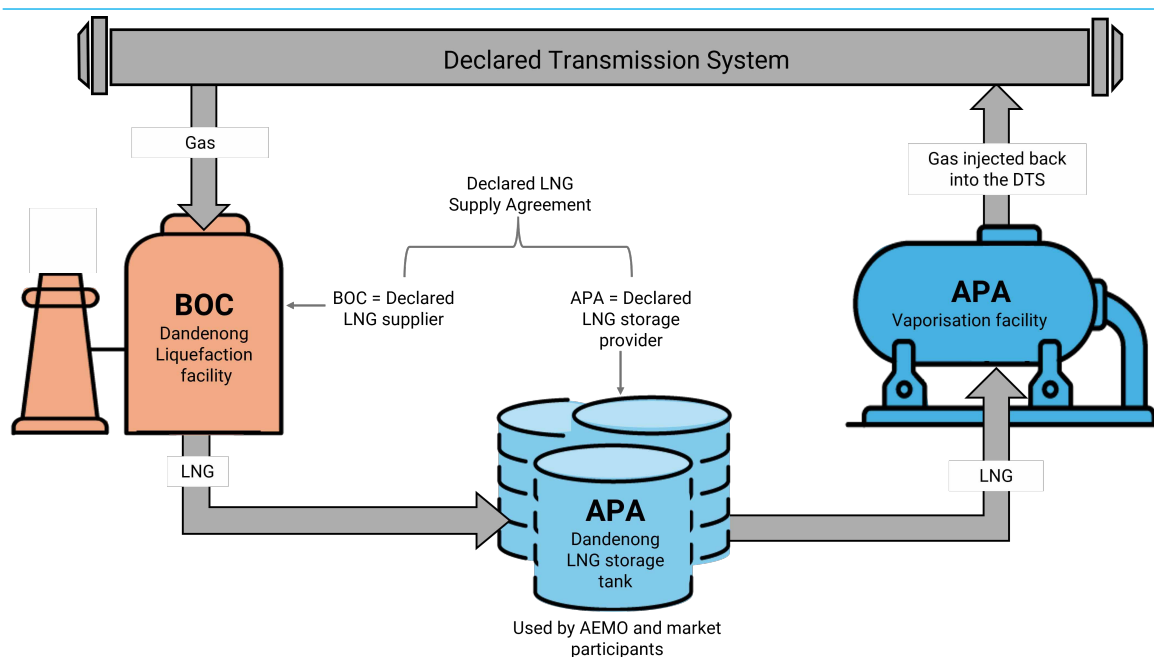
- targeted extension of NGR Part 18 Gas Bulletin Board reporting obligations

8 AEMC, DWGM interim LNG storage measures, Rule determination, 15 December 2022.

- extension of the NGR Part 19 DWGM participant information disclosure obligations and maintenance reporting and coordination obligations.

The draft rule provides for a permanent extension of these obligations, i.e. these would endure beyond the extension of the interim arrangements. We consider this to be necessary to address deficiencies in information reporting and maintenance coordination obligations created by the separate ownership of the Dandenong storage and liquefaction facilities. Figure 1.2 below illustrates the facility components and ownership structure associated with the Dandenong storage facility.

Figure 1.2: Dandenong - facility components and ownership structure



Source: AEMC.

These deficiencies create a risk that incorrect or incomplete information on the refill capacity may be reported to the Gas Bulletin Board,⁹ and could result in market participants making inefficient decisions about the refilling of the Dandenong storage facility. Furthermore, where the Dandenong liquefaction facility is not subject to the maintenance reporting or coordination obligations that apply to a DWGM facility operator, it is possible that the facility could be taken offline for a prolonged period in the lead up to winter, which would pose a threat to system security.

Our draft determination to permanently extend relevant information and maintenance obligations to the Dandenong liquefaction facility to improve transparency and operational visibility recognises that the facility provides a critical role in supporting the efficient operation of Dandenong storage facility. Our draft rule would increase the amount of information available to:

- the market and AEMO through a targeted extension of NGR Part 18 Gas Bulletin Board reporting obligations to the liquefaction facility. This would facilitate a better understanding of the operation of the liquefaction facility to inform decisions about using the Dandenong storage facility, which relies on the liquefaction facility to process and inject LNG stock

⁹ As noted by the proponent, Rule change request, p. 19.

- AEMO as the system operator of the DWGM through extending the NGR Part 19 DWGM maintenance reporting and coordination obligations to the liquefaction facility. This would also ensure that planned maintenance is scheduled at an appropriate time to avoid outages during the lead up to the critical winter period.

1.2 Stakeholder feedback and our own analysis shaped our draft rule

The key findings and observations that shaped the Commission's draft rule determination included:

- most stakeholders supporting the need to extend the 2022 interim buyer and supplier of last resort arrangements. Stakeholders agree this is preferable to relying on AEMO exercising its direction/trading functions because it maintains a clear framework for AEMO to exercise buyer and supplier of last resort powers in relation to the Dandenong storage facility
- AEMO and APA supporting the inclusion of a rules-based arbitration mechanism to facilitate their negotiations to extend their contractual arrangements
- stakeholders generally supporting the extension of NGR Part 18 and 19 information disclosure, reporting and maintenance obligations to the Dandenong liquefaction facility. We have considered BOC's concerns about extending Part 19 DWGM maintenance reporting and coordination obligations to its liquefaction facility and increased compliance costs associated with reporting Part 18 Gas Bulletin Board information. However, we consider extending these obligations to the liquefaction facility would bring it into line with the treatment of other storage facilities. It would also address a gap in the current arrangements arising out of the separate ownership of the storage and liquefaction facilities.

The Commission's analysis identified a few additional issues which our draft rule addresses, including:

- clarifying AEMO's obligations to contract for 'uncontracted storage capacity' so that AEMO is not required to contract for the use of LNG storage capacity that it reasonably considers is subject to a temporary or permanent constraint limiting its use
- ensuring AEMO is not exposed to the risks of significant investments in the Dandenong storage and liquefaction facilities under these interim arrangements.

1.3 The extension of the interim arrangements would not address stakeholder concerns around market power

Through the consultation process, some stakeholders observed that the extension of the buyer and supplier of last resort arrangements would not address the underlying market power issue. They perceive this to be the reason for the reduction in market participant contracting in the Dandenong storage facility, requiring the interim arrangements in the first place. Alinta, for example, stated that:¹⁰

"... we remain concerned that the extension of existing arrangements ... does not address the underlying issues that lead to these requirements in the first place. We recommend that the AEMC give consideration to reasons why contracting levels by participants at the DLNG facility have continued to remain low and the significantly reduced incentives that APA now has to increasing contracting outside of AEMO."

¹⁰ Alinta, submission to the consultation paper, p. 1.

Origin similarly stated that:¹¹

“Extending the proposed rule ... may reduce incentives for participants to manage their own risk through efficient contracting of the above services. It would also reduce any incentive for the facility operator to improve the cost competitiveness of the storage service.”

Similar concerns were raised in the 2022 rule change process, with stakeholders stating that the proposed arrangements would not address the underlying source of the problem, which many saw as the Dandenong storage facility operator’s market power.¹² The ACCC was one such stakeholder, who subsequently published the findings of its review into the Dandenong LNG charges. In short, the ACCC found that:¹³

“Changes to the contracting model at the Dandenong LNG storage facility, which increased effective storage costs, have contributed to a decline in contracted capacity at the facility. This appears to be an exercise of market power by APA at a time when the facility is increasingly important to system security in the Victorian Transmission System, creates risks to system security in Victoria, and underscores the need for a third-party access regime for storage facilities, as recommended by the ACCC in January 2022.”

The Commission has undertaken some additional analysis on this issue and identified a range of options that could be considered in addressing the continuing stakeholder concerns about market power, and the impact this may be having on market participant contracting and economic efficiency more generally.

A solution to address the perceived market power issue with the Dandenong storage facility could, for example, involve the introduction of a third party access regime, as suggested by the ACCC. Such a regime could take a variety of forms, including a lighter handed negotiate-arbitrate framework, or more direct regulation of prices and other terms and conditions of access.¹⁴

If the introduction of an access regime for the Dandenong storage facility would result in greater market participant contracting, then this could reduce the reliance that needs to be placed on AEMO having to contract capacity and hold an LNG reserve. This could ultimately reduce the costs borne by Victorian gas consumers and could also help underwrite any future capital investment that may be required in either the liquefaction or the storage facility.

While there could be broader benefits in implementing a third party access regime for the Dandenong storage facility to encourage greater participant contracting, the Commission emphasises that this rule change process to extend the interim arrangements is not the appropriate mechanism to progress this. The consideration of a third party access regime for the Dandenong storage facility to address perceived underlying market power issues would need to be the subject of a separate rule change request or could be pursued through the establishment of Victorian-specific arrangements.

¹¹ Origin, submission to the consultation paper, p. 1.

¹² AEMC, Rule determination, DWGM Interim LNG Storage Measures, p. 12.

¹³ ACCC, Gas Inquiry 2017-2030 Interim Report, January 2023, p. 75.

¹⁴ Such an access regime for the Dandenong storage facility could be implemented through different options, such as creating a new framework under the NGR and Regulations; extending the application of the third party access regime for non-pipeline facilities in Chapter 5A of the NGL; or leveraging Victoria’s existing (or a new) legislative framework.

1.4 Our draft determination enables AEMO to address security and reliability risks in the short-term until an enduring fit-for-purpose solution is implemented

Our draft determination to extend the interim arrangements for a period of four years recognises the risks to security and reliability projected by AEMO and the ACCC.¹⁵ We are conscious that the interim arrangements were intended and designed as a stop-gap measure to address shortfall supply risks identified by AEMO in 2022 and are not intended to be a longer term measure to address these risks.

The four year extension would allow for the development of a fit-for-purpose and enduring solution to manage security and reliability risks in the DWGM and East Coast Gas System (ECGS) more broadly. In this regard, the Commission is progressing several rule change processes as part of the Commonwealth Government's Reliability and Supply Adequacy Stage 2 reforms (RSA Stage 2 reforms), which are focused on addressing reliability and supply adequacy issues more generally across the ECGS. This package of rule change proposals also includes one rule change request on developing a Supplier of Last Resort function for AEMO, building on its existing trading function.¹⁶ The Commission notes that such a Supplier of Last Resort mechanism (either in combination with a third party access regime or without, noting that third party access and the Supplier of Last Resort mechanism would address different underlying issues) could deliver the enduring solution for the Dandenong storage facility. The four year extension of the interim arrangements would allow sufficient time for a long-term solution to be developed and implemented for the DWGM. The Commission will consider this issue further when we initiate the ECGS Supplier of Last Resort rule change process.

¹⁵ AEMO, Victorian Gas Planning Report. March 2025, pp. 15-16 and 46; ACCC, Gas Inquiry 2017-2030, June 2025 pp. 17 and 46.

¹⁶ Department of Climate Change, Energy, the Environment and Water, Rule change request: [East Coast Gas System Supplier of Last Resort Mechanism](#).

2 Our draft rule would contribute to the national gas objective

When deciding whether or not to make a rule, the Commission is required to act in the long-term interests of energy users by considering whether the rule will or is likely to contribute to the achievement of the NGO.

Our draft rule is expected to contribute to the achievement of the NGO by improving the security, safety and reliability of the supply of gas to Victorian consumers, promoting economic efficiency, minimising implementation costs and complexities, and embodying principles of good regulatory practice.

This chapter provides further detail on:

- the matters the Commission must take into account when making a rule, or a more preferable rule (section 2.1)
- the additional factors the Commission must consider when making a rule that will apply in an adoptive jurisdiction, such as Victoria (section 2.2)
- how we applied the legal framework when making our draft determination (section 2.3)
- how our draft rule is expected to contribute to the NGO (section 2.4).

2.1 The Commission must act in the long-term interests of energy consumers

2.1.1 National gas objective

The Commission can only make a rule if it is satisfied that the rule will or is likely to contribute to the achievement of the relevant energy objectives.¹⁷ For this rule change, the relevant energy objective is the NGO. The NGO is:¹⁸

to promote efficient investment in, and efficient operation and use of, covered gas services for the long term interests of consumers of covered gas with respect to—

- (a) price, quality, safety, reliability and security of supply of covered gas; and
- (b) the achievement of targets set by a participating jurisdiction—
 - (i) for reducing Australia's greenhouse gas emissions; or
 - (ii) that are likely to contribute to reducing Australia's greenhouse gas emissions.

The targets statement, available on the AEMC website, lists the emissions reduction targets to be considered, as a minimum, in having regard to the NGO.¹⁹

2.1.2 Making a more preferable rule

The Commission may make a rule that is different, including materially different, to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the

¹⁷ Section 291(1) of the NGL.

¹⁸ Section 23 of the NGL.

¹⁹ Section 72A(5) of the NGL.

rule change request, the more preferable rule is likely to better contribute to the achievement of the NGO.²⁰

For this rule change, the Commission has made a more preferable draft rule. The reasons are set out in section 2.3 below.

2.2 We must also take these factors into account

In addition to the NGO, the Commission must take into account certain other principles and factors when it makes rules on particular subject matter.

Under section 295(4) of the NGL, the Commission may only make a rule that has effect with respect to an adoptive jurisdiction, such as Victoria, if satisfied that the proposed rule is compatible with the proper performance of AEMO's declared system functions.²¹ The draft rule is compatible because it supports AEMO's functions to:

- control the operation and security of the declared transmission system
- monitor and review the capacity of the declared transmission system
- operate and administer the DWGM
- make and amend Procedures governing the operation and administration of the DWGM.

