



Australian Energy Market Commission

RULE DETERMINATION

**National Gas Amendment (Publication of the
GSOO and gas VAPR) Rule 2014**

Rule Proponent
AEMO

13 March 2014
For and on behalf of the Australian Energy Market Commission

**RULE
CHANGE**

Inquiries

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

E: aemc@aemc.gov.au

T: (02) 8296 7800

F: (02) 8296 7899

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About the AEMC

The Council of Australian Governments (COAG), through its then Ministerial Council on Energy (MCE), established the Australian Energy Market Commission (AEMC) in July 2005. In June 2011, COAG established the Standing Council on Energy and Resources (SCER) to replace the MCE. The AEMC has two main functions. We make and amend the national electricity, gas and energy retail rules, and we conduct independent reviews of the energy markets for the SCER.

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Summary

The Gas Statement of Opportunities (GSOO) and gas Victorian Annual Planning Report (VAPR) are gas planning documents published by the Australian Energy Market Operator (AEMO).

The Australian Energy Market Commission (AEMC) decided to make a rule that:

- changes the publication date of the GSOO from 31 December to 31 March and the gas VAPR from 30 November to 31 March. The AEMC considered that this would enhance the quality of information contained in these documents by allowing information from the most recent winter period to be considered; and
- reduces the publication frequency of the gas VAPR from an annual to a biennial publication cycle. The AEMC considered that this would be consistent with the level of use of the gas VAPR and would enhance AEMO's administrative efficiency.

The AEMC is satisfied that the rule would be likely to contribute to the achievement of the National Gas Objective (NGO).

This rule change request was assessed under an expedited rule making process as a non-controversial rule.

The rule has been published with this final rule determination and is to commence on 1 April 2014.

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1 AEMO's rule change request

1.1 The rule change request

On 2 October 2013, the Australian Energy Market Operator (AEMO) made a request to the Australian Energy Market Commission (Commission) to make a rule regarding the timing of the publication of the Gas Statement of Opportunities (GSOO) and gas Victorian Annual Planning Report (VAPR) - gas planning documents published by AEMO.

1.1.1 GSOO

The GSOO provides information on the gas markets in east and south eastern Australia and excludes the Northern Territory and Western Australia.¹ The GSOO is published annually by 31 December.²

The GSOO provides information on both the supply and demand side of the gas market. The content of the GSOO includes:³

- natural gas reserves;
- capacity of, and constraints on, gas production, storage facilities and transmission networks;
- committed and proposed transmission pipelines and storage facilities; and
- projected demand for natural gas, including annual and peak day forecasts.

The information must cover a forward outlook of 10 years. In addition, it can provide a 20 year forward outlook in relation to forecasts of reserves and annual demand.⁴

1.1.2 Gas VAPR

The gas VAPR provides information about the Victorian Declared Wholesale Gas Market (DWGM) and, more specifically, the Declared Transmission System. Over at least a 5 year outlook, the gas VAPR (and supplementary documents) provides information about both the supply and demand side of the DWGM including:

- monthly based peak daily and hourly demand under severe weather conditions;
- total annual demand with and without gas powered generation;

1 Rule 135KA of the National Gas Rules (NGR).

2 Rule 135KC of the NGR.

3 Rule 135KB of the NGR.

4 Rule 135KB(2) of the NGR.

- available and prospective gas supply and source of that supply;
- expansions and extensions of the declared transmission system;
- declared transmission capacity for the system as a whole and for major pipelines;
- range of acceptable pipeline pressures;
- storage capacity; and
- mismatches between supply, demand and capacity.

The requirement to publish the gas VAPR is in the NGR, which stipulates that AEMO must conduct an 'annual planning review' of the Victorian gas market by 30 November of each year.⁵ In previous years, AEMO has met this requirement through the collective publication of a range of documents.⁶ However, in 2013, AEMO's reporting on Victoria's DWGM was separated from reporting on Victoria's electricity market. In addition, all the documents relating to gas were consolidated in a single publication - the Victorian Gas Planning Report - published on 12 December 2013.⁷

The requirement to publish a gas VAPR was previously a function carried out by the Victorian Energy Networks Corporation (VENCorp) until this function was subsumed by AEMO from 1 July 2009. An Annual Planning Report (APR) that covers both electricity and gas is unique to Victoria; only electricity APRs are published in other states.

1.2 Rationale for the rule change request

AEMO considered that the current publication dates of the GSOO and gas VAPR:⁸

- do not allow for sufficient time to include the latest winter demand data;
- do not allow for sufficient time for stakeholder input into the development of these documents; and
- contain a degree of duplication and require consistency of messaging between the documents.

