

Australian Energy Market Commission

RULE DETERMINATION

National Gas Amendment (Improvements to Natural Gas Bulletin Board) Rule 2017

Rule Proponent(s)
COAG Energy Council

26 September 2017

**RULE
CHANGE**

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About the AEMC

The AEMC reports to the Council of Australian Governments (COAG) through the COAG Energy Council. We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the COAG Energy Council.

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Summary

Natural gas consumption, supply and use, both for domestic and export purposes, is playing an important role in the broader economy of Australia. As the electricity generation mix in the National Electricity Market changes, the generation of electricity using natural gas is particularly critical, in terms of the role of gas-fired generation in helping to maintain power system security and through its impact on electricity prices.

In gas markets, pricing expectations, operational and investment decisions are not formed in relation to one specific data point. Rather, they require a range of information about gas consumption, supply, transportation, storage and risk management in the short, medium and long-term.

Given this, timely and accurate information informing operational and commercial decisions is becoming significantly more important. Improved information will support more transparent pricing, which in turn, will lead to better decisions by market participants. These decisions include balancing the domestic needs of Australian consumers (including gas-fired generators) against contractual and other international obligations. More efficient gas markets will benefit both businesses and individuals.

In this environment, the Australian Energy Market Commission (AEMC or Commission) has considered a rule change request to make improvements to the Natural Gas Bulletin Board (Bulletin Board or BB) to enhance the breadth and accuracy of information provided to the market. Given the importance of efficiently operating gas markets and the extensive consultation already undertaken on these issues, the Commission initiated the rule change request under the fast-track process on 14 June 2017. Accordingly the rule change request was commenced with the publication of a draft rule and accompanying draft rule determination. The Commission received 10 submissions on the draft rule.

The Commission has made a final rule that contains minor amendments to the draft rule to address issues raised in submissions by stakeholders to the draft rule. These changes are:

1. Cost recovery provisions: a new rule has been added in Part 15A of the National Gas Rules (NGR) to allow AEMO to recover costs for providing services as operator of the Bulletin Board as a component of participant fees.
2. Declared transmission system (DTS) pipelines: the draft rule contained provisions specific to DTS pipelines which required different information to be provided by DTS pipelines in relation to aggregated injections and withdrawals and forecasts. The final rule aligns, to the degree possible, the information requirements for DTS pipelines with information requirements for other BB pipelines.

3. Exemptions: provisions have been added to the final rule to provide AEMO with discretion to exempt, on a case-by-case basis:
 - (a) reporting entities where information required to be reported by that entity is already being provided by another BB reporting entity
 - (b) lateral gathering pipeline operated as part of an upstream producing operation and used principally to transport natural gas for injection into a BB facility operated as part of the upstream producing operation where the BB facility is not itself a lateral gathering pipeline and where the information that would be provided is not material having regard to the purpose of the Bulletin Board
4. Implementation: parts of the final rule will commence on different dates
 - (a) AEMO must prepare and implement the necessary Bulletin Board procedures by 30 April 2018
 - (b) the new cost recovery provisions in Part 15A and the removal of the cost recovery provisions in Part 18 will commence on 15 May 2018
 - (c) the other parts of the rule will commence on 30 September 2018.

A comparison of the draft rule and final rule is included in the table at the end of this summary.

The rule change request was received following the completion of the east coast wholesale gas market framework review undertaken by the AEMC which examined the design, functions and roles of facilitated gas markets and gas transportation arrangements on the east coast of Australia.

As part of the review, the Commission made a number of recommendations to improve the operation and relevance of the Bulletin Board for participants in the east coast gas market. All of these recommendations were accepted by the COAG Energy Council in August 2016.

Some of the recommendations formed part of this rule change request. Others require changes to the National Gas Law and Regulations to be made before any changes to the NGR are proposed.

In particular, this rule change request did not capture or require information to be provided by gas fields, large user facilities, liquefied natural gas (LNG) processing facilities or gas supply hub (GSH) compression facilities. Information requirements related to these users cannot be considered in a rule change request until such time as changes are made to the National Gas Law or Regulations.

The following provides a summary of existing and new reporting requirements:

| | Pipeline | Hub compression | Production | Storage | Integrated storage | Large users | LNG | Reserves |
|---|----------|-----------------|------------|---------|--------------------|-------------|-----|----------|
| General information | | | | | | | | |
| Nameplate rating | ✓ | ● | ✓ | ✓ | ✓ | ... | ... | - |
| Planned asset retirements and expansions | ● | ● | ● | ● | ● | ✗ | ... | - |
| Detailed facility data (location) | ✓ | ● | ✓ | ✓ | ✓ | ... | ... | - |
| Details of contracted shippers | ✓ | ● | ✗ | ✗ | ✗ | - | - | - |
| Previous day data | | | | | | | | |
| Daily disaggregated receipt/delivery point ¹ | ● | - | - | - | - | - | - | - |
| Daily production/consumption | - | - | ✓ | - | - | ... | ... | - |
| Daily storage volume | - | - | - | ✓ | ✓ | - | - | - |
| Daily injections and withdrawals | - | - | - | ✓ | ✓ | - | - | - |
| Daily compression volume | - | ● | - | - | - | - | - | - |
| Forecast and nominations | | | | | | | | |
| Nominations (D) | ✓★ | ● | ● | ✓ | ✗ | ✗ | ✗ | - |
| Intra-day renominations (D) | ✓★ | ● | ● | ✓ | ✗ | ✗ | ✗ | - |
| Forecast nominations (D+1 to D+6) | ✓★ | ● | ● | ✓ | ✗ | ✗ | ✗ | - |
| Capacity outlooks | | | | | | | | |
| Short term capacity outlook (daily) | ✓ | ● | ✓ | ✓ | ✓ | ✗ | ... | - |
| Medium term capacity outlook | ✓ | ● | ✓ | ✓ | ✓ | ✗ | ... | - |
| 12 month outlook for uncontracted capacity ² | ✓ | ● | ✗ | ✓ | ✓ | - | - | - |
| Material intra-day changes to capacity | ● | ● | ● | ● | ✗ | ✗ | ... | - |
| LCA flag (D to D+2) | ✓ | ● | - | - | - | - | - | - |
| Other | | | | | | | | |
| Secondary platform capacity data ³ | ✓ | - | - | - | - | - | - | - |
| 2P reserves (annual) ⁴ | - | - | - | - | - | - | - | ... |

1 Currently pipeline operators must provide daily aggregated receipt and delivery point data and monthly disaggregated receipt and delivery point data.