Further, under section 295(5) of the NGL, the Commission may only make a rule that affects the allocation of powers, functions and duties between AEMO and a service provider for a declared transmission system if the rule is requested by the Minister of a relevant adoptive jurisdiction (or AEMO consents to the making of the rule). The rule change request was submitted by the Honourable Lily D'Ambrosio MP, Victorian Minister for Energy and Resources, Climate Action and State Electricity Commission, and satisfies this requirement.

2.3 How we have applied the legal framework to our decision

The Commission must consider how to address the following issues that were identified in the rule change request against the legal framework:

1. the impending expiration of the Dandenong buyer and supplier of last resort arrangements
2. the lack of transparency and oversight of the operation of the Dandenong liquefaction facility.

We identified the following criteria to assess whether the proposed rule change, no change to the rules (business-as-usual), or other viable, rule-based options are likely to better contribute to achieving the NGO:

- safety, security and reliability
- principles of market efficiency
- principles of good regulatory practice
- implementation considerations.

These assessment criteria reflect the key potential impacts – costs and benefits – of the rule change request, for impacts within the scope of the NGO. We set out our assessment of our draft rule against these criteria in section 2.4.

²⁰ Section 296 of the NGL.

²¹ The relevant declared system functions are set out in section 91BA(1) of the NGL.

2.3.1 Our draft determination is to make a more preferable draft rule

The Commission has decided to make a more preferable draft rule (the draft rule). The draft rule is largely consistent with the rule change request, in that it provides for:

1. the extension of the Dandenong buyer and supplier of last resort arrangements
2. greater transparency and oversight of the Dandenong liquefaction facility through the application of certain reporting and maintenance related obligations to this facility.

However, a number of amendments have been made to the proposed rule to ensure the arrangements are targeted, fit for purpose and proportionate to the issues they are intended to address. The key differences between the proposed rule and the draft rule are:

- **Dandenong buyer and supplier of last resort interim arrangements:** The draft rule provides for:
 - The interim arrangements to be extended by four years, rather than the proposed three years.
 - A rules-based arbitration mechanism to be called upon if a dispute arises about the extension of the LNG storage agreement between AEMO and the Dandenong storage facility operator but not for other disputes that may arise over the term of the agreement.
 - Additional measures to limit the costs that AEMO may otherwise incur under the interim arrangements, including through:
 - removing the rules mechanism permitting variations to the LNG storage agreement for safety and reliability reasons
 - clarifying that AEMO is not required to contract for unusable uncontracted storage capacity.
- **Transparency and oversight measures:** The draft rule provides for:
 - The application of a more targeted set of Gas Bulletin Board reporting obligations to the Dandenong liquefaction facility.
 - AEMO to have greater operational visibility of the Dandenong liquefaction facility, but does not require it to consent to changes to, or the termination of, the declared LNG supply agreement between the Dandenong liquefaction and storage facility operators, i.e. the contract between APA and BOC.

For the reasons set out below, the Commission considers the more preferable draft rule would better contribute to the NGO. It is also compatible with the proper performance of AEMO's declared system functions.

2.4 Our draft rule would contribute to the achievement of the NGO

Our draft rule, which would extend the Dandenong buyer and supplier of last resort arrangements and improve transparency and oversight of the Dandenong liquefaction facility, would better contribute to the achievement of the NGO by:

- supporting the security, safety and reliability of the supply of gas to Victorian consumers
- promoting the efficient operation and use of the Dandenong storage facility, and supporting the efficient operation of the DWGM
- embodying principles of good regulatory practice, including by being:
 - targeted, fit for purpose and proportionate to the issues they are intended to address
 - providing for predictability, stability, simplicity and transparency in the arrangements

- minimising the costs and complexities associated with both the buyer and supplier of last resort arrangements and the Dandenong liquefaction facility transparency and oversight measures.

2.4.1 Supporting the safety, security and reliability of supply in Victoria

The draft rule would improve the safety, security and reliability of supply in Victoria by enabling:

- market participants and AEMO to make more informed decisions about their use of LNG stock in the Dandenong storage facility to address any threats that may arise in the DWGM (i.e. through the extension of a range of reporting obligations to the Dandenong liquefaction facility)
- AEMO to coordinate the maintenance of the Dandenong liquefaction facility where it poses a threat to system security, including in the lead up to winter where non-critical maintenance could limit the amount of LNG that could be placed into storage to manage threats (i.e. through the extension of maintenance reporting and coordination obligations to this facility)
- AEMO to manage any threats to system security that may arise in the DWGM that the market is unable to address (i.e. through the extension of the Dandenong buyer and supplier of last resort interim arrangements).

The Commission notes that because the Dandenong storage facility is relatively small and has a relatively slow refill (liquefaction) rate, it cannot be relied upon to address all threats to the safety, security or reliability of supply that may arise in the DWGM. However, due to its proximity to Melbourne, which accounts for approximately 70% of Victorian peak demand, AEMO can use it to help alleviate short-term peak-day supply adequacy events. AEMO may also use it to help address more prolonged threats, by 'buying time' until supply from other sources can be obtained, or, if required, by facilitating a safe system shutdown.

The measures set out above should therefore help reduce the risk of curtailment and other threats to the safety, security or reliability of supply that could potentially arise in Victoria between 2026 and 2029 if, as projected, there is a shortfall in supply and system resilience continues to deteriorate.²²

Consistent with the NGO, the principal beneficiaries of any improvement in the safety, security and reliability of the supply of gas over this period will be Victorian gas consumers.

It would, however, prevent the costs associated with any major capital upgrades to the storage and/ or liquefaction facility being passed through to AEMO. This is because the objective of the buyer and supplier of last resort interim arrangements is not for AEMO (and ultimately Victorian gas consumers) to be used as a vehicle to underwrite significant investments in the Dandenong liquefaction and storage facility. Rather, any major upgrade of these unregulated assets should be underwritten through commercial market-based arrangements, as they have been to date.²³

2.4.2 Promoting market efficiency

The draft rule would promote the efficient operation and use of the Dandenong storage facility and the efficient use of LNG stock held in this facility through:

22 This is reflected in ACCC's latest projections, with the June 2025 gas inquiry report noting that southern states are facing growing shortfalls from 2026, particularly over the winter months. While AEMO's most recent projections suggest that peak-day shortfalls will not emerge until 2028, it also pointed to the critical role the Dandenong storage facility plays in providing additional resilience to manage peak day threats and reduce curtailment risk in the south. ACCC, [Gas Inquiry 2017-2030](#), June 2025, pp. 17 and 46 and AEMO, [Victorian Gas Planning Report](#), March 2025, pp. 15-16 and 46.

23 A recent example of this on other storage facilities includes the expansion of the Iona underground storage facility, which is being underpinned by a 25 year gas storage agreement with Snowy Hydro that was entered into in 2024. See <https://www.snowyhydro.com.au/news/snowy-hydro-signs-lochard-gas-storage-agreement/>

- **The extension of the Dandenong buyer and supplier of last resort interim arrangements:** The extension of these arrangements by four years, together with the refinements provided for in the draft rule, would mean that many of the design features that were implemented in the 2022 rule change to promote the efficient use of the Dandenong storage facilities and AEMO's LNG reserve would continue to do so. These include the following:
 - Buyer of last resort features:
 - requirement for AEMO to procure all the usable uncontracted capacity and sufficient gas to meet the target level of LNG stock going into winter,²⁴ together with the flexibility AEMO has to determine whether the LNG reserve should be refilled during or after winter to mitigate other threats, is intended to promote the efficient use of the Dandenong storage facility
 - relinquishment and disposal provisions, which are intended to mitigate the risk that AEMO crowds out other more efficient uses of the facility and avoid unnecessary and inefficient withdrawals and injections from storage.²⁵
 - Supplier of last resort features: The ability AEMO has to include gas from its LNG reserve into the market schedules at the value of lost load (VoLL), is intended to provide for the efficient allocation of gas and provide participants a strong incentive to hold their own LNG stock.²⁶
 - LNG storage contract features:
 - inclusion of an arbitration mechanism to deal with any dispute that may arise about the extension of the LNG storage agreement, is intended to avoid hold up in the negotiations, which could affect AEMO's ability to efficiently perform the buyer and supplier of last resort function. Any hold up in the extension of the agreement could also affect the efficient operation or use of the Dandenong storage facility, and use of AEMO's LNG reserve, if it results in the current agreement ending and AEMO having to empty its reserve
 - restriction of the types of variations to the LNG storage agreement allowed under the rules, is intended to avoid the inefficient pass through of safety or reliability related investments that AEMO has no control over.
 - **Dandenong liquefaction facility transparency and oversight measures:** The extension of the:
 - Gas Bulletin Board and DWGM transparency and oversight measures to the Dandenong liquefaction facility would enable market participants and AEMO to make more informed and efficient decisions about their use of the Dandenong storage facility and LNG stock to address any threats, including threats to system security, that arise
 - maintenance obligations to the Dandenong liquefaction facility would support the efficient operation of this facility, the Dandenong storage facility and other DWGM facilities, including by enabling maintenance to be more efficiently coordinated across facilities.

In addition to promoting the efficient operation and use of the Dandenong liquefaction and storage facilities and use of LNG stock, the draft rule would support the efficient operation of the DWGM by:

²⁴ The target level is the highest level reasonably possible, or such other level determined by AEMO and approved by the Victorian Minister.

²⁵ See NGR, rule 286.

²⁶ The VoLL, currently \$800/GJ, reflects the scarcity value of the LNG held in the Dandenong storage facility. The use of VoLL in this context provides market participants an opportunity to bid their gas in before the LNG reserve is used (consistent with the last resort nature of this power) and a financial incentive to hold their own LNG stock (i.e. to avoid having to pay VoLL).

- enabling market participants to make more informed and efficient decisions about their use of gas and covered gas services more generally within the DWGM
- allowing market participants and AEMO to better respond to threats that may arise in the DWGM that could otherwise result in the curtailment of gas users, the market being suspended, or have other adverse consequences
- enabling AEMO to perform its planning, maintenance and other declared system functions more efficiently and effectively, which would also benefit market participants.

2.4.3 Alignment with the principles of good regulatory practice

The Commission has taken a number of steps in developing the draft rule to ensure that both the buyer and supplier of last resort arrangements and the Dandenong liquefaction transparency and oversight measures:

- are targeted, fit for purpose and proportionate to the issues they are intended to address
- provide for predictability, stability, simplicity and transparency in the arrangements.

This is reflected in the draft rule, which provides for:

- The Dandenong buyer and supplier of last resort interim arrangements to be strengthened and improved by:
 - clarifying that AEMO is not required to contract unusable uncontracted storage capacity (i.e. capacity that cannot be refilled, store LNG and/ or have LNG withdrawn from)
 - providing for AEMO and the Dandenong storage facility operator to have recourse to arbitration if they are unable to reach agreement on the extension of the current agreement, but otherwise relying on the contract dispute mechanism for disputes that arise over the term of the agreement
 - removing the rule that permits the Dandenong storage facility operator to seek variations to the LNG storage agreement for safety and reliability reasons to mitigate the risk this is used to pass through the costs of major upgrades to the storage and/ or liquefaction facility, which as noted above is not the intent of these arrangements.
- Market participants and AEMO to have greater operational transparency and oversight of the Dandenong liquefaction facility, while also minimising the reporting and compliance costs. In the case of the Gas Bulletin Board, the reporting and compliance costs have been minimised by:
 - treating the Dandenong liquefaction facility as if it forms part of the Dandenong storage facility, rather than as a stand alone facility
 - allowing either APA or BOC to act as the responsible reporting entity for the combined facility (i.e. to minimise the Gas Bulletin Board IT and system costs).

In developing the draft rule, the Commission has also been cognisant of the broader direction of reform. This is reflected in the Commission's decision to extend the term of the buyer and supplier of last resort arrangements by four years, which is intended to provide sufficient time for a more enduring fit-for-purpose solution to be developed.

2.4.4 Minimising cost and complexity in the arrangements

Extending the buyer and supplier of last resort interim arrangements and implementing the Dandenong liquefaction facility transparency and oversight measures will give rise to costs. In the case of the:

- **Dandenong buyer and supplier of last resort interim arrangements**, the costs over the extension term would be borne by AEMO and ultimately Victorian gas consumers.
- **Dandenong liquefaction facility transparency and oversight measures**, the costs would be borne by both:
 - the Dandenong liquefaction facility operator, BOC, who may pass the costs through to Dandenong storage facility users, including AEMO, through liquefaction charges, which are likely, in turn, to be passed through to Victorian gas consumers
 - AEMO who would pass the costs through to market participants, which are likely, in turn, to be passed through to Victorian gas consumers.

As outlined in chapter 2, the Commission has taken steps to minimise the cost and complexity associated with these two elements of the draft rule.

This includes, in the case of the buyer and supplier of last resort arrangements, the decision to extend these arrangements by four years, rather than relying on AEMO's trading and directions functions or extending the term of these arrangements by ten years. The extension of the buyer and supplier of last resort arrangements by four years is therefore expected to result in lower costs and risks than the alternatives:

- As the proponent noted, relying on the trading and directions functions could introduce more complexity, give rise to higher administrative costs and result in many of the constraints and other guardrails that apply to the interim buyer and supplier of last resort arrangements lapsing.²⁷
- Extending the term of these arrangements by ten years, could also expose AEMO and Victorian consumers to significant costs and risks given the potential for it to be relied upon by the Dandenong liquefaction and/ or Dandenong storage facility operator to underwrite investments in their respective facilities that AEMO would have no ability to control the scope or cost of.