Also, AEMO considered that the gas VAPR does not need to be published on an annual basis. AEMO considered that:⁹

⁵ Rule 323 of the NGR.

⁶ For an overview, please refer to the Commission's Consultation Paper available at www.aemc.gov.au.

⁷ Available at www.aemo.com.au.

⁸ AEMO rule change request, p. 3. Available at www.aemc.gov.au.

⁹ AEMO rule change request, p. 3; AEMO rule change request -supplementary information, pp.1-2. Available at www.aemc.gov.au.

- the Victorian gas market has relatively stable gas demand projections in the medium term;
- the Victorian gas market has spare system capacity and an already proposed augmentation plan over the medium term; and
- the lead times for gas infrastructure projects would be better aligned with a biennial publication cycle.

1.3 Solution proposed in the rule change request

To resolve the issues referred to above, AEMO proposed a rule that seeks to:

- change the publication date of the GSOO from 31 December to 31 March and change the publication date of the gas VAPR from 30 November to 31 March. This would align the publication dates of both gas planning documents to 31 March of a given year; and
- change the publication frequency of the gas VAPR to once every two years.

1.4 Relevant background

AEMO developed this rule change request following an internal review of its planning documents.¹⁰ AEMO then consulted with industry through its Short Term Trading Market (STTM) consultative forum and its DWGM consultative forum and found that there were no objections to this rule change request.¹¹

1.4.1 Victorian gas market taskforce

In November 2013, the role of gas planning documents in the Victorian gas market was highlighted by the Victorian Government's release of the final report prepared by the Victorian Gas Market Taskforce chaired by Peter Reith.¹² The Victorian Gas Market Taskforce was established in December 2012 to provide policy options to the Victorian Government on improving the operation and efficiency of the eastern Australian gas market, suggest ways of enhancing market transparency and transmission capability, and to increase gas supply to meet rising demand at competitive prices.

The Victorian Gas Market Taskforce provided a range of recommendations to enhance upstream and downstream aspects of the gas supply chain. Of relevance to this rule change request, it recommended that to improve certainty and accessibility of gas supply information, the Standing Council on Energy and Resources (SCER) should

¹⁰ AEMO rule change request, p. 1.

¹¹ AEMO consulted with the Gas Wholesale Consultative Forum on 11 June 2013 and 13 August 2013. AEMO consulted with the Short Term Trading Market Consultative Forum on 9 July 2013. See AEMO rule change request, pp. 8-9.

¹² Victorian Gas Market Taskforce final report available at <http://www.energyandresources.vic.gov.au/about-us/publications/Gas-Market-Taskforce-report>

initiate a comprehensive annual forecast for the Australian gas industry incorporating reserves, gas supply, industrial and residential customer demand and supply and transportation asset capacity.¹³ This would build on the existing GSOO.

1.5 Commencement of the rule making process

On 30 January 2014, the Commission published a notice under section 303 of the National Gas Law (NGL) advising of the commencement of the rule making process with respect to the rule change request. A consultation paper identifying specific issues and questions for consultation was also published with the rule change request.¹⁴ Submissions closed on 27 February 2014.

The Commission received 2 submissions on the rule change request. They are available on the AEMC website.¹⁵

The Commission considered that the rule change request related to a non-controversial rule as it was unlikely to have a significant effect on a market for gas or the regulation of a pipeline service. This is because the proposed rule is unlikely to have a direct and material financial effect on market participants and it would not materially affect the behaviour and risks faced by market participants.¹⁶

The Commission notified that it would consider this rule change request as a non-controversial rule for assessment under an expedited rule making process unless the Commission received any written objections. Written objections were due by 13 February 2014 and no objections were received. Accordingly, the Commission considered this rule change request under an expedited rule making process.

¹³ Recommendation 10 of the Victorian Gas Market Taskforce final report.

¹⁴ Available at www.aemc.gov.au.

¹⁵ Available at www.aemc.gov.au.

¹⁶ Please refer to section 3.6.3 of the AEMC's Consultation Paper on this rule change request available at www.aemc.gov.au.

2 Final rule determination

2.1 Commission's determination

In accordance with section 311 of the NGL, the Commission has made this final rule determination in relation to the rule proposed by AEMO. In accordance with sections 297 and 313 of the NGL, the Commission has determined to make the rule proposed by AEMO subject to some consequential amendments.¹⁷

The Commission's reasons for making this final rule determination are set out below.