2 Provided monthly for the next 12 months.

3 Reported weekly for the previous week.

4 2P reserves must be updated if an update is reported to the ASX or a government within the year.

★ Currently these are reported by delivery point only. It is recommended that these be expanded to include receipt points. Also, pipeline nominations and forecasts are to be aggregated before publication.

KEY

- New
- ✓ Existing
- ... Proposed
- ✗ Not required
- N/A

This rule change request addressed those items located within the blue outlined area above. Those users and requirements located within the orange outlined area above require a change to the National Gas Law or Regulations and then a rule change prior to being implemented.

Summary of the final rule

The final rule will improve the information provided to the Bulletin Board therefore promoting efficient investment in, and efficient operation of and use of gas and gas services and contribute to the achievement of the National Gas Objective (NGO). The final rule will make substantial improvements so that the Bulletin Board contains the information necessary to assist users in making efficient decisions regarding the use of gas and gas services. Further improvement can be made if and when amendments to the National Gas Law or Regulations as outlined above are made.

The final rule contains minor amendments to the draft rule to address issues raised in submissions by stakeholders to the draft rule. The draft rule was the same as the proposed rule provided by the COAG Energy Council as part of its rule change request..

The final rule contains four main components:

- the Bulletin Board framework
- the Bulletin Board reporting requirements
- the publication of information on the Bulletin Board
- the funding arrangements and future development of the Bulletin Board.

Bulletin Board Framework

The confidence of market participants in the information reported on the Bulletin Board depends on the extent to which the data it relies on provides an accurate and timely picture of gas supply, pipeline flows, storage and demand. Some elements of the current framework are limiting the reliance that can be placed on the information reported on the Bulletin Board.

To address these limitations and instil greater confidence in the Bulletin Board, the final rule:

- broadens the stated purpose of the Bulletin Board to recognise the important role that information plays in enabling informed and efficient decision making, as well as aiding price discovery and facilitating trade
- improves the reporting framework by:

- removing the link that currently exists between the obligation to report and the zonal model¹
 - reducing the minimum reporting threshold to 10 TJ/day for transmission pipelines, production facilities and storage facilities
 - simplifying the exemption criteria and providing exemptions on a case-by-case basis where the information requirements would require the same information to be provided by two participants and for lateral gathering pipelines where the information reported would not be material having regard to the purpose of the Bulletin Board
 - removing the existing distinction between facilities commissioned pre- and post-1 July 2008
 - redrafting the registration provisions to provide greater clarity about who is required to register, when registration is required and the interaction between registration and reporting
 - introducing an information standard for all facilities to employ and classifying the obligation to comply with this standard as both a civil penalty and conduct provision.
- strengthens the compliance framework by classifying the obligation to register as a civil penalty provision. Notes are also added to the relevant rules to identify those that are civil penalty or conduct provisions.

The new registration and reporting model aims to provide a clear framework for reporting entities and AEMO to work within. This is reflected in the amended Bulletin Board purpose which identifies the important role of the Bulletin Board in decision making for all participants within the gas market.

The final rule clarifies and simplifies the registration requirements and provides greater certainty for reporting entities on the expectations for information quality and overall compliance with the Bulletin Board framework. For users of the Bulletin Board, improved clarity on these aspects of the framework will allow them to use the Bulletin Board information with greater confidence.

Reporting requirements

There are a number of significant information gaps and asymmetries across the east coast gas market. These arise, in part, from reporting obligations only applying to certain producers, certain transmission pipelines and storage facilities. These gaps can be expected to adversely affect the price discovery process and the way in which gas and other resources are allocated because trading and other decisions must be made on the basis of incomplete, inaccurate and/or asymmetric information.

¹ The NGR required AEMO to use a zonal model (with production and demand zones defined in the Procedures). This model determines the registration of parties and the reporting and publication of

To address the information gaps and asymmetries, the final rule includes the following improvements to the Bulletin Board:

- facilities that are not connected to the east coast gas market are exempt from registration and reporting requirements until such time as they are connected. The exempt facilities would include those in the Northern Territory and those located in north Queensland
- the existing reporting requirements are amended to:
 - require that those facilities that report on their medium-term capacity outlook to also report on planned expansions and asset retirements
 - improve the frequency with which this information is reported and alerted to the market in regard to material intra-day changes to a facility's capacity or nominations, with information to be reported as soon as practicable on the gas day
 - require pipeline operators or pipeline reporting entities to report nominations and forecasts on both a receipt point (injection) and delivery point (withdrawal) basis. This information is to be provided for both DTS pipelines and other BB pipelines with the exception that forecasts for DTS pipelines are only required out two days beyond the current gas day (D+2)
 - require producers to report nominations and forecasts for production facilities
 - remove the obligations for AEMO to publish estimates of the total forecast demand on peak demand days.

Publication of information on the Bulletin Board

The existing Bulletin Board rules require the use of a zonal model to aggregate, report and publish pipeline flow information. This model has resulted in some significant information gaps to emerge over time as the zonal model has not been sufficiently flexible to reflect changes in the market.

The final rule provides that:

- AEMO is responsible for the aggregation of information to be published on the Bulletin Board and that:
 - Bulletin Board pipelines must report actual flows, nominations and forecast information on a disaggregated basis, by receipt and delivery point
 - AEMO must publish its aggregation methodology in the BB Procedures
- pipeline nomination and forecast information needs to be aggregated by AEMO and published without delay

information.

- pipeline receipt and delivery point actual flows need to be aggregated and published on the following day to provide an overview of actual flows around the market. This information is also to be published in a disaggregated form the following day.

The approach set out in the final rule will provide a more flexible approach by allowing details to be set out in the BB Procedures. This will allow AEMO to amend them from time to time. This flexibility will allow AEMO to efficiently and promptly meet the needs of the market participants and maintain the relevance of the information in assisting users with their investment and operational decisions in relation to their use of gas and gas services.

Funding arrangements and future development

Currently, there are cost recovery provisions in the NGR that allow pipeline operators to recover costs of aggregation and information services provided to AEMO. The NGR sets out the methodology for AEMO's costs associated with the Bulletin Board to be recovered from shippers. These provisions are not in line with the general policy approach related to cost recovery in the NGR and the way in which AEMO is able to collect costs relating to its other functions from participant fees. Further, under the final rule, pipeline operators no longer perform the aggregation and information service.