The draft rule would also limit or otherwise constrain the costs associated with the buyer and supplier of last resort interim arrangements by:

- only requiring AEMO to procure uncontracted capacity that in its reasonable opinion can be refilled, stored or withdrawn from, so that it is not paying for capacity that cannot be used
- restricting the circumstances in which the Dandenong storage facility operator, APA, can seek variations to the prices charged under the LNG storage agreement.

As outlined above, the draft rule would also constrain the costs that the Dandenong liquefaction facility operator and AEMO would incur under the new transparency and oversight measures.

The ultimate beneficiaries of these cost minimisation measures should be Victorian gas consumers, which is consistent with the NGO.

²⁷ Rule change request, p. 22.

3 Extending and improving the Dandenong LNG interim arrangements

The first element of our draft determination seeks to ensure AEMO has access to the tools it needs to address projected risks to security and reliability in the DWGM over the extension period that have been identified by the ACCC and AEMO in their latest projections.²⁸

We consider that an extension of the interim arrangements for a short-term, i.e. four years, provides the most efficient solution for AEMO to manage projected threats to DWGM security and reliability. In deciding to extend the interim arrangements for four years, the Commission has been cognisant of:

- the broader program of reforms to further develop the ECGS reliability and supply adequacy framework, specifically the rule change request to develop a Supplier of Last Resort mechanism²⁹
- our previous rule change in 2010 that liberalised the operation of the Dandenong storage facility and which were made with the purpose of incentivising efficient market investment and operation of the Dandenong storage facility,³⁰ and
- the fact that the Dandenong storage facility is not subject to economic regulation under the NGR and the role of AEMO (and Victorian gas consumers) in underwriting investments in unregulated assets.

In extending the interim arrangements, we propose a number of amendments that we consider would improve outcomes for gas consumers, including:

- clarifying AEMO's obligations to contract for uncontracted storage capacity (see section 3.2)
- re-introducing a rules-based arbitration resolution mechanism to facilitate AEMO and APA's negotiation of the contract extension (see section 3.3)
- ensuring gas consumers are not exposed to the risks of significant investments in the Dandenong storage facility (see section 3.4).

3.1 A four year extension efficiently addresses short-term risks to DWGM security and reliability

Box 1: Draft determination - Extend AEMO's interim Dandenong LNG buyer and seller of last resort powers by four years

The Commission's draft determination is to extend the 2022 interim buyer and supplier of last resort arrangements by four years. This would allow AEMO to manage identified risks to the security and reliability of the DWGM until more permanent arrangements are in place.

Our draft determination is to extend AEMO's interim buyer and supplier of last resort powers for four years. We consider that this is the most efficient solution to address the short-term risks to security and reliability in the DWGM. It would maintain an existing framework that provides clear guidance to AEMO for buying, using, and disposing of LNG stock and storage capacity to manage threats to system security in the DWGM over the short term.

28 ACCC, Gas Inquiry 2017-2030, June 2025 pp. 17 and 46; AEMO, Victorian Gas Planning Report, March 2025, pp. 15-16 and 46.

29 Department of Climate Change, Energy, the Environment and Water, Rule change request, East Coast Gas System Supplier of Last Resort Mechanism.

30 AEMC, Rule Determination, Dandenong Liquefied Natural Gas Storage Facility, 2010.

The short-term nature of the extension recognises that the interim arrangements were not designed as a long-term or enduring solution to address system security and reliability in the DWGM, but instead as a stop-gap measure until more permanent and fit-for-purpose arrangements are implemented.

We note that the permanent solution could be delivered as part of the broader ECGS reforms, that is, through the implementation of a Supplier of Last Resort Mechanism (either in combination with a third party access regime or without³¹) as part of the RSA Stage 2 rule change requests.

There are four options to address security and reliability risks in the DWGM

The Commission consulted on three options for how AEMO could address security and reliability threats in the DWGM.³²

- **Option 1:** Allow interim arrangements to expire and rely on AEMO's directions power and trading function
- **Option 2:** Ten year extension of the interim arrangements
- **Option 3:** Three year extension of the interim arrangements (proponent's recommended option).

Origin Energy proposed an alternative option in its response to our consultation paper on the basis that the options identified in the consultation paper did not manage the underlying issue of APA's market power. Origin suggested an auction of uncontracted Dandenong storage capacity.³³

Figure 3.1 below provides an overview of the Commission's analysis of the four options.

31 Noting that third party access and the Supplier of Last Resort mechanism would address different issues.

32 AEMC, Consultation Paper, Extension of the DWGM Dandenong LNG interim arrangements, 2025

33 Origin, submission to the consultation paper, p. 2.

Figure 3.1: Options considered by the Commission

	Option 1 Allow interim arrangements to expire and rely on AEMO's directions power & trading fund	Option 2 Ten year extension of the interim arrangements	Option 3 Three year extension of the interim arrangements	Option 4 Auction of uncontracted storage capacity with AEMO to fund gap between the clearing price and the storage facility operator costs
	Not supported by any stakeholders.	Supported by APA, BOC & APGA	Minister's preferred option, supported by EUAA, Shell & Alinta	Proposed by Origin
Rationale	AEMO could potentially use its: •trading power and \$35m ECGS trading fund to establish a LNG reserve if it was necessary to maintain and improve the reliability of gas supply in the ECGS •directions power to direct participants with LNG stock in Dandenong to inject it into the market if threats arise. Note the ECGS trading fund was not an option available in 2022.	This option could underwrite investment in the Dandenong liquefaction facility •APA submits investment is required to enable this facility to operate reliably •BOC has noted reliability concerns are a function of a lack of forward certainty that is precluding required investment to meet system reliability needs in a changing environment.	The Minister proposed this as a stop-gap measure until an enduring solution can be implemented. This could be delivered as part of the broader ECGS reforms (that is through the implementation of a Supplier of Last Resort mechanism as part of the RSA Stage 2 reforms).	Origin proposed this as an alternative to "support market-led procurement", with: •quarterly auctions to provide participants an 'opportunity to procure and refill storage at a more efficient and transparent price' •AEMO's \$35m trading fund used to cover any gap between the clearing price and APA's costs.
Benefits	Would support better outcomes for consumers as AEMO would only buy the storage capacity it estimates is required for reliability and system security.	Would support investment in liquefaction facility to increase/enhance its reliability, although its not clear this is required by the market.	Provides a simple and ready-made tool for AEMO to manage system security and reliability risks until an enduring solution is implemented. Interim arrangements have been effective in ensuring tank is full.	Allowing the market to determine the price of Dandenong storage capacity through an auction could encourage participants to hold LNG in Dandenong, rather than relying on AEMO.
Costs & risks	•Higher administrative costs as AEMO would need to undertake a reliability assessment to determine the amount of storage to purchase. •The trading power lacks the same guardrails around AEMO's use of the function and market power protections as the interim arrangements. •The directions power may not be effective if participants do not contract.	Using this tool to underwrite investment would expose AEMO and consumers to significant costs and risks, noting that: •It is not clear the market requires the major investment proposed by APA and BOC, noting that potential development of an LNG import terminal in Victoria •AEMO would have no control over the investment or the costs which would be passed through to consumers.	•May lead to less efficient outcomes for consumers (compared to Option 1) if AEMO has to buy more storage capacity than is required for reliability and system security purposes. •Additional measures are needed to limit the risk of pass-through of material costs to improve the reliability of the Dandenong liquefaction facility (given recent issues).	•An auction that leads to a lower price may encourage participants to buy capacity, but this does not guarantee LNG stock will be held that can be used to address threats. •Having AEMO fund differences between the clearing price and APA's costs would be complex to implement and could result in AEMO subsidising participants with capacity, which could impact competition and have other distortionary impacts.

*AEMO did not express a preference for any option in its submission

Source: AEMC.

Our draft rule efficiently addresses DWGM security and reliability risks in the short term

The Commission considers that a four year extension would support the safety, security and reliability of gas supply in the DWGM. The extension would maintain an existing framework that provides clear and prescriptive guidance to AEMO for when and how it is to procure, maintain and dispose of storage capacity and LNG stock in relation to the Dandenong storage facility to manage threats to system security in the DWGM. The requirement for AEMO to procure uncontracted capacity and sufficient gas to meet the target level going into winter would continue to maximise inventory in Dandenong storage capacity at a time when market participant

contracting at the Dandenong storage facility remains low and there are projected short-term risks to the reliability and adequacy of supply in the DWGM.³⁴

Our draft determination to extend the interim arrangements by four years is consistent with the *principles of good regulatory practice and market efficiency* assessment criteria and would promote the NGO, recognising the intent of the broader direction of the RSA Stage 2 reforms to develop fit-for-purpose enduring solutions to manage reliability and supply adequacy issues in the ECGS, including for the DWGM. The four year extension allows sufficient time for these processes to be implemented, while maintaining a clear and prescriptive framework for AEMO to procure, use, and dispose of storage capacity and LNG stock in the Dandenong storage facility.

All stakeholders, except for Origin, supported an extension of the interim arrangements but had different views about the extension term. Shell, Alinta and EUAA supported a three year extension until an enduring solution is in place.³⁵ APA, BOC and APGA supported a ten year extension, arguing that there is a need for investment in the liquefaction facility (particularly if capacity is to be expanded).³⁶

In contrast, Origin proposed an auction of Dandenong storage capacity to incentivise market contracting and allow the market, rather than the facility operator, to determine the price of capacity, with AEMO to fund any of APA's costs not recovered through the auction.³⁷ The Commission does not consider this to be a suitable option as it fails to guarantee LNG stock is held in the Dandenong storage facility. This approach would also be administratively complex to implement and may create other distortions depending on its design.

The Commission observes that market participant contracting of Dandenong storage capacity has remained at low levels in recent years, and notes the ACCC's prior observations that the decline from late 2020 appears to be a result of APA's ability to change its contracting model and reject shippers' requests to negotiate more favourable terms underscores the significant market power that they have in respect of the Dandenong storage facility.³⁸ To the extent that the diminished use of the Dandenong storage facility by the market reflects concerns around the exercise of market power, we note that there are a range of options to manage this issue in the longer term (and have set them out in chapter 1).

A ten year extension could expose gas consumers to unnecessary costs

The Commission does not consider a longer-term (ten year) extension to be in the interest of gas consumers as it may result in them underwriting investment in the Dandenong storage and/ or liquefaction facilities, exposing them to the risk of significant and long-term capital investment that is typically better managed by the asset owner (see section 3.4 for further detail). We do not consider that the interim arrangements were designed with this intent. The objective of the buyer and supplier of last resort interim arrangements is not for AEMO (and ultimately Victorian gas consumers) to be used as a vehicle to underwrite significant investments in the Dandenong liquefaction and storage facility. Rather, any major upgrade of these unregulated assets should be underwritten through commercial market-based arrangements, as they have been to date.

We also note that the interim arrangements were not intended nor designed as a longer term solution for managing security and reliability risks in the DWGM. This is because of the obligation

34 The threats to security and reliability in the DWGM and decline in market participant contracting at the Dandenong storage facility are outlined in chapter 1.

35 Stakeholder submissions to the consultation paper: Shell, p. 1; Alinta, p. 1; EUAA, p. 1.

36 Stakeholder submissions to the consultation paper: APA, p. 10; BOC, p. 3; APGA, p. 3.

37 Origin, submission to the consultation paper, p. 2.

38 ACCC, Gas Inquiry 2917-2025, Interim Report July 2022, p. 91.

on AEMO to buy all uncontracted storage capacity in the Dandenong storage facility (as at 1 March each year) without regard to whether or not that capacity is in fact needed. Shell, Alinta and EUAA supported a three year extension until an enduring, fit-for-purpose solution is in place.³⁹

Allowing the interim arrangements to lapse would create uncertainty

If the interim arrangements were allowed to expire, AEMO would have the following tools to manage threats to system security and reliability:

- **Directions powers**, i.e. the DWGM⁴⁰ or the ECGS directions power.⁴¹
- **The ECGS trading fund**, which AEMO can use to trade in covered gas and purchase pipeline, storage and other services to the extent it considers necessary to maintain or improve the reliability or adequacy of the gas supply in the ECGS.⁴² The trading fund is subject to a cap of \$35 million per annum (real 30 June 2022).⁴³ Currently, AEMO appears to be incurring an \$8.8 million per annum storage charge under its contract with APA.⁴⁴

All stakeholders who commented on the extension term did not consider the use of AEMO's trading function or direction powers to be a preferable alternative.⁴⁵

The Commission agrees that allowing the interim arrangements to expire and relying on the existing AEMO powers until such time that a permanent solution for the Dandenong storage facility is implemented would not promote the NGO. Allowing the current arrangements to lapse would remove a range of matters provided for under the interim arrangements that would not necessarily be covered by AEMO's trading function (e.g. prescriptive guidance for AEMO when exercising its buyer and supplier of last resort functions, cost recovery, and the consumer protections afforded by the pricing guardrails).

3.2 AEMO should only be required to contract for uncontracted storage capacity that is 'usable'

Box 2: Draft determination - AEMO should only be required to contract for uncontracted storage capacity that can be used

The Commission's draft determination is that AEMO should only be required to contract for uncontracted storage capacity that is available to be used (i.e. 'usable' uncontracted storage capacity that can be refilled, store LNG, and have LNG withdrawn from).

