

Extension of the DWGM Dandenong LNG interim arrangements

The Commission has made a final rule to extend the Australian Energy Market Operator's (AEMO) interim buyer and supplier of last resort arrangements for the Dandenong LNG storage facility

The Commission has decided to make a more preferable final rule (final 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. The Commission's final rule extends AEMO's interim buyer and supplier of last resort powers for the Dandenong Liquefied Natural Gas (LNG) storage facility for a period of four years to address projected threats to security and reliability in the Victorian Declared Wholesale Gas Market (DWGM).

Our final rule enables AEMO to address security and reliability threats in the DWGM in the short term

The four year extension of the interim arrangements:

- builds on the interim framework established by the AEMC's 2022 final rule, which 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 threats to system security and reliability 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
- is longer than the rule change request's proposed three year extension, to allow adequate time for the development of a fit-for-purpose and enduring solution to manage market power concerns and security and reliability risks in the DWGM.

We have also made a number of amendments to the interim arrangements to better promote the NGO and to limit the potential costs that AEMO, and ultimately Victorian consumers, incur under the arrangements. These include:

- addressing the risk that the costs associated with major upgrades to the storage and/or liquefaction facility may be passed through to AEMO (and by extension Victorian gas consumers) through these arrangements, which we consider to be contrary to the intent of the interim arrangements
- clarifying that AEMO is not required to contract for unusable uncontracted storage capacity, or capacity that exceeds what is required to meet the target level of LNG stock as approved by the Victorian Minister.

The final rule also provides for a rules-based arbitration mechanism to be called upon if a dispute about the extension of the LNG storage agreement arises between AEMO and the Dandenong storage facility operator, but not for other disputes that may arise over the term of the extended agreement.

The final rule promotes more efficient use and operation of the Dandenong liquefaction and storage facilities and enables AEMO to efficiently perform its declared system functions

The Commission's final rule provides for greater transparency and oversight of the Dandenong liquefaction facility. The liquefaction facility plays a crucial role in enabling the storage tank to be refilled with LNG and determining the speed at which it can be refilled. The separate ownership of the liquefaction and storage facilities has, however, resulted in some gaps in the transparency and maintenance arrangements applying to the facilities.

Information gaps may be hindering efficient decision-making regarding the refilling a LNG stock in the liquefaction facility. They may also be limiting AEMO's ability to carry out its declared system functions, since AEMO does not have visibility over the liquefaction facility's operation.

The Commission's final rule addresses these gaps by permanently extending a targeted set of Part 18 Gas Bulletin Board reporting obligations. This will require the Dandenong liquefaction facility owner to report on the nameplate rating, short term and medium term capacity outlook for the storage refill capacity. Additionally, the final rule also permanently extends the Part 19 participant disclosure, LNG storage disclosure, maintenance reporting and coordination obligations to the Dandenong liquefaction facility.

The extension of these obligations will:

- enable market participants and AEMO to make more informed and efficient decisions about their use of both the Dandenong liquefaction and storage facilities and the LNG stock held in the Dandenong storage facility
- support the efficient operation of both the Dandenong liquefaction and storage facilities and other DWGM facilities by enabling maintenance to be more efficiently coordinated across these facilities
- allow AEMO to perform its planning, maintenance, and other declared system functions more efficiently and effectively, which will benefit market participants.

The final rule contributes to the achievement of the NGO

The final rule contributes 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 and liquefaction facilities, 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 uses they are intended to address
 - providing for predictability, stability, simplicity and transparency of the arrangements
- minimising the costs and complexities associated with both the buyer and supplier of last resort arrangements and Dandenong liquefaction facility transparency and oversight measures.

Implementation of the final rule

To provide sufficient time for AEMO, APA and BOC to undertake preparatory actions, the final rule requires:

- AEMO and APA to have an extended LNG storage agreement in place by 28 February 2026.
- AEMO and APA to enter into a transitional storage arrangement so that any LNG stock AEMO holds at the expiration of its current agreement can be retained in storage until the extended agreement starts. This transitional agreement must be entered into by 31 December 2025.
- The Dandenong liquefaction facility operator (BOC) 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.

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