As a result, the final rule:

- removes the pipeline operator cost recovery provision from the NGR
- removes the cost recovery provision for AEMO's Bulletin Board activities from Part 18 of the NGR and includes in Part 15A the ability for AEMO to recover its costs associated with operating the Bulletin Board as a component of participant fees. This will allow AEMO to incorporate its Bulletin Board costs into its broader fee methodology.

The aspects of the final rule related to the cost recovery provisions will commence operation on 15 May 2018.

The Commission acknowledges that there have been limited amendments made to the Bulletin Board to maintain its relevance to the east coast gas market and to continue to meet the needs of market participants. To address this, the Commission considers a periodic review will aid in the identification of issues and potential procedure or rule changes that may be required. Therefore, the final rule requires AEMO to publish a biennial report on the operation of the Bulletin Board and any potential changes required. The report must be prepared in consultation with Bulletin Board users, the AER and the AEMC.

Below is a table outlining amendments made to the draft rule²:

² Please note this table does not include minor amendments made to correct errors.

| | Draft Rule | Final Rule |
|--|---|---|
| Definition of BB Shipper (Rule 141(1)) | <p>BB shipper means a person who:</p> <p>(a) is a party to a contract with a facility operator for a BB facility under which the facility operator provides or intends to provide a service to that person by means of a BB facility; or</p> <p>(b) has a right under an access determination to be provided with a pipeline service by means of a BB pipeline.</p> | <p>BB shipper means a person who is, or has a right to be, provided with a service by means of a BB facility including a person who:</p> <p>(a) is a party to a contract with a facility operator for a BB facility under which the facility operator provides or intends to provide a service to that person by means of a BB facility;</p> <p>(b) has a right under an access determination to be provided with a pipeline service by means of a BB pipeline; or</p> <p>(c) a facility operator for a BB facility or any associate of a facility operator for a BB facility who uses or intends to use a service provided by means of a BB facility.</p> |
| Definition of lateral gathering pipeline (Rule 141(1)) | N/A | <p>Lateral gathering pipeline means a pipeline:</p> <p>(a) operated as part of an upstream producing operation; and</p> <p>(b) used principally to transport natural gas for injection into a BB facility operated as part of the upstream producing operation where that BB facility is not itself a lateral gathering pipeline.</p> |

| | | |
|--|------------|--|
| <p>Exemptions (Final rule 164)</p> | <p>N/A</p> | <p>164 Availability and effect of exemptions</p> <p>(1) AEMO may grant an exemption from the obligation to provide information under Division 5 in relation to a BB facility where the BB facility is a lateral gathering pipeline and where AEMO is satisfied in its discretion that the information relating to that BB facility is not material having regard to the purpose of the Bulletin Board in rule 145.</p> <p>(2) AEMO may grant an exemption from the obligation to provide information under one or more provisions in Division 5 in relation to a BB facility where AEMO is satisfied in its discretion that the information relating to that BB facility will be provided to AEMO by another person under this Part.</p> <p>(3) The BB reporting entity for a BB facility the subject of an exemption under subrule (1) is not required to report under Division 5 in relation to the BB facility for so long as the exemption continues.</p> <p>(4) The BB reporting entity for a BB facility subject of an exemption under subrule (2) is not required to report in relation to the BB facility under the provisions in Division 5 to which the exemption applies for so long as the exemption continues.</p> |
|--|------------|--|

| | | |
|---|---|---|
| | | <p>(5) The BB reporting entity for a BB facility may apply to AEMO for an exemption under subrule (1) or (2) for the BB facility. The application must in the form and contain the information specified in the BB Procedures and the applicant must provide to AEMO any further information reasonably required by AEMO to determine the application.</p> <p>(6) AEMO must use reasonable endeavours to determines an application under subrule (5) within 20 business days of all the information requested by AEMO being provided to it.</p> <p>(7) An exemption under subrule (1) or (2) must be in writing</p> <p>(8) AEMO may revoke an exemption under subrule (1) or (2) at any time by giving not less than 20 days' notice to the BB reporting entity for the BB facility if AEMO is satisfied in all the circumstances that the exemption should be revoked.</p> |
| Reporting a material change (Rule 178(3); 182(3), 183(3), 185(4)) | A BB reporting entity must update the information it has provided to AEMO under subrule (1)... if there is a material change. | A BB reporting entity must update the information it has provided to AEMO under subrule (1)... if there is a material change and must do so as soon as practicable in accordance with rule 165(3). |

| | | |
|--|---|--|
| <p>DTS BB pipeline reporting (Rule 183(2))</p> | <p>A BB reporting entity for a BB pipeline forming part of a declared transmission system must provide to AEMO in respect of each gas D the aggregated scheduled injections less the aggregated scheduled withdrawals at each controllable system point on, and connected to, the declared transmission system for that gas day.</p> | <p>A BB reporting entity for a BB pipeline forming part of a declared transmission system must provide to AEMO in respect of each gas day D, for each controllable system point on, and connected to, the declared transmission system:</p> <ul style="list-style-type: none"> (a) the aggregated scheduled injections for the gas day; (b) the aggregated scheduled withdrawals for the gas day; (c) the forecast aggregated scheduled injections for gas days D+1 and D+2; and (d) the forecast aggregated scheduled withdrawals for gas days D+1 and D+2. |
| <p>Aggregation methodology (Rule 194(4))</p> | <p>AEMO must determine and may amend from time to time an aggregation method to be used by AEMO for subrule (3) which so far as practicable:</p> <ul style="list-style-type: none"> (a) makes the data provided to AEMO available to BB users only as a representation of the direction and quantity of gas flows in BB pipelines; and (b) does not publish or allow for the calculation of a nomination made by a market generating unit as defined in the National Electricity Rules. | <p>AEMO must determine and may amend from time to time an aggregation method to be used by AEMO for subrule (3) which so far as practicable:</p> <ul style="list-style-type: none"> (a) makes the data provided to AEMO available to BB users only as a representation of the direction and quantity of gas flows in BB pipelines; and (b) does not directly or indirectly disclose a nomination made by a market generating unit as defined in the National Electricity Rules. |

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1 Introduction and background

On 18 April 2017, the Council of Australian Governments' Energy Council (COAG Energy Council) submitted a rule change request to the Australian Energy Market Commission (AEMC or Commission). The rule change request proposed amendments to Part 18 of the NGR which relates to the information reporting requirements for the east coast gas market Natural Gas Bulletin Board (Bulletin Board).