The Commission's draft rule clarifies that AEMO is not required to contract for the use of uncontracted LNG storage capacity that AEMO reasonably considers is subject to a temporary or permanent constraint limiting its use.

AEMO's submission to the consultation paper identified this issue as a risk. This issue was not identified in the consultation paper and so was not commented on by any other stakeholders. The

39 Stakeholder submissions to the consultation paper: Shell, p. 1; Alinta, p. 1; EUAA, p. 1.

40 Under section 91BC(1) of the NGL, this allows AEMO to issue directions to a registered participant to maintain and improve the reliability the supply of covered gas, maintain and improve the security of the declared transmission system or a declared distribution system, and/ or in the interests of public safety.

41 Under sections 91AD(1)(e) and 91AF(1) of the NGL, this allows AEMO to issue directions to relevant entities in the ECGS to maintain and improve the reliability and/ or adequacy of the supply of covered gas within the ECGS.

42 AEMO, <https://aemo.com.au/initiatives/major-programs/east-coast-gas-reforms>.

43 NGR, rule 709.

44 Rule change request, p. 36.

45 Submissions to the consultation paper: Alinta, p. 1; APA, p. 9; APGA, pp. 3-4; BOC, pp. 3-4; EUAA, p. 1.

Commission's draft determination recognises that there is a risk, under the current interim arrangements, that AEMO may have to contract for uncontracted capacity that cannot be:

- refilled due to liquefaction facility constraints
- used to store gas due to storage facility constraints
- withdrawn due to vaporisation facility constraints.

AEMO is currently required to contract for *all* uncontracted Dandenong storage capacity

The interim arrangements currently require AEMO to contract all uncontracted LNG storage capacity as at 1 March each relevant year.⁴⁶ AEMO must:

- contract for the use of any uncontracted LNG storage capacity available at 1 March for the upcoming winter months, and
- purchase gas for storage as LNG, with the objective of achieving the target level of LNG stock by the start of winter (the target level is determined by reference to the amount of storage capacity contracted by AEMO).

The term 'uncontracted LNG storage capacity' is defined in the NGR as:⁴⁷

"any storage capacity... excluding the operational LNG storage capacity and the non-market storage capacity, that is available to be contracted to Market Participants as LNG storage capacity but that is uncontracted."

This requirement could result in AEMO paying for Dandenong storage capacity that may not be able to be used

In its submission to the consultation paper, AEMO noted the risk that the rules, as currently drafted, would result in AEMO having to contract and pay for Dandenong storage capacity in circumstances where it is not able to use that capacity.

In its submission to the consultation paper, AEMO noted the risk that the rules, as currently drafted, would result in AEMO having to contract and pay for Dandenong storage capacity in circumstances where it is not able to use that capacity (for example, due to longer-term operational issues that materially affect the injection, withdrawal or storage capacity of the Dandenong storage facility).⁴⁸

AEMO suggested that it would be beneficial for the rules to clarify that contracting of uncontracted capacity must be on the basis that it is available to be used.⁴⁹

The Commission considers that clarifying AEMO's obligations with respect to the contracting of uncontracted storage capacity is consistent with the *principles of market efficiency* and *good regulatory practice assessment* criteria and would promote the NGO. Our draft determination would ensure that APA is appropriately incentivised to ensure that its storage facility is capable of providing the services for which it has contracted for and for which it is being paid by users to provide. That is, the risk of ensuring that the contracted service that is being paid for by users is appropriately allocated to the party best placed to manage this risk, being APA.

⁴⁶ NGR, rule 282(3).

⁴⁷ NGR, rule 200.

⁴⁸ AEMO, submission to the consultation paper, p. 1.

⁴⁹ *ibid.*

3.3 Re-introduce a rules-based arbitration mechanism to facilitate the negotiation of the extension

Box 3: Draft determination - AEMO and APA should have access to a rules-based arbitration mechanism to facilitate the negotiation of the extension

The Commission's draft determination provides for a rules-based arbitration mechanism to facilitate timely negotiations between AEMO and APA for the extension.

We do not consider it necessary to extend the operation of the arbitration mechanism to capture potential disputes over the period of the proposed extension (arising from a variation requested by either party, including as to price). We also note that the existing contract between AEMO and APA already provides a mechanism for managing contractual disputes.

3.3.1 **An arbitration mechanism would facilitate a timely negotiated contract extension in the interests of gas consumers**

Our draft determination is to include a rules-based arbitration mechanism that would be available to both AEMO and the LNG storage provider, APA, during their negotiations of the contract extension. The arbitration mechanism is the same as that provided for in transitional arrangements of our 2022 final rule,⁵⁰ updated to reflect that the mechanism applies to the negotiation of the extension of the interim arrangements.

Our draft determination seeks to mitigate the potential for APA to exercise market power during the negotiation of the extension. Rule 282(1) of the NGR requires AEMO to have a contract with the LNG storage provider, APA, for the purchase of all uncontracted storage capacity (as at 1 March). In its 2022 final determination, the Commission noted that the obligation to procure all available uncontracted capacity of the Dandenong storage facility creates a risk that AEMO would be a price taker in the negotiations. This could mean that AEMO is more susceptible to the exercise of market power by the LNG storage provider, the costs of which would be borne by Victorian gas consumers.⁵¹

The LNG storage provider can also have recourse to arbitration, if necessary, for the purposes of the negotiations.

APA and AEMO supported the inclusion of an arbitration mechanism. APA supported continuing the same arbitration mechanism that was included in the transitional arrangements in our 2022 final rule.⁵² AEMO likewise supported the inclusion of a rules-based dispute resolution to cover the negotiation, execution and termination of a new or renewed storage contract between AEMO and APA under the revised framework.⁵³

The Commission considers that including a transitional, rules-based arbitration mechanism that is available to both AEMO and the LNG storage provider is consistent with our assessment criteria of *principles of good regulatory practice* and *market efficiency*, and would promote the NGO because it provides for a more effective resolution of disputes that may arise during the negotiation of the extension. This mitigates the risk that an extension of the current contract to enable AEMO to perform its buyer and supplier of last resort roles is not entered into, which could affect the

50 Rule 93, Part 18 National Gas Amendment (DWGM interim LNG storage measures) Rule 2022 No.4.

51 AEMC, DWGM interim LNG storage measures 15 December 2022, p. 49

52 APA, submission to the consultation paper, p. 13.

53 AEMO, submission to the consultation paper, p. 2.

efficient operation or use of the facility or AEMO's use of its LNG reserve. Giving the parties recourse to arbitration would also help to reduce the imbalance in bargaining power that AEMO may face in negotiations with the LNG storage provider, which could be to the detriment of consumers in terms of the price paid for storage.

3.3.2 **We do not consider that there is a need for an arbitration mechanism to manage disputes during the extension**

The proponent and AEMO suggested that we consider extending the arbitration mechanism to capture contractual disputes during the term of the extension:

- the proponent requested that the Commission consider providing an arbitration/ dispute resolution pathway to further bolster the pricing guardrails under the interim arrangements⁵⁴
- AEMO also supported the inclusion of a rules-based dispute resolution mechanism to cover contractual disputes that arise during the extension period relating to the variation of the new agreement.⁵⁵

The proponent and AEMO's concerns revolve around the scope of permitted variations under the rules. In this context, we note AEMO's support of extending the rules-based arbitration mechanism to cover disputes over contractual variations during the period of the extension, which would encompass disputes over permitted variations that are reasonably necessary for the safe and reliable operation of the Dandenong storage facility.⁵⁶

The interim arrangements through Rule 282(2)(c)(i) permit variations that are reasonably necessary for the safe and reliable operation of the Dandenong storage facility. The Commission's draft determination is to delete rule 282(2)(c)(i) because we consider it would expose AEMO (and ultimately Victorian gas consumers) to the risk of APA passing through the costs of significant capital investment on the basis that the expenditure is reasonably necessary for the safe and reliable operation of the Dandenong storage facility. We do not consider that this is consistent with the intent of the interim arrangements (see section 3.4 for further detail on this issue).

The restriction of the types of variations to the LNG storage agreement allowed for under the rules is intended to avoid the inefficient pass through of safety or reliability related investments that AEMO has no control over. On this basis, we do not consider that there is a need to extend the application of a rules-based arbitration mechanism to cover contractual disputes that arise during the term of the extension. We also note that the existing contract between AEMO and APA already provides a mechanism for managing contractual disputes.

3.4 **Gas consumers should not bear the cost and risk of capital investments in unregulated assets**

Box 4: Draft determination - major capital investments should not be underwritten by gas consumers during the four year extension of the interim arrangements

The Commission's draft determination is to limit variations to the AEMO and APA contract where reasonably necessary for the safe and reliable operation of the storage facility.

The Commission considers any pass-through of long-term capital expenditure costs to be

⁵⁴ Rule change request, pp. 28-29.

⁵⁵ AEMO, submission to the consultation paper, p. 2.

⁵⁶ AEMO, submission to the consultation paper, p. 2.

inconsistent with the original intent of our 2022 final rule establishing the interim buyer and supplier of last resort arrangements. We do not consider supporting significant capital upgrades to the storage and liquefaction facility via the interim arrangements to be in the long-term interests of gas consumers. Such decisions would be more appropriately undertaken by APA and BOC and supported by market participant contracting.

3.4.1 Current cost-pass through mechanisms

The current interim arrangements provide two means for costs to be passed through to AEMO.

- Contractual mechanisms, including:
 - clause 7.3 of the LNG storage agreement between AEMO and APA, which provides for the automatic pass-through of liquefaction charges (calculated via a formula) incurred in the relevant month
 - a CPI escalation mechanism
 - a change in law provision, which in general terms allows the net financial effect associated with any change in law that results in a non-trivial increase or decrease in the LNG storage provider's costs to be passed through to AEMO
 - a change in the nature of the market provision, which states that if the DWGM rules, the NGR or NGL are changed in a way that materially affects the operation of any provision of the agreement, the parties will renegotiate in good faith any terms that are no longer operational, or no longer operate as originally intended.
- NGR Rule 282(2)(c)(i), which permits variations to the LNG storage agreement between AEMO and APA that are reasonably necessary for the safe and reliable operation of the LNG storage facility.

The Commission notes that allowing the existing contract to be varied to reflect indexation and change in law is consistent with standard commercial practice and means that both parties' interests are appropriately taken into account.

We also note that rule 282(2)(c)(i) enabled the parties to amend the 2022 agreement if necessary to safely and reliably provide the service required by the 2022 rule change.⁵⁷ At the time the 2022 rule change was made, the need for any such amendments was unknown. We note that AEMO and APA have since varied the agreement to enable it to operate under the interim arrangements and that they have not identified, as part of this process, additional amendments that would be needed for safe and reliable operation under the extension of the interim arrangement. We note that it was not the intention for this clause to support capital investment in the Dandenong storage and liquefaction facilities.⁵⁸

3.4.2 Concerns about the reliability of the liquefaction facility have recently emerged

The Dandenong storage facility is supported by a liquefaction facility that is owned and operated by BOC. The liquefaction facility plays a critical supporting role in enabling the Dandenong storage facility to be refilled with LNG and determining the speed with which this refill can occur. As noted by the proponent, the importance of having a functioning liquefaction service was recognised

⁵⁷ Victorian Minister for Energy, Environment and Climate Action, Rule Change Proposal - Enhanced Utilisation of the Dandenong LNG facility (rule change request), 8 August 2022 p. 12.

⁵⁸ AEMC, DWGM interim LNG storage measures, Rule determination, 15 December 2022.

through specific references to this function in both the *National Gas (Victoria) Act 2008*, the Victorian application Act for the NGR, and in pre-2010 versions of the NGR.⁵⁹

The Commission notes statements from AEMO, APA and BOC that the liquefaction facility has experienced reliability problems in recent years.⁶⁰ BOC have noted that the reliability concerns are a function of a lack of forward certainty. This has precluded it from reinvesting in the liquefaction facility, which means that reliability threats are addressed at the time of failure rather than large-scale upgrading and modernisation of the plant. BOC also notes that the quality of the natural gas into the plant has varied over time, which means that the plant is operating at the edge of its original design envelope in purifying incoming natural gas for the liquefaction process.⁶¹

APA stated that there is an urgent need to improve the reliability of the Dandenong liquefaction facility.⁶² APA notes that a lack of confidence that third-party market participants will contract with the Dandenong storage facility long-term will continue to harm the investment appetite in upgrading the liquefaction facility. Without the assurance provided by long-term contracts, APA notes that the prospect of sustained investment in the Dandenong plant and liquefaction services is limited.⁶³

It is for this reason that APA, BOC and APGA have argued for a longer-term, ten year extension of the interim arrangements, which they consider necessary to support investment certainty.⁶⁴

3.4.3 Gas consumers should not bear the risk of long-term investments to address reliability issues in an unregulated asset

The current arrangements expose consumers to the risk of significant cost pass-throughs associated with long-term capital investment

In light of the stakeholder concerns about the ongoing reliability of the liquefaction facility and our draft determination to extend the interim arrangements for four years only, the Commission considers that there is a risk that AEMO (and by extension, Victorian gas consumers) could be exposed to the costs associated with significant capital investments to address reliability issues associated with the liquefaction facility.

This risk arises because rule 282(2)(c)(i) currently permits variations (including to price) to the AEMO and APA contract where these are reasonably necessary for the safe and reliable operation of the storage facility. We are concerned that AEMO does not have any control over these costs under the interim arrangements.