The *National Gas Amendment (Publication of the GSOO and gas VAPR) rule 2014 No [1]* (final rule) is published with this final rule determination. The final rule commences on 1 April 2014. The key features of the final rule are described section 3.3 and 4.3 below.

2.2 Commission's considerations

In assessing the rule change request, the Commission considered:

- the Commission's powers under the NGL to make the rule;
- the rule change request;
- submissions received during consultation;
- other information relevant to the rule change request; and
- the Commission's analysis as to the ways in which the proposed rule will, or is likely to, contribute to the achievement of the National Gas Objective (NGO).

There are no relevant Ministerial Council on Energy (MCE) statements of policy principles relating to this rule change request.¹⁸

2.3 Commission's power to make the rule

The Commission is satisfied that the final rule falls within the subject matter about which the Commission may make rules, as set out in section 74 of the NGL.

Specifically, it relates to:

- the collection, use, disclosure, copying, recording, management and publication of information in relation to natural gas services (section 74(1)(a)(iii) of the NGL); and

¹⁷ These consequential amendments relate to the publication date of the GSOO. Please refer to section 3.3 of this final rule determination.

¹⁸ Under section 73 of the NGL, the AEMC must have regard to any relevant MCE statement of policy principles in making a rule.

- AEMO's declared system functions and the operation of a declared wholesale gas market (section 74(1)(a)(v) of the NGL).

Further, under Schedule 1 to the NGL, the Commission may make rules with respect to:

- 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 55D of Schedule 1 to the NGL); and
- the matters to be dealt with in the gas statement of opportunities and the obligations of AEMO and other persons in regard to its preparation, review, revision and publication (Item 55J of Schedule 1 to the NGL).

2.4 Rule making test

Under section 291(1) of the NGL the Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the NGO. This is the decision making framework that the Commission must apply.

The NGO is set out in section 23 of the NGL as follows:

“The objective of this Law is to promote efficient investment in, and efficient operation and use of, natural gas services for the long term interests of consumers of natural gas with respect to price, quality, safety, reliability and security of supply of natural gas.”

The Commission considered that the aspects of the NGO relevant to this rule change request are the promotion of efficient investment in, and use of, natural gas services for the long term interests of consumers of natural gas with respect to the price of natural gas and the reliability and security of gas supply.¹⁹

Based on the NGO, the Commission developed the following principles to assess the rule change request:

- Economic efficiency - whether the proposed rule would change the quality of information provided to participants such that it affects the efficiency of participants' decisions.
- Reliability and security - whether the proposed rule would change the quality of information such that it affects the reliability and security of the gas system.
- Administrative effectiveness and transparency - whether the proposed rule would enhance the use of AEMO's resources in preparing these reports for the

¹⁹ Under section 291(2), for the purposes of section 291(1) of the NGL, the AEMC may give such weight to any aspect of the NGO as it considers appropriate in all the circumstances, having regard to any relevant MCE statement of policy principles.

long term benefit of consumers and whether the proposed rule would affect the transparency of gas planning information to the market.

The Commission is satisfied that the final rule will, or is likely to, contribute to the achievement of the NGO because:

- changing and aligning the publication date of the GSOO and gas VAPR would improve the quality of these documents by allowing for more time to include the latest winter demand data and stakeholder input and increase the consistency between the documents. This should result in a more useful information resource for industry, jurisdictional governments, regulatory institutions, consumers and other interested parties; and
- reducing the publication frequency of the gas VAPR to a biennial publication cycle would be consistent with the level of use of this document by industry and, in addition, would enhance AEMO's administrative efficiency.

2.5 Other requirements under the NGL

Under section 295(4) of the NGL the Commission may only make a rule that has effect with respect to an adoptive jurisdiction if it is satisfied that the proposed rule is compatible with the proper performance of AEMO's declared system functions. AEMO proposed the rule change request and has advised that it considers the final rule to be consistent with the performance of its declared system functions in relation to the declared transmission system.

The final rule does not amend any rules that are currently classified as civil penalty provisions or conduct provisions under the NGL or Regulations. The Commission does not propose to recommend to the SCER that any of the amendments in the final rule be classified as civil penalty provisions.

3 Changing the publication dates of the GSOO and gas VAPR

3.1 AEMO's view

AEMO proposed to change the publication dates of the GSOO and gas VAPR so that both documents are published on 31 March of a given year. AEMO's rationale for this change is that it would:²⁰

- improve the quality of information by allowing AEMO more time to include the most recent winter data in its analysis;
- allow for more time for stakeholder input in the development of these documents; and
- reduce duplication and improve consistency of messaging between the GSOO and gas VAPR.