1.1 Context

1.1.1 COAG Energy Council Vision

In December 2014, the COAG Energy Council published its Australian gas market vision (the vision), which sets out a gas market reform agenda for the continued development of Australian's gas market. Within this vision statement, the COAG Energy Council outlined a desired outcome for gas market information:³

“The provision of accurate and transparent market making information on pipeline and large storage facilities operations and capacity, upstream resources, and the actions of producers, export facilities, large consumers and traders.”

The COAG Energy Council has already made some progress in respect of this objective.⁴ Taking a broader view of information, the COAG Energy Council's ongoing work aims to create a framework for providing and publishing information that would support the creation of a well-functioning market arising from informed decision making by participants.

1.1.2 AEMC review of the east coast gas market

The COAG Energy Council tasked the AEMC to undertake a review of the east coast gas market. The East Coast Wholesale Gas Market and Pipeline Frameworks Review⁵ looked at the design, functions and roles of facilitated gas markets and gas transportation arrangements on the east coast of Australia. The Stage 1 Final Report noted that there are "some gaps and asymmetries that may be affecting the efficiency with which gas and other resources are allocated in the market and across the

³ COAG Energy Council, COAG Energy Council Vision, December 2014, p. 4

⁴ See for example: AEMC, Enhanced Information for Gas Transmission Pipeline Capacity Trading, Rule Determination, 17 December 2015, Sydney, which relates to a rule change request submitted by the COAG Energy Council to improve the information provided to the east coast gas market via the Bulletin Board

⁵ See: <http://www.aemc.gov.au/Markets-Reviews-Advice/East-Coast-Wholesale-Gas-Market-and-Pipeline-Frame>

economy."⁶ The report noted the growing call from stakeholders and policy makers for greater transparency and information to help adapt to structural change in the gas industry. As a result, as part of the review the Commission specifically examined information provisions and the Bulletin Board in stage 2 of the Review.

1.2 Background

The east coast gas market is evolving and becoming increasingly dynamic. Gas consumption, supply and use, both for domestic and export purposes is playing an important role in the broader economy of Australia. As the electricity generation mix in the National Electricity Market changes, the generation of electricity using natural gas is particularly critical in maintaining power system security and through its impact on electricity prices. This suggests that timely and accurate information is required to inform operational and commercial decisions, as well as policy decisions. Improved information will support more transparent pricing which in turn, is likely to lead to better decisions by market participants. These decisions include balancing domestic needs of Australian consumers (including gas-fired generators) against contractual and other international obligations.

Historically, the east coast gas market has operated in an opaque manner with gas, transportation and risk management services sold under bilateral contracts that are confidential as between the parties. Further, information on some key demand and supply fundamentals in the market have also tended to be opaque. This has led to information gaps in the gas market. As a result, gas consumption, use and transportation decisions have been made on the basis of incomplete, inaccurate, dated or asymmetric information which may lead to an inefficient allocation of resources both in the market and the broader economy.

A regulatory solution in the form of the Bulletin Board was implemented in an attempt to address some of the information gaps in the market. The objective was to create a more level playing field by requiring information to be provided by a central repository for use by all market participants and the public. In addition to the Bulletin Board, there are other steps being taken in the market to improve the level of information provision including publications by the Australian Energy Market Operator (AEMO) and the Australian Energy Regulator (AER).⁷

As part of the AEMC's review of the east coast gas market, the Commission made a number of recommendations to improve the operation and relevance of the Bulletin Board for participants. All of these recommendations were accepted by the COAG Energy Council in July 2016. A list of the recommendations related to information provisions from the review are set out in Appendix C.

⁶ AEMC, East Coast Wholesale Gas Market Frameworks and Pipeline Review, Stage 1 Final Report, 23 July 2015, p. 159

⁷ For a discussion of some of these improvements see the Stage 2 Final Report: Information Provision, p.3

2 Rule change request

This chapter summarises the COAG Energy Council's (the proponent's) rule change request and the rule making process followed by the AEMC.

2.1 Details of the rule change request

On 18 April 2017, the COAG Energy Council submitted a rule change request to the AEMC to amend Part 18 of the NGR to make improvements to the Bulletin Board to enhance the breadth and accuracy of information provided to the market. The rule change request contained those recommendations made in the AEMC East Coast Wholesale Gas Market and Pipeline Frameworks Review Stage 2 Final Report: Information Provision which does not require a change to the National Gas Law (NGL) or National Gas (SA) Regulations (Regulations) before they could be considered in a rule change request. In particular, this rule change request did not place requirements on gas fields, large user facilities, liquefied natural gas processing facilities or gas supply hub compression facilities.

The rule change request contained a proposed rule.⁸

The proponent indicated that the purpose of the rule change request was to:

- clarify the purpose of the Bulletin Board
- remove the current zonal model and establish a new reporting model
- exempt remote pipelines from reporting obligations
- include regional pipelines and facilities attached to regional or distribution pipelines
- establish a new registration framework and threshold
- include a reporting standard
- remove the market participant and AEMO cost recovery provisions
- add a new biennial reporting requirement.

The rule change request divided the issues and proposed solutions into four components:

- Bulletin Board framework
- Bulletin Board reporting requirements

⁸ See AEMC website:
<http://www.aemc.gov.au/Rule-Changes/Improvements-to-Natural-Gas-Bulletin-Board>

- publication of information on the Bulletin Board
- funding arrangements and future development of the Bulletin Board.

The detail of the final rule and how it addresses the issues identified in the rule change request are set out in chapters 4 through 7.

2.2 Rationale for the rule change request

The COAG Energy Council said that the objective of the rule change request is to make improvements to the Bulletin Board to instil a greater level of confidence in the reported information. Further, the objective was to address information gaps and asymmetries, in particular with the aim of establishing it as a 'one-stop-shop' for information on the east coast gas market. The proponent was of the view that the publication of enhanced information would support gas use and investment in gas for the long-term interests of consumers.