AEMO expressed similar concerns in its submission. AEMO's view is that there is a risk that APA could seek to pass through materially higher costs and charges for liquefaction to reflect significant capital expenditure on the basis that the expenditure is reasonably necessary for the safe and reliable operation of the Dandenong storage facility. AEMO considers that allowing APA to recover long-term capital investment costs over the extension period would be inconsistent with the intent of the interim arrangements.⁶⁵

Gas consumers should not bear the risk of long-term capital investments in unregulated assets

59 Rule change request, p. 16.

60 Submissions to the consultation paper: AEMO, p. 1; APA, p. 6; BOC, p. 4.

61 BOC, submission to the consultation paper, p. 4.

62 APA, submission to the consultation paper, p. 8.

63 APA, submission to the consultation paper, p. 7.

64 Submissions to the consultation paper, APA, p. 6; BOC, p. 4; APGA, p. 3.

65 AEMO, submission to the consultation paper, p. 2.

The Commission considers that the need to undertake long-term and significant capital investment to address reliability issues associated with the liquefaction facility is a decision for APA and BOC considering present and future market conditions and should be supported by market participant contracting rather than AEMO contracting. In our view, AEMO (and Victorian gas consumers) should not be put at risk of bearing the full cost and risk of significant and long-term capital investments in the Dandenong liquefaction and storage facilities via AEMO's buyer and supplier of last resort contracting because:

- The Dandenong storage facility is operated on a commercial and market basis and is not subject to price regulation. Requiring AEMO to underwrite a long-term investment would erode the commercial and market incentives of asset owners to make efficient investment decisions and manage their assets commercially (for example, removing the incentive to offer a wider range of storage-related services and prices to increase market participant contracting).
- AEMO is not the appropriate party to manage the risks associated with long-term investments in unregulated assets. This is particularly the case when there is uncertainty in the gas demand-supply outlook in light of the potential for new supply sources to come online and a reduction in gas demand due to electrification. These risks are more appropriately borne by asset owners and market participants who are better placed and more informed when making commercial decisions about investments in the long-term operation of these assets.

Our draft determination is therefore to delete rule 282(2)(c)(i), which currently permits variations that are reasonably necessary for the safe and reliable operation of the Dandenong storage facility. This is to ensure that this rule change is not used as a mechanism to pass through the costs of safety and reliability related investment to AEMO (and ultimately Victorian gas consumers) over which AEMO has no control.

This is because the objective of the buyer and supplier of last resort interim arrangements is not for AEMO (and ultimately Victorian gas consumers) to be used as a vehicle to underwrite significant investments in the Dandenong liquefaction and storage facility. Rather, any major upgrade of these unregulated assets should be underwritten through commercial market-based arrangements, as they have been to date.

In coming to our draft determination, we are conscious of the concerns about the ongoing reliability of the liquefaction facility and the implications this could have for the refill of LNG stock in the storage tank. We consider that these concerns can be addressed, without placing unreasonable risks on AEMO and ultimately Victorian gas consumers, by:

- improving transparency and operational oversight of the liquefaction facility, as well as extending Part 19 NGR maintenance reporting and coordination obligations to the liquefaction facility (see chapter 4)
- APA and BOC seeking market participant contracting to support any significant capital investment required to improve the reliability of the liquefaction facility.

Finally, we note that if there is a need for a rules-based framework to support long-term investment in the Dandenong storage facility and associated infrastructure (i.e. the liquefaction facility), there is the option of extending more direct price regulation to the Dandenong storage facility. We discuss this briefly in section 1.3. In our view, the interim arrangements were not intended to be, nor should they be regarded as being, the regulatory solution to support long-term investment.

The Commission's draft determination is consistent with the *principles of market efficiency* assessment criterion and promotes the NGO because it:

- allocates risk to those parties best suited to manage risk. In this circumstance, the parties that are best placed to manage the risk of significant, long-term capital expenditure investments are APA and BOC and market participants, not AEMO. Decisions by investors and asset owners to undertake long-term significant capital investments are made having regard to detailed analysis and projections about present and market conditions
- ensures that investors and asset owners of the Dandenong storage facility and associated infrastructure face the appropriate incentives to operate the facility on a commercial basis. In this regard, we note the previous changes made in 2010 to liberalise the use of the Dandenong storage facility.⁶⁶ These changes provided more flexibility to the Dandenong storage provider to offer a wider range of storage-related services on a commercial basis and were intended to encourage efficient capital investment in the facility to meet the needs of potential storage users (such as expanding storage capacity and providing faster liquefaction and vaporising capability).

Noting that we have not raised this issue in our consultation paper, we are interested in stakeholder views on our draft determination to remove rule 282(2)(c)(i).

Question 1: Do stakeholders agree with our draft determination to remove rule 282(2)(c)(i)? Could this change have any unintended consequences/risks? If so, how could these be managed?

3.5 Implementation of the draft rule

Our draft rule requires AEMO and APA to have an extended LNG storage agreement in place by 28 February 2026, to provide sufficient time for AEMO and APA to negotiate the extension.

⁶⁶ AEMC, Dandenong LNG Storage Facility, Rule Determination, 2010.

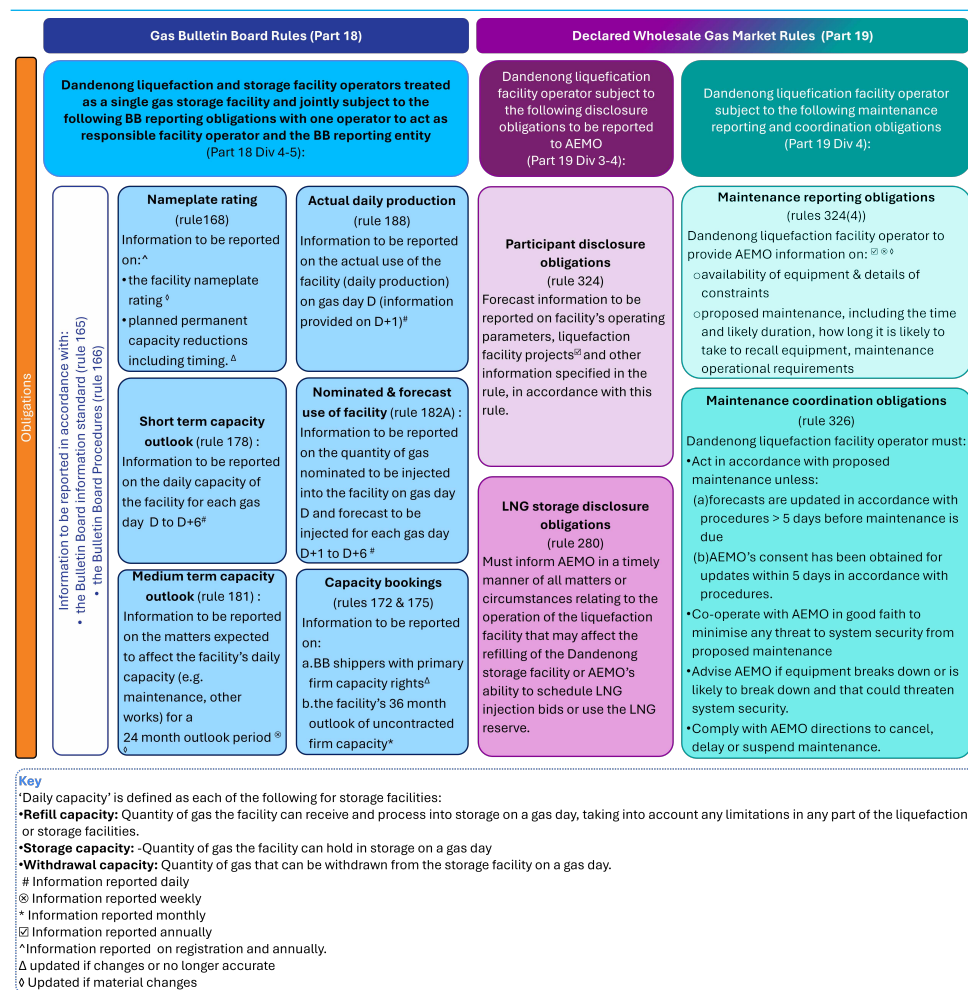
4 Measures to improve transparency and oversight of the Dandenong liquefaction facility

The second element of our draft determination provides for greater transparency and oversight of the Dandenong liquefaction facility through the extension of the following obligations to this facility (see Figure 4.1 for detail):

- the Gas Bulletin Board reporting obligations in Part 18 of the NGR (see section 4.1)
- the participant disclosure,⁶⁷ LNG storage disclosure,⁶⁸ and maintenance reporting and coordination obligations⁶⁹ in Part 19 of the NGR (see section 4.2).

In contrast to the time-bound extension of the buyer and supplier of last resort arrangements, these transparency and oversight measures would apply on a permanent basis. Compliance with these new obligations would commence on 1 April 2026 (see section 4.3).

Figure 4.1: Measures to improve transparency and oversight of the Dandenong liquefaction facility



Source: AEMC.

67 NGR, rule 324.

68 NGR, rule 280(1).

69 NGR rules 324(4) and 326.

In deciding to extend these obligations to the Dandenong liquefaction facility, the Commission has been cognisant of both the:

- increasing potential for peak-day supply shortfalls to arise in southern jurisdictions,⁷⁰ which may result in the Dandenong storage facility being called upon more frequently to help alleviate peak day supply adequacy events and/ or threats to system security in the DWGM
- critical role that the liquefaction facility plays in enabling the Dandenong storage facility to be refilled with LNG and determining the speed with which this refill can occur.

It is therefore important that market participants and AEMO have a good understanding of the operation of the Dandenong liquefaction facility. The improved transparency and oversight of the Dandenong liquefaction facility will enable:

- market participants and AEMO to make more informed and efficient decisions about their use of the Dandenong liquefaction and storage facilities and their use of LNG to address peak day supply adequacy events and/ or threats to system security
- AEMO to perform its declared system functions⁷¹ more efficiently and effectively.

The Commission considers the draft rule would thereby improve both the efficiency with which the Dandenong liquefaction and storage facilities are operated and used, and the safety, security and reliability of the supply of gas to Victorian consumers. This element of the draft rule also embodies principles of good regulatory practice and is intended to minimise the implementation costs associated with these measures.

4.1 Market participants should have greater visibility of the Dandenong liquefaction facility through changes to the Gas Bulletin Board

Box 5: Draft determination – Application of Gas Bulletin Board reporting obligations to the Dandenong liquefaction facility

Our draft determination provides for the extension of the Gas Bulletin Board reporting obligations to the Dandenong liquefaction facility and the treatment of this facility and the Dandenong storage facility similar to other LNG storage facilities. More specifically, our draft rule provides for the Dandenong liquefaction and storage facility operators to be treated as a facility operator group for the purposes of the Gas Bulletin Board and to be jointly responsible for complying with the storage related reporting obligations in Part 18 of the NGR on a permanent basis.

The Commission's draft determination addresses the identified deficiencies in the Gas Bulletin Board reporting obligations by treating both the Dandenong liquefaction and storage facilities as if they form part of a single storage facility, so that they report comparable information to other LNG storage facilities on the Gas Bulletin Board.⁷²

Part 18 of the NGR currently requires storage facility operators, such as the Dandenong storage facility, to report a range of information to AEMO for publication on the Gas Bulletin Board, including the facility's refill, storage and withdrawal nameplate rating, short term and medium term capacity outlooks. These reporting obligations implicitly assume that the storage facility operator controls the refill, storage and withdrawal capacities. However, that is not the case with the Dandenong storage facility (see Figure 1.2), with:

⁷⁰ See ACCC, [Gas Inquiry 2017-2030](#), June 2025, pp. 17 and 46 and AEMO, [Victorian Gas Planning Report](#), March 2025, pp. 15-16 and 46.

⁷¹ These functions are set out in section 91BA of the NGL.

⁷² Rule 141 of the draft rule.

- BOC, the Dandenong liquefaction facility operator, controlling the refill capacity
- APA, the Dandenong storage facility operator, controlling the storage and withdrawal capacities.

The separate ownership of these facilities means there is a risk that inaccurate or incomplete information on the refill capacity may be reported on the Bulletin Board. This is because the Dandenong storage facility operator, who is currently responsible for reporting the refill, storage and withdrawal capacity information, does not have full visibility of the operation of the Dandenong liquefaction facility, or matters that may affect the refill nameplate rating, short term and/ or medium term capacity outlooks.

If inaccurate or incomplete information is reported, as the proponent observed has occurred in the past,⁷³ it could result in market participants making inefficient decisions about the refilling of the Dandenong storage facility and use of the LNG held in storage. For example, if the refill capacity reported on the Gas Bulletin Board is materially higher than what can be achieved operationally, or if maintenance of the Dandenong liquefaction facility is planned, but the market is unaware of this, then market participants may understate the time required to refill their storage capacity. This could, in turn, result in inefficient decisions being made about:

- when to refill the Dandenong storage facility, which could lead to insufficient LNG stock being in storage to deal with any peak day supply inadequacies or other threats that may arise while the refill is occurring, and/ or
- the use of any LNG stock that is in the Dandenong storage facility if market participants do not have a good understanding of how long it would take to refill.

