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

APA Submission

18 September 2025



Anna Collyer
Chair
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
SYDNEY NSW 2000

Lodged online

18 September 2025

RE: APA Submission to DWGM Dandenong LNG Interim Arrangements Draft rule determination

Dear Ms Collyer,

Thank you for the opportunity to comment on the AEMC's National Gas Amendment (Extension of the DWGM Dandenong LNG interim arrangements) Rule 2025 Draft rule determination (the Draft Rule).

APA is an ASX listed owner, operator, and developer of energy infrastructure assets across Australia. Through a diverse portfolio of assets, we provide energy to customers in every state and territory. As well as an extensive network of natural gas pipelines, we own or have interests in gas storage and generation facilities, electricity transmission networks, and 692 MW of renewable generation and battery storage infrastructure.

We support mechanisms that aim to increase the reliability and security of gas supply in the Victorian Declared Wholesale Gas Market (DWGM). The Draft Rule aims to address the risk of shortfalls, particularly in high demand winter periods. The Dandenong LNG storage facility (Dandenong LNG) has the potential, as demonstrated in the past, to address this concern.

Long-term certainty is essential to support investment and enable Dandenong LNG to operate reliably and provide the critical backup needed for the Victorian Declared Transmission System (DTS). For this reason, our submission proposes that a longer-term extension of the National Gas Amendment (DWGM Interim LNG Storage Measures) Rule 2022 (2022 Rule), rather than the proposed four-year extension, is needed to enable the facility to fulfill its role in providing reliability of gas supply.

If you have any questions about our submission, please contact John Skinner on 0435 898 022 or john.skinner2@apa.com.au.

Regards,



Natalie Lindsay
General Manager, Economic Regulation and External Policy

1. Submission

Key Points

- Investment is required to maintain reliable operation of Dandenong LNG and enable the provision of critical services.
- A four-year extension of the 2022 Rule is not sufficient to underpin the significant capital expenditure needed to make this investment.
- Dandenong LNG is a third-party access facility, and it is in APA's interest to have long-term third-party participant contracting and utilisation of the facility. We are continuing to investigate all market-led options for long term investment in the liquefaction and storage services.
- Gas Bulletin Board (GBB) reporting obligations should be the responsibility of the facility owner, with BOC and APA reporting separately.
- Removal of the mechanism to vary the LNG storage agreement for safety and reliability reasons is contrary to the National Gas Objective.

1.1. Dandenong LNG plays a key role in managing risk of gas shortfalls in the DTS, maintaining system reliability, security, and stability

The Dandenong LNG storage facility is owned and operated by APA and is a declared LNG storage provider within the DWGM.

The Dandenong LNG tank can hold 680 TJ (12,400 tonnes) of LNG which can be vaporised for injection into the network in approximately three days. However, refilling the tank would take upwards of 80 days in a best-case scenario due to reliability issues with the adjacent liquefaction facility, owned and operated by BOC.

The Draft Rule acknowledges the critical role that Dandenong LNG plays in the Victorian market and aims to create a framework that can enable Dandenong LNG to continue to play that role. This is done by ensuring adequate inventory within Dandenong LNG, such that it would enable AEMO to act as a supplier of last resort to manage risks of gas shortfalls.

One of the factors essential for having adequate LNG inventory in place ahead of the peak winter months is that natural gas can be reliably liquefied to fill the Dandenong tank. This is currently not the case, and the Draft Rule change potentially undermines, rather than addresses, this issue.

1.2. Need for urgent investment in Dandenong LNG liquefaction facility to enable provision of critical services

The liquefaction service at Dandenong LNG is provided by BOC's liquefaction plant, which is located adjacent to Dandenong LNG. BOC's liquefaction plant has experienced significant reliability issues over the last few years that are progressively extending timeframes for liquefaction and there is a risk of a major failure.

It has recently taken approximately four weeks from liquefaction order to the start of liquefaction, due to unplanned maintenance. Given the gas supply and demand balance on the east coast is tight and is forecast to remain so up to 2035, the ability to refill the tank in a timely manner is critical.

To maintain the reliable operation of Dandenong LNG, there is an urgent need for investment in a reliable liquefaction solution.