The COAG Energy Council acknowledged the finding of the AEMC in its Stage 2 Final Report: Information Provision that the gas market is opaque and inflexible. Further, the proponent acknowledged that there are significant information gaps and asymmetries across the gas sector that adversely affect the price discovery process and the way in which gas and other resources are allocated. The proponent's view was that additional and more consistent information should be made available to gas market participants to make price discovery easier, promote liquidity and inform efficient decision making.

2.3 The rule making process to date

On 14 June 2017, the Commission published a notice advising of its intention to commence the rule making process in respect of the rule change request.⁹

As a result of the extensive consultation that occurred during the East Coast Gas Review on the issues raised in the rule change request, the Commission decided to fast-track the rule change request and, accordingly, the Commission published a draft rule and accompanying draft rule determination on 11 July 2017.¹⁰ The Commission received 10 submissions on the draft rule.

The Commission considered all issues raised by stakeholders in submissions. Issues raised in submissions are discussed and responded to throughout this final rule determination. Issues that are not discussed in the body of this document have been summarised and responded to in Appendix A.

⁹ This notice was published under s. 303 of the National Gas Law (NGL).

¹⁰ The decision to fast-track the rule change request was made under s.305 of the NGL.

3 Final rule determination

The Commission has made a final rule determination to make the final rule as proposed by the COAG Energy Council, with some amendments. The final rule increases the breadth and accuracy of information provided to the east coast gas market through the Bulletin Board. The final rule will lead to increased confidence in the information provided on the Bulletin Board and will assist in more efficient use, operation and investment in the east coast gas market. The final rule contains amendments to the draft rule to provide additional clarity to AEMO and market participants in relation to the operation and implementation of the rule.

This chapter outlines the Commission's:

- rule making test for changes to the NGR
- assessment framework for considering the rule change request
- consideration of the rule change request and the final rule against the NGO.

3.1 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.

The NGO is:¹¹

“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 NGO captures the three dimensions of efficiency: allocative (efficient use of), productive (efficient operation) and dynamic efficiency (efficient investment).

Allocative efficiency is achieved when resources used to produce a given set of goods and services are allocated to their highest value uses. This requires that goods and services are provided, and that consumption decisions are made, on the basis of prices that reflect as closely as possible the opportunity (or marginal) cost of supplying those goods and services.

Productive efficiency is achieved when only the minimum resource inputs are used to produce a given set of goods and services. Achieving productive efficiency is important because it avoids wasting resources which could have been used for producing something else.

Dynamic efficiency is concerned with ensuring allocative and productive efficiencies are sustained over time. This requires markets and supporting regulatory

¹¹ See: NGL s.23

arrangements to provide incentives for firms to innovate and invest at efficient levels over time.

The relevant aspects of the NGO in the rule change request are:

- efficient use and operation of natural gas services with respect to reliability and security of supply (allocative and productive efficiency)
- efficient investment in natural gas services (efficient investment).

3.2 Assessment framework

In assessing the rule change request, the Commission considered the trade-off between cost and benefit over time. Quantifying costs and benefits in relation to the provision of information can be difficult. However, qualitative assessments that are associated with efficiency can provide a framework for assessing the rule change request, namely:

- the potential to reduce transaction costs, including search costs
- reductions in information asymmetry that may otherwise impede efficient exchange
- more informed decision making, enabling efficient operational and commercial decisions and appropriate risk management
- efficiency in the production and use of information
- an efficient allocation of tasks and responsibilities, allowing low cost compliance, enforcement, accountability and effective market development
- the balance between transparency and confidentiality.

In applying the assessment framework, there are a number of considerations that were taken into account. For example, it may be necessary to incur costs in order to unlock gains from information provision, provided gains outweigh costs and a transparent and robust process is undertaken. The value of information provided on the Bulletin Board will ultimately be determined by the value that participants and other users gain from it, and therefore it varies depending on their purpose and the availability and cost of alternatives.

The Commission is aware that compliance with the requirements of the Bulletin Board imposes costs on market participants who are required to provide information. The Commission also notes that the Bulletin Board is accessible free of charge. The public good nature of the Bulletin Board could result in a tendency to promote inefficient levels of information provision by those that face little or no cost to comply with the NGR requirements. For this reason, the specific cost burdens of providing information must be weighed against the broadly disseminated benefits of providing the information to anyone who wants to access it, free of charge.

The Commission also examined the potential for some information to be of a confidential nature. It is critical to balance a business's justified claim of confidentiality against the value of the potentially confidential information for users. The most appropriate trade-off between confidentiality, transparency and value was determined.

3.3 Summary of final rule and reasons for decision

In summary, the final rule:

- clarifies the purpose of the Bulletin Board
- removes the current zonal model and establishes a new reporting model
- exempts remote pipelines from reporting obligations
- requires regional pipelines and facilities attached to regional or distribution pipelines to report to the Bulletin Board
- establishes a new registration framework and threshold
- includes a reporting standard
- removes the market participant and AEMO cost recovery provisions in Part 18 and replaces this with the ability for AEMO to recover costs from operating the Bulletin Board as a component of participant fees
- provides exemptions on a case-by-case basis where the information requirement would require the same information to be provided by two participants, and for lateral gathering pipelines where the information reported would not be material having regard to the purpose of the Bulletin Board
- adds a new biennial reporting requirement for AEMO.

The final rule will increase confidence in the information provided to the Bulletin Board. This is likely to lead to more efficient use, operation and investment in the east coast gas market and therefore, will or is likely to, contribute to the achievement of the NGO.

Stakeholders were generally supportive of the Commission's draft rule; however, some specific issues were raised regarding operation or implementation of the draft rule.¹² The final rule contains four changes from the draft rule to address these issues:

- cost recovery provisions: a new rule has been added in Part 15A of the NGR to allow AEMO to recover costs for providing services as operator of the Bulletin Board as a component of participant fees
- declared transmission system (DTS) pipelines: the draft rule contained provisions specific to DTS pipelines which required different information to be provided by

¹² Stakeholder views are set out in the relevant sections of chapters 4 through 7; however, it should be noted that in several sections no stakeholder views were expressed in submissions.