3.2 Stakeholder views

APA Group expressed their support for AEMO's proposed change to the publication dates of the GSOO and gas VAPR to 31 March.²¹

Lumo Energy generally supported AEMO's proposed change but considered that the timing of the rule change may not be appropriate given anticipated changes to gas flows and capacity resulting from LNG projects being developed in Queensland.²² Lumo Energy drew attention to AEMO's 'gas market resilience programme' and noted a possible impact of LNG projects on the operation and effectiveness of AEMO's gas market services, such as the GSOO.²³

3.3 Analysis

The Commission considered that there is merit in changing the publication date to allow for more time to include the most recent winter demand data, more time for stakeholder input and to increase consistency between these gas planning documents. It is important to include the most recent winter data because this is typically the period exhibiting the peak demand for gas. Also, allowing time for stakeholder input in the development of the documents and improving consistency is likely to enhance the value of these documents. The Commission considered that the result of these changes would be likely to provide higher quality information to stakeholders. This

²⁰ AEMO rule change request, p. 2.

²¹ APA Group, submission on consultation paper, p. 1.

²² Lumo Energy, submission on consultation paper, p.1.

²³ Lumo Energy, submission on consultation paper, p. 1.

view was supported by industry stakeholders in AEMO's consultative forums and in submissions received on the consultation paper.²⁴

Lumo Energy supported a change in the timing but raised an issue regarding the potential impact of LNG projects on the GSOO as part of AEMO's gas market resilience programme.²⁵ However, AEMO's gas market resilience programme does not relate to the timing of the GSOO's publication; rather any changes that may result from that programme would relate to the content of the GSOO. Any changes to the content of the GSOO would be covered by a separate process and are not within the scope of this rule change. Therefore, the Commission considered that this issue is not a reason for delaying the proposed change to the publication date of the GSOO.

Changing the publication date of the GSOO and gas VAPR to the 31 March of a given year would enhance the quality of information contained in these gas planning documents, which would likely facilitate the making of efficient decisions by users of these documents.

Accordingly, the Commission has drafted the final rule - in rules 135KC and 323 of the NGR - to change the publication dates of the GSOO and gas VAPR to 31 March.

The Commission also made two consequential amendments - in rule 135KB and 135KD of the NGR - to reflect the change in the publication date of the GSOO to 31 March. These two consequential amendments are explained respectively below.

Firstly, a consequential amendment was made to rule 135KB of the NGR by clarifying that the GSOO would apply for the 10 year period commencing in the year the GSOO was published.

Secondly, a consequential amendment was made to rule 135KD of the NGR. Currently, rule 135KD requires AEMO to publish a supplement to the GSOO if it receives new information 'before the last quarter of a calendar year', which aligns with the current requirement to publish by 31 December each year. However, the reference to 'before the last quarter of a calendar year' would no longer be appropriate because the GSOO will now be published on 31 March each year. Consequently, rule 135KD of the NGR was amended by omitting the reference to 'before the last quarter of a calendar year'. Also, the drafting of amended rule 135KD of the NGR is consistent with the drafting of rule 323(5) of the NGR, which requires AEMO to update the gas VAPR if it becomes aware of new material information.

²⁴ AEMO rule change request, pp. 8-9. Also the minutes of these fora are available at www.aemo.com.au. Refer to section 3.2 of this final rule determination for a summary of points made in submissions on the consultation paper.

²⁵ Lumo Energy, submission on consultation paper, p. 1.

4 Reducing the publication frequency of the gas VAPR

4.1 AEMO's view

AEMO proposed to reduce the publication frequency of the gas VAPR from an annual to a biennial publication cycle.

AEMO's rationale for changing the publication of the gas VAPR from an annual to a biennial cycle is that:²⁶

- the Victorian gas market has relatively stable gas demand projections in the medium term;
- the Victorian gas market has spare system capacity and an already proposed augmentation plan over the medium term; and
- the lead times for gas infrastructure projects indicate that a biennial publication cycle would be more appropriate.

Under AEMO's proposed rule, AEMO would still be required to update the gas VAPR if it becomes aware of any information that materially alters the most recently published gas VAPR.²⁷

AEMO considered that the proposed rule will reduce AEMO's resource costs relating to the preparation of the gas VAPR by approximately one full-time equivalent employee.²⁸

As the gas VAPR is proposed to no longer be published annually, AEMO also proposed to change any references in the NGR from 'annual planning review' to 'planning review'. Consequentially, and while not referred to in the NGR, AEMO also proposed to change the name of the report from 'gas VAPR' to the Victorian Gas Planning Report (VGPR).