A longer-term extension is required

As we outlined in our submission to the AEMC's May 2025 Consultation paper, regulatory uncertainty and a lack of third-party market participant long-term contracting of Dandenong LNG storage capacity are acting as barriers to significant investment required in the liquefaction facility.

The AEMC recognises the uncertainty created by the Stage 2 rule changes. However, the proposed four-year extension of the 2022 Rule does not offer sufficient certainty to support the significant capital investment required in the Dandenong LNG liquefaction facility. As such, the Draft Rule does not, in APA's view, achieve its objective of developing a fit-for-purpose solution to manage security and reliability risks in the DWGM. To support an enduring solution to manage security and reliability risks and ensure that any tariff increase remains reasonable and in line with the National Gas Objective, a longer-term rule change is required.

Due to the uncertain regulatory environment and a lack of confidence around third-party market participant contracting, we maintain our support for a 10-year extension of the 2022 Rule (Option 2 in the AEMC's May 2025 Consultation Paper.¹) A long-term rule change better aligns with the rule change assessment criteria and provides the long-term certainty necessary to underpin investment decisions.

Recommendation

We recommend that the AEMC implement a 10-year extension of the 2022 Rule in its final determination.

¹ AEMC, *Extension of the DWGM Dandenong LNG interim arrangements, Consultation Paper*, 1 May 2025.
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1.3. Dandenong LNG is a third-party access facility, and we continue to seek commercial utilisation

In its draft determination, the AEMC suggested that a third-party access regime could be introduced for the Dandenong storage facility, and that this could reduce the reliance that needs to be placed on AEMO having to contract capacity.²

It is important to remember that Dandenong LNG is already a third-party access facility and has a light form of regulation. APA complies with the existing transparency and oversight measures and publishes all prices paid by customers under part 18A of the National Gas Rules. It is unlikely that the introduction of a third-party access regime for storage would significantly alter the incentives for third parties to take up capacity at Dandenong LNG.

A lack of confidence that third-party market participants will contract with Dandenong LNG long-term will continue to harm the investment appetite in upgrading the liquefaction facility. Without the assurance provided by long-term contracts, the prospect of sustained investment in the Dandenong LNG storage and liquefaction services is limited. A third-party access regime also does not address the underlying contracting issue that is undermining investment.

It is in APA's interest to have long-term third-party market participant contracting and utilisation of the facility. We are continuing to investigate all market led options for long-term investment at Dandenong LNG.

1.4. Removal of the mechanism to vary the LNG storage agreement for safety and reliability reasons is contrary to the NGO

This section responds to 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?

The AEMC assessed the Draft Rule against four assessment criteria, one of which is the security, safety and reliability of the supply of gas to Victorian consumers.³

The current gas rules include rule 282(2)(c)(i) which enables the parties to the 2022 agreement to amend the contract if necessary to safely and reliably provide the LNG storage service. This clause would only be used with the agreement of both parties to the contract.

Despite the reliability issues being experienced by BOC's liquefaction facility, the Draft Rule proposes removing rule 282(2)(c)(i) due to concerns that AEMO does not have any control over these costs under the 2022 arrangements.⁴

Removing this rule is clearly at odds with one of the key objectives of the rule change itself; that is, to maintain the security, safety and reliability of the supply of gas to Victorian

² AEMC, *Extension of the DWGM Dandenong LNG interim arrangements, Draft rule determination*, 7 August 2025, p5

³ Ibid., p1v

⁴ Ibid., p23

consumers. This is because rule 282(2)(c)(i) provides an emergency 'backstop' should urgent investment need to be undertaken. Any costs would only be passed through to market participants should AEMO and APA agree to a variation of the existing contract. APA would not be able to 'impose' additional costs on consumers without AEMO agreeing to a contract variation.

Recommendation

We recommend that rule 282(2)(c)(i) be retained as an emergency 'backstop' should investment need to be undertaken. To clarify that rule 282(2)(c)(i) extends to urgent investment in the liquefaction facility, we recommend that the rule be amended to read:

*(i) are reasonably necessary for the safe and reliable operation of the LNG storage facility **and related liquefaction facility**; or...*

1.5. We support reporting obligations to be the responsibility of the facility owner.

APA is broadly supportive of initiatives aimed at improving the quality of information provided through the National Gas Rules (NGR) reporting mechanisms, particularly where such improvements enhance security and reliability of gas supply and the efficient operation of the market.