In this regard, it is worth noting that small variations in the refill capacity can have a material effect on the number of days taken to refill the capacity.⁷⁴

In the Commission's view, this is a deficiency in the current Gas Bulletin Board reporting obligations that should be addressed given both the:

- critical role the Dandenong liquefaction facility plays in enabling market participants to refill the Dandenong storage facility
- stated purpose of the Gas Bulletin Board, which is to make information available to Bulletin Board users to facilitate trade and informed and efficient decisions in relation to the provision and use of covered gas and covered gas services.⁷⁵

To address this deficiency, the draft rule provides for the Dandenong liquefaction and storage facilities to be treated as if they form part of a single gas storage facility, with the result that the operators are jointly responsible for complying with the storage reporting obligations under Part 18 of the NGR on a permanent basis.^{76 77} Some minor changes have also been made to the definitions of daily capacity and nameplate rating to recognise that the refill nameplate rating may be affected by constraints in any part of the facility, including the liquefaction facility and/ or storage facility.

73 The rule change request pointed to some instances of this on the Gas Bulletin Board, noting that from late 2018 through to late 2024, the Dandenong storage facility operator reported a flat maximum refill capacity, other than a few instances where maintenance was undertaken on the storage facility's side. As the rule change request notes, this implies that there were no periods of reduced availability or maintenance of the liquefaction facility for that entire period, which the proponent stated was not the case. Rule change request, p. 19.

74 For example, if the refill capacity fell from 8.2 TJ/day to 7.4 TJ/day, the time taken to replace the 680 TJ in the tank would increase from 83 days to 92 days.

75 NGR, rule 145.

76 Rule 141 of the draft rule.

77 The Commission has considered the potential future state of the gas market and propose in the draft rule that any liquefaction facility that supplies LNG for storage in a facility (excluding those that form part of an LNG import or export facility) be taken to be part of the same storage facility.

The treatment of these two facilities as a single facility and the operators as part of a facility operator group is consistent with the standard Gas Bulletin Board reporting model, which recognises that in some instance that there may be multiple owners, operators or controllers of a facility.⁷⁸ Its use also results in the Dandenong storage facility being treated in a comparable manner to the Newcastle LNG storage facility.

The practical effect of this approach is that the Dandenong liquefaction and storage facility operators would be treated as if they were part of a facility operator group for registration purposes. They would then need to agree on who is to be the responsible facility operator and to then register with AEMO as the reporting entity for that facility.⁷⁹ While only one operator would be registered as a reporting entity, both facility operators would be responsible for ensuring that the reporting obligations are complied with. For example, if the Dandenong storage operator was nominated as the reporting entity, the Dandenong liquefaction facility operator would need to ensure that it provided the Dandenong storage operator the information it required to accurately report on the refill nameplate capacity, short term and medium term capacity outlook information in accordance with the NGR.⁸⁰ If it failed to do so, the AER would be able to take enforcement action against either APA or BOC, or both APA and BOC.

It is worth noting in this context that we did consider using other non-standard reporting models, including treating:

- the Dandenong liquefaction facility as a stand-alone facility, rather than part of the storage facility, and requiring it to comply with all the reporting obligations in Part 18 in its own right
- the Dandenong liquefaction facility as a stand-alone facility, but only requiring it to report a subset of information (i.e. the refill capacity related information) and also allowing it to report via a reporting agent option.⁸¹

However, implementing either of these options would require more bespoke arrangements to be provided for in both the NGR and on the Gas Bulletin Board, resulting in additional implementation costs and complexities. It would also result in information being separately reported on the liquefaction facility, which is likely to reduce the utility of the information for market participants. Our draft determination therefore provides for the use of the standard facility operator group reporting model.

Addressing the identified deficiencies in the Gas Bulletin Board reporting obligations in the manner described above would enable market participants to make more informed and efficient decisions about their use of the Dandenong storage facility and LNG stock. This aligns with the *principles of market efficiency* assessment criterion and would promote the NGO.

This draft determination is consistent with the rule change request, which noted the importance of market participants having access to information that assists them in establishing and maintaining their own storage position in the Dandenong storage facility.⁸² This view was echoed by a number of stakeholders. Origin, for example, stated that “transparency around the operational capability of all facilities in the DWGM is critical to the efficient management and use of gas, especially over peak demand periods”.⁸³ The EUAA and APGA also supported the application of Gas Bulletin Board reporting obligations to the Dandenong liquefaction facility.⁸⁴ As did APA who

78 NGR, rule 150(3).

79 NGR, rule 150.

80 NGR, rule 155.

81 A benefit that this option offers over the facility operator group option is that the Dandenong liquefaction would only be responsible for reporting its information and vice versa.

82 Rule change request, p. 31.

83 Origin, submission to the consultation paper, p. 2.

noted that “there may be benefits in requiring BOC to report on its facility, given its importance to Dandenong LNG and energy security in the DWGM”.⁸⁵

BOC, on the other hand, did not support the application of the Gas Bulletin Board reporting obligations, because in its view information on storage and withdrawal capacities are more important to the market than refill capacity.⁸⁶ Elaborating on this further, BOC stated that “unreasonable costs would be incurred for minimal benefit”.⁸⁷ As outlined above, changes in the refill capacity can have a material effect on the time required to refill an LNG storage facility, which can, in turn, affect the efficiency with which market participants can make decisions about when to refill the facility and/ or use their LNG stock. Consequently, the Commission does not agree with BOC’s view that there would be minimal benefit in reporting information on the refill capacity on the Gas Bulletin Board.

Further detail on the implementation timings and transitional arrangements that would apply to this new obligation is provided in section 4.3.

4.2 AEMO should have greater operational oversight of the Dandenong liquefaction facility through changes to the DWGM rules

In addition to the draft Gas Bulletin Board reporting obligations, our draft determination provides for AEMO to have greater operational oversight of the Dandenong liquefaction facility through the extension of the:

- participant disclosure obligations (section 4.2.1)
- LNG storage disclosure obligations (section 4.2.2)
- maintenance reporting and coordination obligations (section 4.2.3).

Our draft rule does not, however, require AEMO’s consent to be obtained before the declared LNG supply agreement between the Dandenong liquefaction and storage facility operator can be varied or terminated (section 4.2.4).

4.2.1 The Dandenong liquefaction facility should be subject to the DWGM participant disclosure obligations

Box 6: Draft determination - Application of DWGM participant disclosure obligations to the Dandenong liquefaction facility

Our draft determination provides for the Dandenong liquefaction facility to be subject to the NGR Part 19 DWGM participant disclosure obligations on a permanent basis. The Dandenong liquefaction facility would be required to report a range of forecast operational and investment information to AEMO on an annual basis.

The Commission’s draft determination addresses the identified gap in the DWGM participant disclosure obligations by requiring the Dandenong liquefaction facility operator to be subject to the same reporting obligations as other DWGM facility operators.⁸⁸

84 Stakeholder submissions to the consultation paper: EUAA, pp. 1-2 and APGA, p. 4.

85 APA, submission to the consultation paper, p. 13.

86 BOC, submission to the consultation paper, p. 4.

87 BOC, submission to the consultation paper, p. 1.

88 Rule 324B of the draft rule.

The participant disclosure obligations in Part 19 of the NGR currently require DWGM registered participants and DWGM facility operators to provide AEMO with a range of forecast operational and investment information on an annual basis so that it can perform its planning function.⁸⁹ The Dandenong liquefaction facility is currently not subject to the participant disclosure obligations because it is neither a DWGM registered participant nor a DWGM facility operator.⁹⁰

This is a gap in the current arrangements that the Commission considers should be addressed given the critical role played by the Dandenong liquefaction facility and the potential for forecast changes in its operation (including because of operational constraints, ageing infrastructure and/or new investments) to affect the operation or security of the declared transmission system. It is important therefore that AEMO be able to consider these matters as part of its planning function.

To address this gap, the draft rule requires the Dandenong liquefaction facility to be subject to the same participant disclosure obligations as other DWGM facility operators on a permanent basis.⁹¹

⁹² BOC as the Dandenong liquefaction facility operator would thus be required to report a range of forecast operational and investment information to AEMO on an annual basis.

Addressing this gap in the current participant disclosure obligations would ensure AEMO has access to the information it requires to efficiently and effectively perform its planning function. It would also mean that AEMO can signal any potential threats that may be associated with this facility to the market through the Victorian Gas Planning Report in a timely manner, so that market participants can make informed and efficient decisions about how to respond to any such threats. This aligns with both the *safety, security and reliability* and *principles of market efficiency* assessment criteria and would promote the NGO.

This draft determination is consistent with the rule change request, which noted the importance of extending the disclosure obligations to the Dandenong liquefaction facility on a permanent basis so that AEMO can effectively perform its planning function.⁹³ All the stakeholders that commented on this aspect of the rule change request also supported the extension of the participant disclosure obligations. BOC, for instance, noted that, in principle, it did “not object” to the application of these obligations to its facility to “assist AEMO” in carrying out its functions.⁹⁴ Origin, APA, the EUAA and APGA also supported the extension, although the EUAA and APGA suggested that it only apply for the term of the Dandenong buyer and supplier of last resort arrangements.⁹⁵ In relation to EUAA and APGA’s suggestion, the Commission notes that AEMO’s need for forecast operational and investment information is not related to its buyer and supplier of last resort function for the Dandenong LNG facility. Rather, it is related to its planning function. AEMO’s need for forecast operational and investment information for the Dandenong liquefaction facility would not therefore cease once the buyer and supplier of last resort function ends, which is why the draft determination provides for this obligation to apply on a permanent basis.

Further detail on the implementation timings and transitional arrangements that would apply to this new obligation is provided in section 4.3.

⁸⁹ NGR rule 324.

⁹⁰ The term ‘DWGM facility operator’ is currently defined in rule 200 as a declared transmission system service provider, an interconnected transmission pipeline service provider, a producer, a storage provider and a blend processing provider. The terms producer, storage provider and blend processing provider are defined in rule 200 as persons who either inject gas into, or whose facilities are connected to, the declared transmission system.

⁹¹ Rule 324B of the draft rule.

⁹² Note that the maintenance related reporting obligations in rule 324(4) are discussed in section 4.3.

⁹³ Rule change request, p. 18.

⁹⁴ BOC, submission to the consultation paper, p. 5.

⁹⁵ Stakeholder submissions to the consultation paper: Origin, p. 2; EUAA, pp. 1-2; APGA, p. 4.

4.2.2 The Dandenong liquefaction facility should be subject to the LNG storage disclosure obligations

Box 7: Draft determination - Application of DWGM LNG storage disclosure obligations to the Dandenong liquefaction facility

Our draft determination provides for the Dandenong liquefaction facility to be subject to equivalent LNG storage obligations to the Dandenong storage facility on a permanent basis. The Dandenong liquefaction facility operator would be required to report to AEMO in a timely manner on all matters or circumstances relating to the operation of its facility that may affect refilling of the storage facility or AEMO's ability to schedule LNG injection bids or use the LNG reserve.

The Commission's draft determination addresses the identified limitations in the existing LNG storage disclosure obligations by requiring the Dandenong liquefaction facility operator to be subject to the same reporting obligations as the Dandenong LNG storage facility operator on a permanent basis and removing the current contractual restriction on reporting.⁹⁶ We consider this should be a permanent change to the rules, because the need for AEMO to have the visibility provided by this rule is not related to its buyer and supplier of last resort function. Rather, it is related to its market operator function.

These obligations in Part 19 of the NGR currently require the Dandenong storage facility operator to keep AEMO informed in a timely manner of matters or circumstances that may affect its ability to schedule LNG injection bids or use its LNG reserve, subject to the terms and conditions of a declared LNG supply agreement (where relevant).⁹⁷ The Commission has identified two limitations with these existing arrangements:

- **Non-application to the Dandenong liquefaction facility operator.** This means that AEMO does not currently have visibility of all the matters or circumstances that may affect the refilling of the LNG storage facility and its ability to schedule LNG injection bids and use the LNG reserve.⁹⁸
- **Obligation to provide AEMO with information is currently subject to the terms and conditions of the declared LNG supply agreement.** In effect, this means that AEMO may not be informed of **all** the matters or circumstances that could affect the operation of the Dandenong liquefaction and storage facilities. The rationale for this restriction is unclear given the information is reported to AEMO on a confidential basis. It is also at odds with other disclosure obligations in Parts 18 and 19 of the NGR (i.e. the Bulletin Board and DWGM provisions), which are not subject to this type of contractual restriction on when information can be reported to AEMO.

As the rule change proponent noted, these limitations could impede AEMO's ability to perform its declared system functions⁹⁹ and result in inefficient decisions being made about the refilling of the Dandenong storage facility, the scheduling of LNG injection bids and/ or the use of AEMO's LNG reserve to address threats to system security.

For example, if the Dandenong liquefaction facility experienced a significant unplanned outage that AEMO was not advised of, then it could result in AEMO incurring unnecessary costs procuring gas and transportation services if it is in the process of trying to refill the Dandenong storage facility. If the unplanned outage coincided with a threat to system security, it could also result in

⁹⁶ Rule 280 of the draft rule.

⁹⁷ NGR, rule 280.

⁹⁸ Rule change request, p. 34.

⁹⁹ Rule change request, p. 34.

AEMO making inefficient decisions about the use of the LNG reserve to manage such threats. This is because if the outage is expected to limit the ability to refill the Dandenong storage facility for a prolonged period, it may be more efficient for AEMO to use other tools (e.g. directions) to manage the threat and to conserve the LNG reserve for larger threats.

