

22 August 2017

Australian Energy Market Commission  
Level 6, 201 Elizabeth Street  
Sydney NSW 2000

(via AEMC website: [www.aemc.gov.au/Contact-Us/Ldodge-a-Submission.apx](http://www.aemc.gov.au/Contact-Us/Ldodge-a-Submission.apx))

**Ref. GRC0040      Improvements to Natural Gas Bulletin Board**

GLNG Operations Pty Ltd (**GLNG**) welcomes the opportunity to provide the following submission in respect of the Draft Rule Determination and related draft rule on the *Improvements to Natural Gas Bulletin Board (Draft Rule)* released by AEMC on 11 July 2017.

GLNG supports the rationale for the amendments to be a desire to make improvements to the Gas Bulletin Board (**GBB**) to enhance the breadth and accuracy of information provided to the market, and to improve the operation and relevance of the GBB for participants in the east coast gas market.

The *Stage 2 Final Report: East Coast Wholesale Gas Markets and Pipelines Frameworks Review* and the Draft Rule Determination,<sup>1</sup> identified that under the existing zonal model a number of pipelines, production and storage facilities do not report information on the GBB. A recommendation has been put forward that those facilities should be reporting, because of their possible impact on the market. The Draft Rule Determination removes the link between the zonal model and the obligation to report from Part 18 of the National Gas Rules (**NGR**), broadening the range of pipelines that are required to report.

### **1 Exemptions currently available for 'BB transmission pipelines'**

The Draft Rule Determination refers to the exemptions that are available under existing provisions of Part 18 of the NGR,<sup>2</sup> and states that '*the transmission pipeline exemption to date does not appear to have been used and the policy rationale for such an exemption is not clear*'. The transmission pipeline exemption is contained in rule 149(5).

<sup>1</sup> Section 4.2, Draft Rule Determination.

<sup>2</sup> Section 4.2.2, Draft Rule Determination.

GLNG has identified a number of circumstances where the transmission pipeline exemption has been used.<sup>3</sup> The limited use of the transmission pipeline exemption under rule 149(5) to date can be attributed to the limited number of production and demand zones currently declared under the Gas Bulletin Board Procedures (**Procedures**), coupled with the fact that the more rigorous reporting obligations currently apply only to those pipelines identified by the Procedures as forming part of those zones.

By way of example, the definition of the Curtis Island LNG demand zone is focused on deliveries to the LNG facilities from the major transmission pipelines for each of the three Queensland LNG projects (i.e. the QCLNG, APLNG and GLNG Pipelines). As a result, there has been a limited need for project proponents to apply for an exemption under rule 149(5) for so called 'lateral' and 'spur' pipelines which deliver gas from upstream production facilities to the main transmission pipelines.

GLNG understands that the policy rationale for rule 149(5) was as set out in the Explanatory Note for the original Draft Bulletin Board Law and Rules in 2008.<sup>4</sup> The Explanatory Note to the original rules provided that the criteria for exemption of a pipeline are:

- the nameplate rating of the pipeline is less than 20TJ/day; or
- the pipeline is a dedicated lateral or spur; or
- the pipeline is a gathering line.

The Explanatory Note goes on to provide (emphasis added):

*The concept of a "lateral" or "spur" is generally understood in the industry to mean a transmission pipeline that is connected to a main "trunk" pipeline to either supply a number of distributed customers or to connect gas production or storage facilities. The intent is that where the gas supply or demand on a lateral or spur can be adequately represented as a simple withdrawal or injection point on the main "trunk" pipeline, **with there being little additional value in providing details of the daily capacity or linepack on the lateral or spur, then such pipelines should be exempted.** This was agreed by all interested parties during the consultation period in June/July 2007. Defining or adequately expressing the concept of a lateral or spur pipeline in the Rules has, however, proven problematic. The wording adopted in the draft Rules (rule 10(5)) has been on the basis of a pipeline that does not transport gas between production and/or demand zones, between production zones or between demand zones, with these zones to be more fully defined in a set of published Bulletin Board procedures.*

<sup>3</sup> See for example: 'Exemption of BB Pipeline – QGC Pty Limited' dated 25 August 2015, 'Exemption of BB Pipeline – Australia Pacific LNG Pty Limited' dated 7 September 2015 and 'Exemption of BB Storage Facility and BB Pipeline - Santos CSG Pty Ltd' dated 24 December 2015.

<sup>4</sup> Page 7, National Gas Market Development Plan, Draft Bulletin Board Law and Rules: Explanatory Note (February 2008).



## 2 Lateral pipelines that are comparable to gathering lines

With the expanded definition of a GBB Pipeline there may be incidental lateral pipelines that could be captured by this definition.