4.2 Stakeholder views

APA Group supported the reduction in the frequency of the publication of the gas VAPR because this would align with the preparation of gas access arrangements and there would still remain an obligation on AEMO to publish an update to the gas VAPR when it becomes aware of new material information.²⁹

²⁶ AEMO rule change request, p. 3. Available at www.aemc.gov.au.

²⁷ Proposed rule 323(5) of the NGR. AEMO rule change request, p. 6. There is an equivalent existing obligation relating to the VAPR in rule 323(5) of the NGR.

²⁸ AEMO rule change request, p. 7.

²⁹ APA Group, submission on consultation paper, p. 1.

APA Group and Lumo Energy both referred to AEMO's provision of annual demand forecasts to markets participants. APA Group acknowledged that the provision of these annual demand forecasts is an informal practice by AEMO but saw no reason why this would not continue in the future.³⁰ However, Lumo Energy sought to have a formal obligation in the NGR for AEMO to provide these demand forecasts to industry in an agreed format and at agreed intervals.³¹

APA Group also considered that AEMO's estimate of its reduction in costs as a result of a biennial publication of the gas VAPR is conservative and that a reduction in these costs should be directly reflected in a reduction in AEMO's fees charged to market participants for the benefit of consumers.³²

4.3 Analysis

To evaluate AEMO's proposal to reduce the publication frequency of the gas VAPR from an annual to a biennial cycle, the use of these documents should be considered.

AEMO publishes the gas VAPR to provide stakeholders with information about the DWGM. The Commission understands that the gas VAPR is primarily used for the purposes of information; there was no evidence from industry stakeholders that it is directly relied upon for investment and operational decisions.³³ APA Group stated that it used the historical data in the gas VAPR in its preparation of access arrangement proposals.³⁴

The Commission recognised that there is a risk that reducing the publication frequency of the gas VAPR could reduce the timeliness of the information contained in that document. However, as stated above, the gas VAPR is used by stakeholders primarily for information purposes. Also, AEMO stated that the typical lead times for gas system augmentations suggest that an annual publication cycle would be more than is necessary. In addition, AEMO is required to update the gas VAPR if new material information becomes available.³⁵ Further, as the GSOO also covers Victoria, any high level developments in the Victorian market that occur in the year the gas VAPR (now referred to by AEMO as the VGPR) is not published could also be reported in the GSOO, which is published annually. These considerations collectively suggest that reducing the publication frequency of the gas VAPR to a biennial publication cycle would be consistent with the level of usage of this document and there are safeguards to update the document within the two year period if necessary.

In addition, the proposed change would enhance AEMO's administrative efficiency.

³⁰ APA Group, submission on consultation paper, p. 2.

³¹ Lumo Energy, submission on consultation paper, p. 2.

³² APA Group, submission on consultation paper, pp.1-2.

³³ The Commission considered industry responses during AEMO's consultative forums and views in submissions.

³⁴ APA Group, submission on the consultation paper, p. 1.

³⁵ Rule 323(5) of the NGR.

The Commission does not consider that it is necessary for AEMO to have an obligation in the NGR to provide demand forecasts beyond existing obligations to do so in the GSOO.³⁶ This is because the Commission considered that market participants will continue to have access to the annual demand forecasts provided in the GSOO, which is published annually. Also, there is a requirement to update the GSOO and the gas VAPR should new material information arise.

Accordingly, the Commission has drafted the final rule - in rules 200, 323 and 341(1)(a) of the NGR - to:

- reduce the publication frequency of the gas VAPR from an annual to a biennial publication cycle;
- change any references in the NGR from 'annual planning review' to 'planning review'; and
- retain the requirement for AEMO to update the gas VAPR when it becomes aware of any information that materially alters the most recently published gas VAPR.

³⁶ This was proposed by Lumo Energy in its submission on the consultation paper.

Abbreviations

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|------------|--|
| AEMC | Australian Energy Market Commission |
| AEMO | Australian Energy Market Operator |
| APR | Annual Planning Report |
| Commission | Australian Energy Market Commission |
| DWGM | Declared Wholesale Gas Market |
| GSOO | Gas Statement of Opportunities |
| MCE | Ministerial Council on Energy |
| NGL | National Gas Law |
| NGO | National Gas Objective |
| NGR | National Gas Rules |
| SCER | Standing Council on Energy and Resources |
| STTM | Short Term Trading Market |
| VAPR | Victorian Annual Planning Report |
| VENCorp | Victorian Energy Networks Corporation |
| VGPR | Victorian Gas Planning Report |