The risk of inaccurate information being reported on the GBB is exacerbated given the separation of ownership and operatorship between the liquefaction and the Dandenong LNG storage facility. In light of this separation and the associated challenges, APA is of the view that the liquefaction facility be registered as a separate GBB facility, with BOC—as the sole facility operator—appointed as the GBB reporting entity.

APA and BOC are separate commercial entities are not engaged in a joint venture arrangement. The proposal to treat the Dandenong LNG storage and liquefaction facilities as a single facility and designating APA as the reporting entity—is not appropriate in this context. While such an approach may be suitable where facilities are owned and operated by a single entity or jointly operated or managed under a joint venture structure, it does not reflect the commercial reality of APA and BOC's relationship. Implementing the standard GBB reporting model under NGR clause 150(3) would be more appropriate in a context of integrated operations or joint ownership—conditions that do not apply in this case.

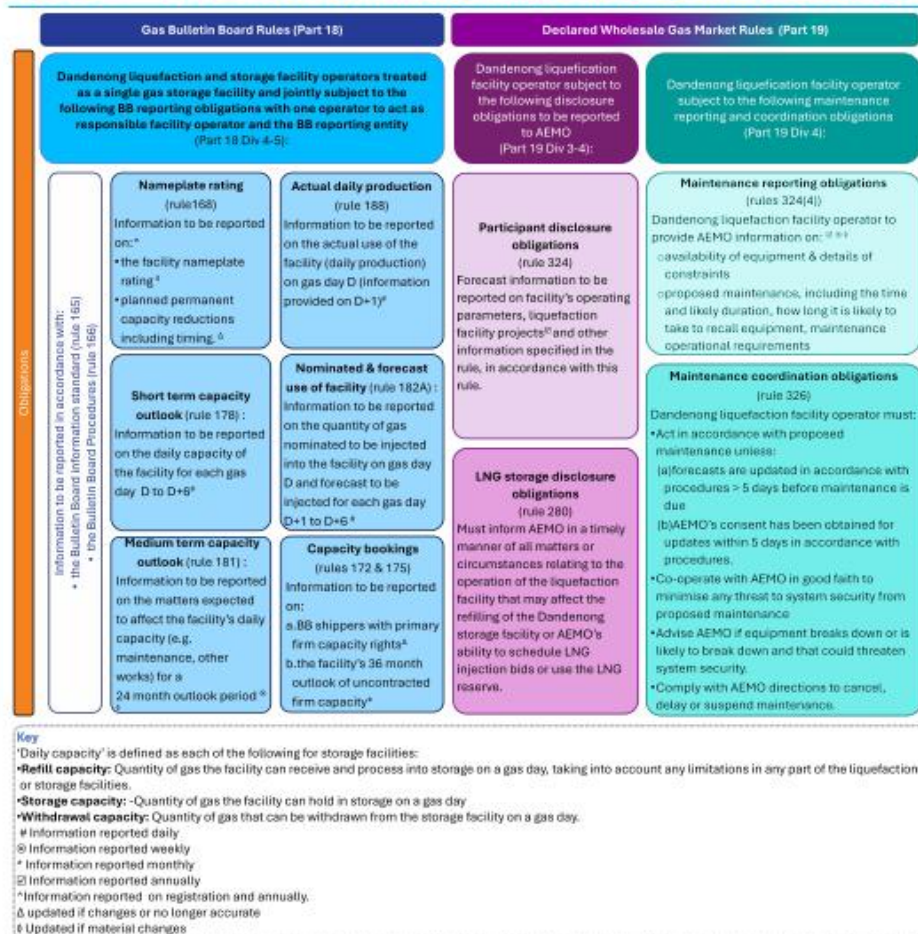
Further, if APA were to be made the reporting entity for the liquefaction facility, it would raise significant compliance and data integrity concerns. APA would be entirely dependent on the timely and accurate provision of information by BOC, including any changes to capacity and operating conditions. APA would be solely responsible for communicating this data to AEMO and the market. Under the current agreement between APA and BOC, BOC is not obliged to notify APA of maintenance at the liquefaction facility if the planned duration of the maintenance is less than 48 hours.