The lateral pipelines, that GLNG considers should only report to a limited extent, are those which are more akin to 'gathering lines', in that they form a network that primarily takes gas from GLNG's production and compression facilities for injection into GLNG's main transmission pipelines.

'Gathering lines' are specifically referred to in the note in the definition of 'BB transmission pipeline'<sup>5</sup> in the Draft Rule. The note provides *'A gathering line is part of a gathering system and as such is excluded from the definition of BB transmission pipeline by reason of paragraph (f) of the definition of "pipeline" in section 2 of the NGL. ...'*

In GLNG's case, these lateral pipelines typically connect from a compression facility onto a main transmission line and, in some cases, connect to other laterals, where they form a network, through which the gas is ultimately delivered to the main transmission pipelines (with those main transmission pipelines being 'BB transmission pipelines' for the purposes of Part 18).

Gas flows in these laterals are not individually measured, with flows based on essential operational requirements. In the laterals, gas can travel via different routes (and different laterals) in the network depending on pressures, maintenance and other factors, before it enters the main transmission pipelines. As a result, it is not practicable to report data on the individual laterals, for example 'nomination and forecast',<sup>6</sup> and 'daily flow data'<sup>7</sup> for these laterals.

## 3 Transmission quantities are already sufficiently reported

As GLNG's gas is essentially transmitted within its own system to its main transmission pipelines, then GLNG's gas will be accounted for through compliance with the reporting obligations for its main transmission pipelines, being the GTP and CRWP.

Therefore, GLNG submits that reporting the detailed data required by the Draft Rule for some lateral pipelines will not provide meaningful benefit to the market.

Any data that would be reported for the GLNG system is predominantly within the GLNG system and would, to that extent, duplicate information which is currently provided as *delivery* and *receipt* information, and which would continue to be provided as *'daily flow data'* for GLNG's main transmission pipelines, the GTP and CRWP. On this basis, the laterals do not provide material or relevant information for GBB users.

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<sup>5</sup> This note is currently contained in rule 149(5) and is proposed to be moved to the definition of 'BB transmission pipeline' in the Draft Rule.

<sup>6</sup> Draft Rule 183.

<sup>7</sup> Draft Rule 187.

In summary, GLNG considers that the provision of nameplate information and the list of BB shippers for those lateral pipelines, would be sufficient to give effect to the National Gas Objective (NGO) having regard to the above considerations.

#### **4 Alternative proposal**

For these reasons, GLNG submits for AEMC's consideration, the following alternative proposal to create a class for lateral pipelines that form part of an integrated upstream producing operation, which should only be required to report in relation to limited aspects of the Draft Rule.

##### ***Limited application of Part 18 of NGR to 'upstream lateral pipelines'***

GLNG suggests that a new rule could be created along the lines of draft rule 144 which applies in respect of *remote pipelines*. However, rather than excluding the operation of Part 18 of the NGR in its entirety (as draft rule 144 does), the provision would be limited to specific rules, being draft rules 169, 170, 175, 178, 179, 181, 183 and 187.

It would also be necessary to incorporate a definition of *upstream lateral pipeline* in the Draft Rule. This concept is considered further in Annexure A to this submission.

GLNG considers that broadening of the application of Part 18 of the NGR to certain categories of upstream laterals will not provide material benefit to the market, and as such, the amendments recommended in this submission should be implemented. GLNG considers that the amendments recommended in this submission are consistent with National Gas Objective and the COAG Energy Council's Australian Gas Market Vision.

We would welcome the opportunity to discuss these recommendations ahead of the implementation of the rule change. Please contact Vanessa Taylor from GLNG via email on [Vanessa.taylor@glng.com](mailto:Vanessa.taylor@glng.com) or via telephone on (07) 3838 3009.

Yours sincerely,



Rod Duke  
**Chief Executive Officer**  
**GLNG Operations Pty Ltd**

## Attachment A

### Limited application of Part 18 of NGR to 'upstream lateral pipelines'

GLNG proposes that this option would involve the following:

- (a) the creation of a new rule providing that rules 169, 170, 175, 178, 179, 181, 183 and 187 do not apply in respect of an upstream lateral pipeline; and
- (b) the inclusion of a new defined term in rule 141 of '*upstream lateral pipeline*.' GLNG does not propose specific drafting at this time, but considers the key concepts would be that:
  - (i) the pipeline is operated as part of an upstream producing operation (which is comparable to the terminology used to define a gathering system);
  - (ii) the pipeline is principally used to transmit gas from production or storage facilities operated as part of that upstream producing operation to other BB pipelines that are not '*upstream lateral pipelines*'; and
  - (iii) since the gas transmitted on the pipeline/s is being transmitted to other BB pipelines, the key daily flow data and other short term information would essentially be accounted for in reporting in respect of those BB pipelines.