Addressing these limitations in the current LNG storage disclosure obligations would therefore ensure AEMO has access to the information it requires to efficiently and effectively perform its declared system functions, which should, in turn, promote economic efficiency and support the safety, security and reliability of supply in Victoria and promote the NGO. This aligns with both the *safety, security and reliability* and *principles of market efficiency* assessment criteria.

This draft determination is consistent with the rule change request.¹⁰⁰ Origin, EUAA, APA and APGA also supported the extension of this disclosure obligation to the Dandenong liquefaction facility.¹⁰¹ BOC stated that it did “not object” to the extension to its liquefaction facility.¹⁰²

Section 4.3 provides further detail on the implementation timings and transitional arrangements that would apply to this new obligation.

4.2.3 The Dandenong liquefaction facility should be subject to equivalent maintenance obligations as other DWGM facility operators

Box 8: Draft determination - Application of maintenance reporting and coordination obligations to the Dandenong liquefaction facility

Our draft determination provides for the Dandenong liquefaction facility to be subject to equivalent maintenance reporting and coordination obligations as other DWGM facility operators on a permanent basis. The Dandenong liquefaction facility operator would be required to:

- provide AEMO with its maintenance forecasts
- comply with the DWGM facility operator maintenance obligations.

The Commission’s draft determination addresses the gap in the current maintenance arrangements in Part 19 of the NGR by requiring the Dandenong liquefaction facility to be subject to the same maintenance reporting and coordination obligations as other DWGM facility operators on a permanent basis.¹⁰³ Like the disclosure obligations set out above, the maintenance reporting and coordination obligations are not related to AEMO’s Dandenong buyer and supplier of last resort function. Rather, they are related to AEMO’s maintenance coordination function. Noting the ongoing threat that uncoordinated maintenance of this facility could pose to system security in the DWGM, the need for AEMO to be able to coordinate this maintenance is not expected to cease at the end of the buyer and supplier of last resort function. The draft determination therefore provides for this obligation to apply on a permanent basis.

The gap in the current maintenance arrangements has arisen because the Dandenong liquefaction facility is not considered a DWGM facility operator for the purposes of Part 19 of the NGR. It is not therefore subject to the maintenance reporting or coordination obligations set out in Part 19 of the NGR, which could pose a threat to system security in the DWGM. It is, for example, possible under the current arrangements that the Dandenong liquefaction facility could be taken offline for a

¹⁰⁰ Rule change request, pp. 19 and 43.

¹⁰¹ Stakeholder submissions to the consultation paper: Origin, p. 2; EUAA, p. 2; APA, p. 13; APGA, p. 4.

¹⁰² BOC, submission to the consultation paper, p. 5.

¹⁰³ Rule 324B of the draft rule.

prolonged period of time in the lead up to winter for non-critical maintenance that could be deferred until later in the year. If this were to occur, it could impede the efficient operation and use of both the Dandenong liquefaction and storage facilities and pose a threat to system security over the winter period. That is, by limiting the amount of LNG that market participants and AEMO could place into the Dandenong storage facility ahead of winter to address any threats that may emerge over the winter period.

To address this gap, the draft rule provides for the Dandenong liquefaction facility operator to:¹⁰⁴

- provide AEMO with its maintenance forecasts on an annual and week-ahead basis¹⁰⁵
- comply with the NGR maintenance coordination obligations, including the obligations to:¹⁰⁶
 - act in accordance with maintenance forecasts provided to AEMO, unless the forecasts are updated in accordance with AEMO's maintenance planning procedures more than 5 days before the maintenance is due to commence, or consent is obtained from AEMO
 - co-operate with AEMO in good faith to minimise maintenance related system security threats that in AEMO's reasonable opinion would be likely to result from that proposed maintenance
 - advise AEMO if equipment breaks down or is likely to break down and the breakdown threatens or could threaten system security and co-operate with AEMO in good faith to minimise the threat
 - comply with a direction from AEMO to cancel, delay or suspend maintenance.

This aligns with both the *safety, security and reliability* and *principles of market efficiency* assessment criteria and promote the NGO, because it would enable AEMO to:

- take action where the maintenance of the Dandenong liquefaction facility poses a threat to system security
- where required, more efficiently coordinate maintenance across the Dandenong liquefaction and storage facilities, and other DWGM facilities.

The extension of the maintenance arrangements to the Dandenong liquefaction facility is consistent with the rule change request, with the proponent noting the importance of AEMO being able to coordinate maintenance to mitigate the risk of maintenance overlapping, or otherwise putting system reliability and security at risk.¹⁰⁷ APGA also supported the extension, but suggested the obligations only apply for the term of the Dandenong LNG buyer and supplier of last resort interim arrangements.¹⁰⁸

In contrast to other stakeholders, BOC did not support the extension of the maintenance obligations to its liquefaction facility, noting that it could "erode BOC's commercial position due to scheduling work outside of its own business priorities and resource availability".¹⁰⁹ BOC also stated that if it is to be subject to the obligations, then it should not be:¹¹⁰

- precluded from taking the facility offline to manage any safety issue that may arise

104 Rule 324B of the Draft Rule.

105 NGR, rule 324(4).

106 NGR, rule 326.

107 Rule change request, p. 35.

108 APGA, submission to the consultation paper, pp. 4-5.

109 BOC, submission to the consultation paper, p. 6.

110 BOC, submission to the consultation paper, p. 6.

- worse off commercially for any change to the maintenance and AEMO should not be able to issue a direction that breaches a condition of its agreement with APA.¹¹¹

We acknowledge the concerns BOC has expressed about the extension of the maintenance obligations to the Dandenong liquefaction facility. However, we note that the existing arrangements largely leave it up to facility operators to determine when forecast maintenance will occur, with AEMO only stepping in if it believes the proposed maintenance will threaten system security.¹¹² If this occurs, then AEMO must notify the facility operator who must then co-operate with AEMO in good faith to minimise any threat to system security. AEMO can then only direct a facility operator to cancel, delay or suspend any maintenance if in its reasonable opinion the:

- facility operator is conducting or proposing to conduct maintenance in a way that does not minimise threats to system security
- equipment will not be materially damaged by deferring that maintenance.¹¹³

In the Commission's view, these provisions strike an appropriate balance between providing facility operators sufficient flexibility to operate their facilities, while minimising threats to system security that could have broader reaching implications for the Declared Transmission System and Victorian consumers more generally.

Section 4.3 provides further detail on the implementation timings and transitional arrangements that would apply to this new obligation.

4.2.4 AEMO's consent to changes to the Dandenong LNG supply agreement is not required

Box 9: Draft determination - The rules should not require AEMO's consent to changes to the declared LNG supply agreement

Our draft determination does not require AEMO's consent to be obtained before the declared LNG supply agreement can be varied or terminated.

The other disclosure obligations provided for by the draft determination should mean that AEMO is informed in a timely manner of changes to the operation of this facility that may affect the use of the Dandenong liquefaction or storage facilities. This information should be sufficient for AEMO to efficiently and effectively perform its functions.

The draft rule does not require AEMO's consent to be obtained before the declared LNG supply agreement can be varied or terminated, because we do not consider it necessary for the performance of AEMO's declared system functions.

The rule change request suggested that we consider reintroducing this requirement, which was removed from the rules in 2010, to provide AEMO greater oversight of the declared LNG supply agreement and changes to that agreement.¹¹⁴ While the Commission understands the desire for AEMO to be informed of changes to the declared LNG supply agreement that may affect the use of the Dandenong storage facility, the rule that was removed in 2010 goes beyond this. That is, by preventing the LNG storage provider from terminating or varying the agreement without AEMO's consent (whose consent could not be unreasonably withheld or delayed). In the Commission's view this level of control by AEMO over a commercial agreement between the Dandenong

¹¹¹ BOC, submission to the consultation paper, p. 6.

¹¹² NGR, rules 324(4), 326(1), 326(4) and 326(5).

¹¹³ NGR, rule 326(5).

¹¹⁴ Rule change request, p. 34.

liquefaction and storage facility operators is unnecessary for the performance of AEMO's functions, particularly given the other disclosure obligations outlined above.

AEMO expressed a similar view in its submission, noting that it did not consider this level of oversight of the declared LNG supply agreement to be necessary if it had access to the operational information provided for by the other disclosure obligations.¹¹⁵ The EUAA and APGA, on the other hand, supported the reintroduction of this rule for the term of the buyer and supplier of last resort arrangements,¹¹⁶ while APA and BOC stated that requiring AEMO to consent to changes to their agreement would represent an intrusion into their commercial arrangements.¹¹⁷

As AEMO observed, the other disclosure obligations set out above should provide it with the operational visibility of the Dandenong liquefaction facility that it requires to perform its declared system functions. The extension of rule 280 to the Dandenong liquefaction facility, for instance, would mean AEMO is informed of any matters or circumstances that may affect the refilling of the Dandenong storage facility, or AEMO's ability to schedule LNG injection bids or use the LNG reserve. The matters or circumstances could include changes to, or the termination of, the declared LNG supply agreement that affect the refilling or use of the Dandenong storage facility. Together with the extension of the Gas Bulletin Board and participant disclosure obligations, AEMO should have access to the information it requires to efficiently and effectively perform its declared system functions.

4.3 Implementation and transitional arrangements for the new transparency and oversight measures

Box 10: Draft determination - The reporting and maintenance obligations would come into effect on 1 April 2026

Our draft determination provides for:

- the proposed changes to Parts 18-19 of the NGR described in this chapter to come into effect on 1 April 2026
- the Dandenong liquefaction or storage facility operator to register with AEMO as the responsible facility operator and reporting entity for the purposes of the Gas Bulletin Board in time for that commencement date.

This means that the Dandenong liquefaction facility, Dandenong storage facility and AEMO will have around 5 months to undertake the preparatory actions required for the Dandenong liquefaction facility to start complying with the new obligations.

Before the Dandenong liquefaction facility operator can start complying with the new reporting and maintenance obligations set out in the draft rule, it would need to put in place the relevant processes and systems. The Dandenong liquefaction and storage facility operators would also need to decide who is to be the Gas Bulletin Board reporting entity for the storage facility operator group and then apply to AEMO to register in this capacity. AEMO would also need to process the

¹¹⁵ AEMO, submission to the consultation paper, p. 3.

¹¹⁶ Stakeholder submissions to the consultation paper: APGA, p. 5 and EUAA, pp. 1-2.

¹¹⁷ Stakeholder submissions to the consultation paper: APA Supplementary submission, p. 2 and BOC, p. 6.

Gas Bulletin Board facility operator group registration and may also need to make minor modifications to its procedures.¹¹⁸

To provide sufficient time for these preparatory actions to be taken, the Commission's draft determination and draft transitional rule provide for:¹¹⁹

- the proposed changes to Parts 18-19 of the NGR described in this chapter to commence on 1 April 2026 once the final rule is made, which is currently expected to occur in October 2025
- the Dandenong liquefaction and storage facility operators to determine who is to be the reporting entity for the facility operator group and apply to AEMO to register in that capacity by 30 January 2026
- the Dandenong liquefaction facility operator's obligation to comply with the new reporting and maintenance obligations to commence on 1 April 2026
- AEMO to have made any required changes to the Wholesale Market Procedures and/ or Gas Bulletin Board Procedures by 1 April 2026.

This proposed implementation timing, which aligns with the *implementation considerations* assessment criterion, is intended to strike an appropriate balance between providing:

- the Dandenong liquefaction and storage facility operators, and AEMO time to put in place the necessary arrangements, and
- AEMO and market participants with better information about the operation and maintenance of the Dandenong liquefaction facility, including any potential constraints on refilling in the lead up to winter 2026.

¹¹⁸ For example, section 2.2 of the Wholesale Market Maintenance Planning Procedures may need to be amended to refer to the liquefaction facility in the list of facilities. Importantly, this change is not required prior to the new obligations commencing, because the application of the maintenance obligations is determined through the NGR rather than the Procedures and section 2.2 makes clear the list is not exhaustive.

¹¹⁹ Schedule 1, Part 21 draft rule 113

A Rule making process

A standard rule change request includes the following stages:

- a proponent submits a rule change request
- the Commission initiates the rule change process by publishing a consultation paper and seeking stakeholder feedback
- stakeholders lodge submissions on the consultation paper and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a draft determination and draft rule (if relevant)
 - stakeholders lodge submissions on the draft determination and engage through other channels to make their views known to the AEMC project team
- the Commission publishes a final determination and final rule (if relevant).

You can find more information on the rule change process on our website.¹²⁰

A.1 The Minister proposed a rule to 1) extend the interim buyer and supplier of last resort arrangements and 2) provide a range of measures to improve transparency and oversight of the Dandenong liquefaction facility

The rule change request submitted by the Hon. Lily D'Ambrosio MP, Victorian Minister for Climate Action, Minister for Energy and Resources and Minister for the State Electricity Commission, proposed:

1. a short-term extension of the interim arrangements that empower the Australian Energy Market Operator (AEMO) to act as the buyer and supplier of last resort for the Dandenong storage facility located in Victoria's Declared Wholesale Gas Market (DWGM).
2. a range of measures to improve transparency and oversight of the Dandenong liquefaction facility so that market participants and AEMO can make more informed and efficient decisions about the use of this facility and AEMO can better perform its declared system functions.

A.2 The proposal identified that a lack of market participant contracting at the Dandenong storage capacity is contributing to reliability and security threats in the DWGM in the short-term

The proponent identified increasing risks to the security and reliability of gas supply in the DWGM, noting AEMO and ACCC forecasts that point to an increasing risk of peak day shortfalls and highlighting the important role that deep and shallow gas storage plays in mitigating the risk of supply shortfalls.