In this context, it would be unreasonable for APA to be held accountable for reporting information provided by BOC, when such reporting would be wholly contingent on

information outside APA's control. Any inaccuracies or omissions could constitute a technical non-compliance for APA and would also directly undermine the core objective of the draft determination—namely, to improve the transparency and accuracy of data available to market participants so they can make more informed and efficient decisions. Assigning BOC as the reporting entity—given its operational control of the liquefaction facility—would better support this objective and ensure alignment with the intent of the GBB framework.

In becoming the BB reporting entity, the liquefaction facility and BOC would simply need to be set up as a facility and facility operator, respectively. To fulfill its reporting obligations, BOC would only need to submit the relevant data (outlined in figure 4.1 of the draft determination) to AEMO via the Markets Portal website—a straightforward process that can be completed using an Excel spreadsheet. AEMO's BB Data Submission Guide provides clear instructions on how the spreadsheet needs to be formatted. In addition, APA is of the view that this can be accommodated via the storage registration category under Part 18, minimising system configuration impacts on AEMO.

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



Given that BOC is the sole operator of the facility, BOC is best placed to provide accurate and timely operational data directly to the GBB. Under the Draft Rules, BOC would be required to provide this information to APA daily and intra-daily, who would then need to input it into internal systems before submitting it to the GBB—introducing unnecessary risk of delays, communication breakdowns, data entry errors and additional resourcing burdens to manage this end to end. Allowing BOC to report directly would streamline the reporting process, reduce the risk of inaccuracy and ultimately enhance the transparency and reliability of market data, in line with the intent of the draft determination.

Recommendation

APA recommends that the Dandenong liquefaction facility be registered as a BB facility, with BOC, as the facility operator, appointed as the BB reporting entity. This approach aligns with the draft determination's approach for the DWGM participant disclosure obligations, which recognises BOC as an LNG supplier entity and responsible for reporting obligations relating to the Dandenong liquefaction facility.

1.6. Greater management of risk through the rules and the LNG storage agreement

As outlined in Section 1.4 above, liquefaction risk at Dandenong LNG has increased considerably, given the reliability issues at BOC's liquefaction facility. This raises questions as to whether the existing provisions of rule 282 best meet the objectives of the 2022 Rule (around security and reliability of gas supply).

Under rule 282(3) of the rules, AEMO must contract any Dandenong LNG storage capacity that is uncontracted at the end of 1 March. The 2022 Rule final determination introduced rule 282(2) to the rules, which required that APA's storage agreement with AEMO must be on substantially the same terms (including as to price and price structure) as the AEMO 2022 LNG Storage Agreement.

This creates a tension between the rules and the existing contract, as the Rules suggest that AEMO is only required to contract from 1 March each year. This also presents significant liquefaction risk, as the liquefaction plant may not be available when AEMO is required to fill the tank before the 1 March date each year.

This risk is exacerbated in circumstances where an existing user contract expires during the year, and instead of gas inventory owned by the expiring user being transferred to AEMO (thereby staying in the tank), that gas is instead vapourised, only for the tank to be refilled again post the following 1 March.

This unnecessary cycling of gas increases the risk that the tank will not be full prior to the winter should there be reliability issues or delays in liquefaction in the pre-winter period. It also increases the costs and emissions incurred because of the additional liquefaction. We consider that rule 282 requires amendment to better align with the objectives of the rule change proposal and any new contract entered into by AEMO and APA.

Recommendation

In our view, amendments to rule 282 should aim to reduce liquefaction risk and promote the efficient utilisation of both Dandenong LNG storage and the liquefaction facility. This would support the overarching objective of the proposed rule, which is to improve the security, safety and reliability of supply. This would necessarily involve a consideration of whether 1 March is an appropriate milestone for the contracting of capacity.

We will engage further with AEMO, the AEMC, and the Victorian Government to discuss contracting approaches that will better promote the objectives of the rule change.