DTS pipelines in relation to aggregated injections and withdrawals and forecasts. The final rule aligns to the degree possible, the information requirements for DTS pipelines with information requirements for other BB pipelines

- Exemptions: provisions have been added to provide AEMO discretion to exempt, on a case-by-case basis:
 - reporting entities where information required to be reported by that entity is already provided by another reporting entity
 - lateral gathering pipeline operated as part of an upstream producing operation and used principally to transport natural gas for injection into a BB facility operated as part of the upstream producing operation where the BB facility is not itself a lateral gathering pipeline and where the information that would be provided is not material having regard to the purpose of the Bulletin Board
- Implementation: parts of the rule will commence on different dates
 - AEMO must prepare and implement the necessary Bulletin Board procedures by 30 April 2018
 - the new cost recovery provisions in Part 15A and the removal of the cost recovery provisions in Part 18 will commence on 15 May 2018
 - the other parts of the rule will commence on 30 September 2018.

Bulletin Board framework

The new reporting model, discussed in chapter 4, aims to provide a clear framework for reporting entities and AEMO to work within. The amended Bulletin Board purpose identifies the important role of the Bulletin Board in decision making for all participants within the gas market. This expanded purpose aims to guide decisions on the type of information to be reported on the Bulletin Board and bring together the purpose with other aspects of the reporting and compliance framework.

The registration framework contained in the final rule clarifies and simplifies the administrative processes for parties. Further, the reporting standard and compliance arrangements contained in the final rule will provide clarity and greater certainty for reporting entities on the expectations for information quality and overall compliance with the Bulletin Board framework. For users of the Bulletin Board, improved clarity on these aspects of the reporting model would allow them to use the Bulletin Board information with greater confidence, as a result of users' ability to rely on the information and use it in their own decision making and their use of gas and gas services.

It is important that information gaps be filled to allow the Bulletin Board to present a reliable and timely picture of gas supply, pipeline flows, storage and demand in the east coast gas market to market participants and Bulletin Board users generally. This is consistent with achieving the purpose of the Bulletin Board. Bulletin Board users

would be able to access relevant information to aid their decision making and should therefore support a better functioning gas market in the short- and long-term.

Reporting requirements

The final rule sets out new reporting requirements (see chapter 5). Facilities that may have an impact on the broader market will have an obligation to provide information to the Bulletin Board. However, there are limited exemptions where facilities are not yet connected to the east coast gas market or where, due to technical or operational limitations, information provided may be of limited use to the market (that is, distribution pipelines). As a result, relevant information is available to market participants and Bulletin Board users and will allow users to make more informed decisions in and about the market. The exemption framework limits the imposition of administrative and compliance costs on participants where the information provides limited value to the market.

Publication of information on the Bulletin Board

The final rule provides that AEMO will be responsible for the aggregation and publication of information (set out in detail in chapter 6). This provides a more flexible approach than the approach under the current provisions of the NGR. The details will be set out in the BB Procedures and can be amended from time to time, without a rule change request, to reflect changes in the market. Such flexibility is important to allow AEMO to efficiently and promptly meet the needs of market participants while ensuring consistency with the purpose of the Bulletin Board.

Cost recovery and future development of the Bulletin Board

The administrative burden in managing a cost recovery process for reporting entities and AEMO was considered (see chapter 7). The final rule removes the provisions relating to the operation of specific cost recovery processes for Bulletin Board costs from Part 18. Such provisions are not consistent with the efficient operation of the Bulletin Board, particularly as the costs can be recovered through other means. To enable AEMO to collect costs associated with its operation of the Bulletin Board, a provision has been added to rule 135CC of Part 15A to allow AEMO to recover these costs as a component of participant fees.

The final rule provides that AEMO must publish a biennial report on the operation of the Bulletin Board. This new requirement will support the ongoing confidence of participants and users in the reliability of Bulletin Board information. The biennial reports will alert market participants of any changes and developments that may be needed to maintain the relevance of the Bulletin Board information to the market and users. This will serve to support the continuation of better informed decision-making across the market.

Overall, the final rule implements changes to the Bulletin Board with the purpose of supporting well informed decision-making and the efficient use of and investment in natural gas and natural gas services, and therefore, will or is likely to promote the achievement of the NGO.

4 New Bulletin Board framework

The market's confidence in the information reported on the Bulletin Board will depend on the extent to which the framework that underpins it provides for an accurate and timely picture of gas supply, pipeline flows, storage and demand.

The Bulletin Board was implemented in July 2008 following a recommendation by the Gas Market Leaders Group (GMLG) that a web-based system be developed to provide participants and observers ready access to up-to-date information on the demand-supply outlook for key pipelines, production and storage facilities in the east coast.¹³ The GMLG's expectation at the time was that the Bulletin Board would improve decision making and trade by providing:¹⁴

“... readily accessible and updated information to end-users, smaller or potential new market entrants, and market observers (including Governments), on the state of the market, system constraints and market opportunities.”

The legal architecture that gives effect to the Bulletin Board framework is set out in chapters 1, 2 and 7 of the NGL, Part 18 of the NGR and the BB Procedures. This framework has been largely unchanged since it was implemented in July 2008 and applies to all states and territories except Western Australia.¹⁵

4.1 The purpose of the Bulletin Board

The purpose of the Bulletin Board is defined in rule 142 of the NGR as being to:

- (a) facilitate trade in natural gas and markets for natural gas services through the provision of system and market information which is readily available to all interested parties, including the general public; and
- (b) assist in emergency management through the provision of system and market information.

In the current framework, decisions about the type of information to be reported on the Bulletin Board and other aspects of the reporting and compliance framework do not have to be made by reference to the purpose of the Bulletin Board. These decisions are made by reference only to the NGL.

¹³ GMLG, National Gas Market Development Plan, June 2006, p.4

¹⁴ *ibid.* p.22. See also, GMLG, National Gas Market Development Plan - Scope of a National Gas Statement of Opportunities, 12 August 2008, p. 12

¹⁵ Through a provision in Schedule 1 of the National Gas Access (Western Australia) Act 2009, the Western Australia Government has postponed the adoption of the Bulletin Board provisions in the NGL and NGR until a day fixed by the Western Australia Minister for Energy. While these provisions do not currently apply, the Western Australian government has legislated for a Western Australia specific Gas Bulletin Board.

4.1.1 Analysis

The current stated purpose of the Bulletin Board does not accurately characterise the intended purpose of the Bulletin Board. The Bulletin Board no longer has a formal role to play in emergency management and therefore, this part of the purpose is no longer relevant.