The proponent also notes the general decline in Dandenong storage inventory from 2020, leading AEMO to issue Threats to System Security notices in 2021 and 2022. These notices did not elicit an adequate market response, leading to the establishment of the interim arrangements empowering AEMO to act as the buyer and supplier of last resort in relation to the Dandenong storage facility.

The proponent also noted that the lack of transparency and operational visibility over the Dandenong liquefaction facility. This is problematic because the liquefaction facility plays a

¹²⁰ See our website for more information on the rule change process: <https://www.aemc.gov.au/our-work/changing-energy-rules>

critical role in supporting the Dandenong storage facility. The proponent notes that the lack of transparency and operational visibility is increasingly hampering AEMO's ability to adequately fulfil its declared system functions, and market participants lack information to make informed decisions about when and how often they can refill Dandenong storage and how carefully they should conserve existing inventory.

A.3 The proposal sought to address this by extending interim arrangements empowering AEMO to act as the buyer and supplier of last resort for the Dandenong storage facility

The proposal sought to address the issue through:

1. A short-term three year extension of the interim arrangements.
2. The inclusion of an arbitration pathway to facilitate AEMO and APA's negotiation of the extension and cover contractual disputes during the term of the extension
3. The extension of Part 18 (Gas Bulletin Board) NGR reporting obligations to the Dandenong liquefaction facility
4. The extension of Part 19 (DWGM) NGR participant and LNG storage disclosure obligations to the Dandenong liquefaction facility
5. The extension of Part 19 (DWGM) maintenance reporting and coordination obligations to the Dandenong liquefaction facility
6. Reintroduction of pre-2010 rules providing AEMO with oversight of the Declared LNG Supply Agreement (between APA and BOC) and requiring AEMO's consent to be obtained before this agreement is varied or terminated.

A.4 The process to date

On 1 May 2025, the Commission published a notice advising of the initiation of the rule making process and consultation in respect of the rule change request.¹²¹ A consultation paper identifying specific issues for consultation was also published. Submissions closed on 29 May 2025. The Commission received eight submissions as part of the first round of consultation. The Commission considered all issues raised by stakeholders in submissions. Issues raised in submissions are discussed and responded to throughout this draft rule determination. A summary of other issues raised in submissions and the Commission's response to each issue is contained in appendix D.

¹²¹ This notice was published under section 303 of the NGL.

B Additional background and context

Figure B.1 below outlines the key elements of the current interim arrangements.

Figure B.1: Key elements of the 2022 rule change

AEMO as buyer of last resort	Procurement of uncontracted storage capacity AEMO must contract any uncontracted LNG storage capacity for winter that is available at the end of 15 March and may contract any additional uncontracted capacity that becomes available after.	Winter target level LNG stock target level is: <ul style="list-style-type: none">• The highest level reasonably possible, or• such other level determined by AEMO and approved by the Victorian Minister
	Procurement of gas to fill LNG storage AEMO must purchase gas for storage & vaporisation with objective of achieving and maintaining LNG stock at target level during winter.	
	Relinquishment to other market participants <ul style="list-style-type: none">• AEMO may relinquish storage capacity to LNG storage provider if a market participant acquires or proposes to acquire the capacity• AEMO may transfer LNG stock to a market participant if that participant has acquired a right to store the stock in the LNG facility	
AEMO as supplier of last resort	Use of LNG reserve AEMO may use LNG reserve at such times and quantities it considers reasonably necessary, or desirable, to ensure security of the DTS and satisfy operational requirements.	Supplier of last resort principles <ul style="list-style-type: none">• AEMO’s LNG stock is to ordinarily be scheduled after other market participants• AEMO’s injection bids from LNG reserve must be at VoLL (i.e \$800/GJ)
	Procedures The gas scheduling procedures must set out the procedures relating to the use of the LNG reserve, which must give effect to the supplier of last resort principles	
Contractual arrangements	Storage agreement requirements LNG storage agreement must be in place at all times and allow AEMO to: <ul style="list-style-type: none">• contract uncontracted LNG storage capacity in periods of relevant year and to the extent AEMO considers necessary or convenient to satisfy its buyer of last resort obligations• relinquish capacity if a market participant acquires or proposes to acquire capacity.	Terms of LNG storage agreement To be on substantially the same terms as AEMO’s winter 2022 agreement, except to the extent changes: <ul style="list-style-type: none">• are reasonably necessary to:<ul style="list-style-type: none">◦ give effect to changes necessary for the facility’s safe and reliable operation◦ ensure consistency with relevant rules• reflect changes in inflation• give effect to changes of law. LNG storage provider must negotiate in good faith and comply with offer requirements.
	Role of AER: AER could take enforcement action if storage agreement requirements not met.	
Cost recovery	AEMO to be able to recover: <ul style="list-style-type: none">• Costs of acquiring LNG storage capacity through Participant Fees• Losses /proceeds from use of LNG reserve through linepack account	
Accountability & transparency	AEMO to publish information on: <ul style="list-style-type: none">• the amount of storage capacity it contracts• any storage capacity it relinquishes and any LNG stock transferred	

Source: AEMC, DWGM interim storage measures, Rule determination, 15 December 2022; p.13

C Legal requirements to make a rule

This appendix sets out the relevant legal requirements under the NGL for the Commission to make a draft rule determination.

C.1 Draft rule determination and draft rule

In accordance with section 308 of the NGL, the Commission has made this draft rule determination for a more preferable draft rule in relation to the rule proposed by the proponent.

The Commission's reasons for making this draft rule determination and its key features are set out in chapter 2.

A copy of the more preferable draft rule is attached to and published with this draft determination. Its key features are described in chapter 3 and chapter 4.

C.2 Power to make the rule

The Commission is satisfied that the more preferable draft rule falls within the subject matter about which the Commission may make rules.

The more preferable draft rule falls within section 74 of the NGL as it relates to regulating:

- the collection, use, disclosure, copying, recording, management and publication of information in relation to the covered gas industry
- AEMO's declared system functions and the operation of a declared wholesale gas market
- the activities of Registered participants, users, end users and other persons in a regulated gas market
- the reliability or adequacy of the supply of covered gas within the East Coast Gas System.

Additionally, the more preferable draft rule falls within the matters set out Schedule 1 of the NGL as it relates to:

- Item 59, being AEMO's declared system functions
- Item 60, being AEMO's functions, powers and duties, and the duties and obligations of Registered participants, exempted participants and others, in regard to the operation of a declared transmission system or a regulated gas market
- Item 62, being the regulation of a declared LNG storage provider and liquefied natural gas stored by the provider
- Item 80, being the kinds of information that may or must be given to AEMO, who must give AEMO the information, the circumstances in which the information may or must be given, and the procedure for giving the information.

Under section 296 of the NGL, the Commission may make a rule that is different (including materially different) to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule will or is likely to better contribute to the achievement of the NGO. The Commission is satisfied that the more preferable draft rule would or is likely to, better contribute to the achievement of the NGO. The Commission's reasons are set out in chapter 2.

C.3 Commission's considerations

In assessing the rule change request the Commission considered:

- its powers under the NGL to make the draft rule
- the rule change request
- submissions received during first round consultation
- the Commission's analysis as to the ways in which the draft rule will or is likely to contribute to the achievement of the NGO
- whether the proposed rule is compatible with the proper performance of AEMO's declared system functions.

There is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request.¹²²

The Commission may only make a rule that has effect with respect to an adoptive jurisdiction if satisfied that the proposed rule is compatible with the proper performance of AEMO's declared system functions.¹²³ The more preferable draft gas rule is compatible with AEMO's declared system functions. The reasons are set out in chapter 2.

The Commission may only make a rule that affects the allocation of powers, functions and duties between AEMO and a declared service provider for a declared transmission system if AEMO consents to the making of the rule or the rule is requested by the Minister of the relevant jurisdiction.¹²⁴ The rule was requested by the Minister of the relevant jurisdiction. See chapter 2 for more detail.

C.4 Making gas rules in Western Australia

Under the *National Gas Access (WA) Act 2009* (WA Gas Act), a modified version of the NGL was adopted, known as the National Gas Access (Western Australia) Law (WA Gas Law). Under the WA Gas Law, the NGR applying in Western Australia is version 1 of the NGR, as amended by rules made by the South Australian Minister for Energy¹²⁵ and rules made by the AEMC in accordance with its rule making powers under section 74 and 313 of the WA Gas Law.¹²⁶

The draft rule falls within the subject matters about which the Commission may make rules under the WA Gas Act as it relates to rules regulating the collection, use, disclosure, copying, recording, management and publication of information in relation to natural gas services.¹²⁷

However, the draft rule amends Parts of the NGR, being Parts 18 and 19, that do not apply in the Western Australian version of the NGR.¹²⁸

C.5 Civil penalty provisions and conduct provisions

The Commission cannot create new civil penalty provisions or conduct provisions. However, it may recommend to the Victorian Minister for Energy that new or existing provisions of the NGR be

122 Under s. 33 of the NEL and s. 73 of the NGL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for energy. On 1 July 2011, the MCE was amalgamated with the Ministerial Council on Mineral and Petroleum Resources. In December 2013, it became known as the Council of Australian Government (COAG) Energy Council. In May 2020, the Energy National Cabinet Reform Committee and the Energy Ministers' Meeting were established to replace the former COAG Energy Council.

123 Section 295(4) of the NGL.

124 Section 295(5) of the NGL.

125 The Statutes Amendment (National Energy Laws) (Binding Rate of Return Instrument) Act 2018 and the National Gas (South Australia (Pipelines Access—Arbitration) Amendment Act 2017.

126 See our website for further information at <https://www.aemc.gov.au/regulation/energy-rules/national-gas-rules/western-australia>.

127 Section 74 and Schedule 1 of the WA Gas Law specify the subject matter for rules that can be made by the AEMC in Western Australia.

128 Section 20A of the WA Gas Law provides that to the extent any provisions of the WA Gas Law relate to the Natural Gas Services Bulletin Board, these provisions do not apply in Western Australia until a day fixed by the Western Australian Minister by an Order published in the WA Government Gazette (which has not yet occurred).

classified as civil penalty provisions or conduct provisions under the *National Gas (Victoria) (Declared System Provisions) Regulations*.

The more preferable draft rule amends rule 280(1) of the NGR. This rule is currently classified as a conduct provision under clause 4 and Schedule 2 of the *National Gas (Victoria) (Declared System Provisions) Regulations*. The Commission considers that this amended rule should be re-classified as a civil penalty provision and if that is done, should cease to be classified as a conduct provision.

The more preferable draft rule inserts new rule 280(2) into the NGR. The Commission considers there is merit in classifying this as a civil penalty provision. This is because compliance with rule 280(1) and new rule 280(2) is necessary to ensure AEMO's ability to make efficient decisions about the operation and security of the declared transmission system.

Therefore, subject to consulting with the AER and the Victorian Department of Energy, Environment and Climate Action, the Commission proposes to make the following recommendations to the Victorian Minister:

Table C.1: New civil penalty provision recommendation

Rule	Description of rule	Reason
Rule 280 (comprising of existing rule 280(1) and new rule 280(2))	The rule requires an LNG Storage Provider and declared LNG supplier to keep AEMO informed in a timely manner of all matters or circumstances relating to the operation of its LNG storage facility that may affect the ability of AEMO to schedule LNG injection bids or use the LNG reserve.	Compliance with this rule is necessary to ensure AEMO's ability to perform its declared system functions, in particular with respect to controlling the operation and security of the declared transmission system efficiently. A breach of this rule involves failure to comply with general reporting obligations.

Table C.2: Deleted conduct provision recommendation

Rule	Description of rule	Reason
Existing rule 280(1)	This subrule requires an LNG Storage Provider to keep AEMO informed in a timely manner of all matters or circumstances relating to the operation of its LNG storage facility that may affect the ability of AEMO to schedule LNG injection bids or use the LNG reserve.	Compliance with this rule is necessary to ensure AEMO's ability to perform its declared system functions, in particular with respect to controlling the operation and security of the declared transmission system efficiently. A breach of this rule involves failure to comply with general reporting obligations.

D Summary of other issues raised in submissions

Table D.1: Summary of other issues raised in submissions

Stakeholder	Issue	Response
APA	<p>Managing Liquefaction risks by removing the reference to 1 March</p> <p>The rules require AEMO to purchase uncontracted storage capacity as at the end of 1 March of each year. In its supplementary submission, APA proposed removing the reference to 1 March, which would enable AEMO to purchase storage capacity that becomes available during the year (e.g. if a contracted party sells its capacity and LNG stock, which may be in September as we move out from winter). This would avoid LNG stock having to be vaporised and ensure the tank is always full.</p>	<p>The Commission does not consider this proposal to be in the interest of gas consumers because it would place the burden of paying for LNG storage and capacity on consumers on a continuous basis, rather than the market.</p>

Abbreviations and defined terms

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Commission	See AEMC
Declared LNG storage provider	APA
Declared LNG supplier	BOC
Declared LNG supply agreement	The agreement between BOC and APA dated 17 May 1995 relating to LNG supply for storage, and amendments or variations to the agreement
DLNG	Dandenong LNG
DWGM	Declared Wholesale Gas Market
ECGS	East Cost Gas System
LNG	Liquefied natural gas
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
Proponent	The individual who submitted the rule change request to the Commission
RSA	Reliability and supply adequacy
SoLR	Supplier of Last Resort
VoLL	Value of Lost Load