



18 September 2025

Submission: Extension of the DWGM Dandenong LNG interim arrangements Rule 2025 – Draft Determination

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

APGA welcomes the opportunity to contribute comments to the Australian Energy Market Commission's draft determination on extending the interim arrangements for the DWGM Dandenong LNG liquefaction and storage facility (DLNG).

The DLNG facility continues to play a critical role not just in the Victorian gas system, but as a part of the ECGS where it can support broader gas system demand. As it ages however the DLNG liquefaction facility (owned and operated by BOC) is becoming increasingly unreliable and subject to planned and unplanned maintenance and outages. These reliability issues have steadily increased expected timeframes for liquefaction, and there is now significant risk of a major failure at a time when the DWGM relies on the DLNG facility more than ever before.

Market failures leading to 2022 interim arrangements are still relevant

The reasons behind the initial interim measures, implemented in 2022 to avert ongoing low retailer holdings in the DLNG facility, remain relevant. Progressive regulatory interventions not necessarily directly related to the DLNG facility have disrupted the overall market. These interventions have distorted previously strong signals for the long term contracting necessary to support the necessary maintenance and upgrades to the liquefaction plant to keep it operational.

The AEMC has taken a consistent position that AEMO and Victorian gas consumers should not bear costs for capital investments in the DLNG facilities via the existing interim arrangements, given that is properly the domain of the market and asset owner:

..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.

This fails to acknowledge that current market and regulatory arrangements have not provided the long term investment signals necessary to support investment in DLNG.

Major upgrades are required to ensure the DLNG facilities can continue providing reliable services to the DWGM.

Long term arrangements are needed to support investment

Ideally, any major upgrade of these unregulated assets should be underwritten through commercial market-based arrangements. The issue that the interim rules attempt to solve is that market-based arrangements around sufficient contracting of the facility are *not* taking place, hindering any necessary infrastructure investment.

And this investment is indeed necessary, as outlined by AEMO:¹

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

As we noted in our original submission, AEMO is concerned about the ongoing availability of the DLNG facility. It undertook supply sensitivity for the 2025 GS00 which considers the infrastructure issues rendering the liquefaction plant unavailable from 2025 and possible closure after 2027. This could result in peak day shortfall issues from 2028.

While longer term solutions for security and reliability risks in the ECGS are in development, there is no guarantee that they will be implemented before reliability issues in the liquefaction facility become critical.

APGA concurs that the interim arrangements are an untidy and incomplete solution for a complex problem. However, a four-year extension of these powers is insufficient to provide necessary certainty for investment.

APGA Recommendation: APGA recommends the 2022 interim arrangements be extended by 10 years in the final determination.

Draft rules may risk safety, security and reliability of supply in Victoria

Instead of providing an enduring incentive for investment, such as through a significant expansion of the interim arrangements, the AEMC has instead proposed amendments which could threaten ability of the DLNG facility to meet the needs of the DWGM in a timely manner.

Rule 282(2)(c)(i) currently permits variations to the AEMO and APA contract where these are *reasonably* necessary for the safe and reliable operation of the storage facility. The AEMC proposes to remove this Rule due to concerns AEMO does not have any control over these costs under the interim arrangements. This Rule currently provides a regulatory pathway in case in case urgent investment is required to maintain safety and reliability.

¹ AEMO, 2025, 2025 Gas Statement of Opportunities, https://www.aemo.com.au/-/media/files/gas/national_planning_and_forecasting/gsoo/2025/2025-gas-statement-of-opportunities.pdf

Under the existing Rule, AEMO does have considerable control over how costs of investments are passed to onto market participants, because AEMO and APA must **agree** to a vary the existing contract. It is only with AEMO's agreement that any costs will be passed on to market participants. Without this Rule, the DLNG operator and AEMO may not be able to make contract alterations to support safe and reliable operation of the facility. And, without amending that rule, the liquefaction operator may not be able to do so either.

APGA Recommendation: APGA recommends Rule 282(2)(c)(i) be reinstated and (i) amended to clarify that it encompasses the liquefaction facility: "*...are reasonably necessary for the safe and reliable operation of the LNG storage facility **and related liquefaction facility**...*"

Proposed reporting and disclosure obligations are reasonable

The AEMC has proposed extending to the DLNG facility both Gas Bulletin Board reporting obligations in Part 18 of the NGR and the disclosures and coordination obligations under Part 19 of the NGR. As we did in May, APGA supports this proposal.

In implementation, the AEMC has left it up to APA and BOC to agree on who is to be the responsible facility operator and reporting entity. While they must necessarily operate in concert, treating the liquefaction and storage assets as a single facility for this purpose is inappropriate, given that APA and BOC are commercially separate corporate entities. A more efficient solution is for the liquefaction facility to be declared a GBB facility.

APGA Recommendation: APGA recommends the DLNG liquefaction facility be registered as a BB facility, and BOC appointed as the BB reporting entity.

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

Yours sincerely,



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