Further, the current purpose of the Bulletin Board does not adequately recognise the important role that information can play in enabling market participants and policy makers to make informed and efficient decisions about matters that may not be directly attributable to facilitating trade, such as operational, planning, investment and policy decisions.

Therefore, the final rule expands the purpose of the Bulletin Board to more accurately reflect the role it plays and provides:¹⁶

“The purpose of the Bulletin Board is to make information available to BB users to facilitate:

- (a) trade in natural gas and natural gas services; and
- (b) informed and efficient decisions in relation to the provision and use of natural gas and natural gas services.”

Expanding the purpose in this way will foster the development of a liquid wholesale gas market. This includes addressing information gaps and asymmetries that are affecting the efficiency with which market participants make decisions that affect operational, planning and investment decisions.

4.2 Gaps arising from the zonal model and exemption criteria

Currently, the NGL only requires transmission pipelines, production and storage facilities that are defined as 'BB facilities' to comply with the reporting obligations in the NGR. A transmission pipeline, production or storage facility can become a BB facility in one of three ways under the current rules, providing that the facility is not subject to an exemption declaration:

- the facility was specified as an initial BB facility in Schedule 2 of the NGR
- the facility was/is commissioned after 1 July 2008
- the facility is declared a BB facility by AEMO under rule 153.

There are currently a number of pipelines, production and storage facilities that are not reporting that should be given their possible impact on the market.

¹⁶ See final rule 145

There appears to be several reasons why there are reporting gaps, including:

- a lack of awareness among new entrants about reporting obligations in the NGR
- the link that currently exists between the obligation to report and the zonal model
- the storage facility exemption criteria, which currently allow an exemption to be obtained if the facility is not physically 'connected to' a BB pipeline even though gas flows from (to) the facility to (from) a BB pipeline
- the exclusion of facilities that were operational prior to 1 July 2008 that were not originally identified as BB facilities from the registration and reporting obligations.¹⁷

4.2.1 Removing the link between the obligation to report and the zonal model

Through the operation of the exemption criteria, the obligation for transmission pipelines and production and storage facilities, to report is currently linked to the zonal model. Under the zonal model, if a pipeline is not used to transport gas between one of the production zones and/or demand zones defined in the BB Procedures, it can obtain an exemption. A storage facility 'connected to' such a pipeline can also obtain an exemption, as can a production facility if the gas it produces only flows into that pipeline.

AEMO is responsible for defining demand and production zones.¹⁸ There are currently 16 demand zones and seven production zones listed in Schedule 2 of the BB Procedures.¹⁹

The production zones cover all the basins that are currently producing gas in the east coast, including Gippsland,²⁰ Otway, Cooper,²¹ Sydney, and Bowen/Surat basins, although the Bowen/Surat basin only extends to gas supplied into Queensland Gas Pipeline, Roma-Brisbane Pipeline and South West Queensland Pipeline.²² The demand zones include major demand centres such as Adelaide, the Australian Capital Territory, Sydney, Curtis Island, Ballera and Wallumbilla, as well as the demand supplied by the major transmission pipelines.

The current delineation of these production and demand zones means that facilities in the Northern Territory, parts of north Queensland and regional areas of New South

17 For example, the Tipton West and Daandine production facilities.

18 See: NGR, rule 135EA

19 Natural Gas Bulletin Board Procedures, V6.0

20 The Bass Basin is included in the Gippsland Basin production zone.

21 Two production zones have been defined for the Cooper Basin: the Ballera and Moomba zones.

22 The Victorian Declared Transmission System has also been declared a production zone to capture the Dandenong LNG facility.

Wales, Victoria and South Australia are not currently required to comply with reporting obligations.

Stakeholder views

Stakeholders expressed support for the move away from the zonal model given the reporting gaps that have arisen as a result. This included AEMO²³ and PIAC²⁴ who recognised the potential for the new model to remove many of the reported information gaps. The AER also supports the removal of the zonal model and simplification of the exemption criteria.²⁵

Analysis

The east coast gas market is moving away from the traditional point-to-point transportation framework to a more dynamic model with gas flowing bi-directionally on numerous pipelines. As a result, the continued use of the zonal model is problematic given the rise in significant reporting gaps as a result of the use of this model. These reporting gaps appear to be arising due to:

- pipelines (and, by extension, the connected production and storage facilities) that are not connected to a defined production or demand zone are not currently captured by the zonal model and are not therefore required to report even though the pipelines may be an important part of the market
- pipelines that are used to transport gas within a zone are not required to report
- the restriction of the zonal model to production and demand zones has meant gas flows between pipelines or through transit locations are not well captured
- the boundaries of existing zones do not capture all the gas flows and, in the case of demand zones, are not necessarily:
 - aligned with the boundaries of the short-term trading market (STTM)²⁶ locations, or
 - capturing the interconnections that have occurred between the Eastern Gas Pipeline and the Moomba to Sydney Pipeline and between the South Eastern Australia Gas Pipeline and the Moomba to Adelaide Pipeline System.

While it may be possible to amend the NGR and BB Procedures to address some of the limitations that have arisen under the zonal model (for example, by introducing the

²³ AEMO submission to draft determination, p1

²⁴ PIAC submission to draft determination, p1

²⁵ AER submission to draft determination, pp 1-2

²⁶ The STTM is a market-based wholesale gas balancing mechanism established at defined gas hubs in Sydney, Adelaide and Brisbane.

concept of a transit zone), this would not prevent other gaps emerging in the future, particularly as the market continues to evolve. Reliance on rule changes to manage future developments is also not ideal. For these reasons the link between the zonal model and the obligation to report that is currently in the NGR has been removed in the final rule.

This change will have an impact on facilities in the Northern Territory, north Queensland and regional areas. This is discussed in chapter 5.

4.2.2 Exemption criteria

Currently, facilities with a nameplate capacity rating less than 20 TJ/day can seek an exemption from reporting.

An exemption can also be sought in the following circumstances:

- **a transmission pipeline:** if:
 - the pipeline does not transport gas between production and demand zones, between demand zones or production zones;²⁷ or
 - the pipeline only delivers gas to an injection point on the BB pipeline²⁸
- **a production facility:** if gas from the facility does not flow directly or indirectly into a BB pipeline²⁹
- **a storage facility:** if it is not connected to a BB pipeline.³⁰

Stakeholder views

Several stakeholders indicated that some exemptions should be provided for in the NGR. APPEA³¹, Shell³² and Santos GLNG (Santos)³³ indicated that an exemption should be provided for upstream lateral pipelines that are part of a gathering system or part of an internal network of pipelines. These stakeholders indicated that the benefits from reporting on these laterals would be outweighed by the costs as the information that would be provided is largely captured and would not provide additional material information to the market. Further, Santos indicates that an exemption for these types of pipelines exists currently and that the reasoning for such an exemption continues to hold; namely, there is little additional value in providing details on these types of laterals.

²⁷ See: NGR rule 149(5)(b)

²⁸ See: NGR Rule 159(5)(c)

²⁹ See: NGR rule 157(7)(a)

³⁰ See: NGR rule 150(5)(c)

³¹ APPEA submission to draft determination, pp 2-3

³² Shell submission to draft determination, pp 1-2

³³ Santos submission to draft determination, pp. 1-4, Attachment A

A further possible exemption was raised by APA in its submission.³⁴ APA is of the view that some consideration should be given to providing an exemption where the same data is required to be provided by two different participants.

PIAC supports the setting of facility registration threshold at 10 TJ/day.³⁵ The AER supports all pipelines and facilities reporting when they exceed the minimum reporting threshold regardless if they are connected to a transmission or distribution pipeline, or to a production or demand zone.³⁶ On the other hand, AGL is of the view that the materiality threshold of 10 TJ/day is not material and the reduction from 20 TJ/day to 10 TJ/day will impose significant costs and compliance risk on smaller producers with little benefit. Further, AGL submits that the materiality threshold should not be determined on a 'one size fits all' basis.³⁷

Analysis

The following observations can be made in relation to the other exemption criteria:

- The exemption criteria related to storage and production facilities has resulted in facilities located in distribution systems being treated differently from those connected to a transmission pipeline. It has resulted in facilities such as Camden Production Facility and Newcastle Gas Storage Facility, being exempt from reporting.
- The storage facility exemption has resulted, to date, in two storage facilities, both of which have sizable storage, being exempt from reporting requirements. These facilities are the Silver Springs Storage Facility and the Newcastle Gas Storage Facility.³⁸
- The transmission pipeline exemption to date does not appear to have been used and the policy rationale for such an exemption is not clear.

Given the information gaps and asymmetries that have arisen in relation to the current exemption framework, the exemption provisions need to be simplified. Therefore, the final rule replaces the existing exemption provisions with a minimum reporting threshold (10 TJ/day) based on nameplate capacity ratings.

Simplifying the exemption criteria in this manner will mean that all transmission pipelines and production and storage facilities that exceed the minimum reporting threshold will be captured by the reporting framework regardless of whether they are

³⁴ APA submission to draft determination, p 1

³⁵ PIAC submission to draft determination, p 1

³⁶ AER submission to draft determination, p 1

³⁷ AGL submission to draft determination, pp 1-2

³⁸ The storage (withdrawal) capacity of the Silver Springs Gas Storage Facility is 35 PJ (30 TJ/day) while the capacity of the Newcastle Gas Storage Facility is 1.5 PJ (120 TJ/day). Core Energy Group, Gas Participant Information on Gas Production, Processing, Transmission, LNG and Storage Facilities, March 2016.

connected to a transmission or distribution pipeline, or to a production or demand zone.

The need for clarity and certainty in the reporting framework was balanced against the possibility of providing exemptions in the NGR where the value of information provided may not exceed the administrative costs and operational challenges of providing the information. The Commission considers that any exemption provided should be only for limited circumstances as set out in the NGR and on a case-by-case basis to allow AEMO to determine whether it is satisfied that an exemption should be granted.

The final rule contains two exemptions which balances these competing considerations. The exemptions provide that AEMO, on a case-by-case basis, may exempt:

- A BB reporting entity from providing information where that information is already being provided by another BB reporting entity
- lateral gathering pipeline operated as part of an upstream producing operation and used principally to transport natural gas for injection into a BB facility operated as part of the upstream producing operation where the BB facility is not itself a lateral gathering pipeline where the information that would be provided is not material having regard to the purpose of the Bulletin Board.

AEMO may want to consider setting out principles or criteria for considering an application for these exemptions in the BB procedures. This will provide stakeholders with an opportunity to be consulted with in relation to the implementation of these exemptions.

The final rule sets the minimum reporting threshold to 10 TJ/day.³⁹ The 10 TJ/day threshold, as compared to the current 20 TJ/day threshold, will provide a more accurate picture of gas production, storage, pipeline flows and consumption in the east coast. A threshold of 10 TJ/day is material as the operation of such a facility could impact on decision making in the market. The same threshold is applied to all facilities to provide certainty and clarity to participants about the trigger for providing information. This is important for a well-functioning market and confidence in the information provided to the market. Further, this level is consistent with the reporting threshold used in Western Australia.

4.2.3 Facilities commissioned prior to 1 July 2008

Facilities that were operational before Part 18 of the NGR came into effect, but were not identified in the original list of BB facilities, are not currently required to apply to AEMO for registration. However, rule 153 of the NGR, in effect, provides AEMO with discretion to require those facilities that were not required to register under this limitation, to become registered.

³⁹ See final rules 149-151

Stakeholder views

PIAC indicated its support for the removal of the exemption for facilities commissioned prior to 1 July 2008.⁴⁰

Analysis

There is no clear rationale or reasoning for the limitation on registration. As a result, the final rule removes this limitation and requires all facilities, regardless of when they were commissioned, be required to be registered and report if they satisfy the minimum reporting threshold. Given the final rule removes the limitation on facilities commissioned prior to 1 July 2008 being required to apply for registration, the final rule also removes AEMO's power to declare a facility a BB facility under rule 153.

4.3 Registration requirements

Under the NGR:

- BB facilities and BB shippers are required to apply to AEMO for registration under Part 18⁴¹
- AEMO is required to maintain up-to-date registers of BB facilities and BB facilities that have been declared exempt.⁴²

BB facilities that are not subject to an exemption are required by ss. 223 and 228A of the NGL to comply with the reporting obligations in Division 5 Part 18 of the NGR and the BB Procedures. Section 224 further provides that a person cannot rely on a duty of confidence to avoid compliance with these obligations.

4.3.1 Analysis

The current registration provisions are ambiguous and circular. For example, rule 147(2) states that if a person becomes a pipeline operator after the commencement of the NGR then it must apply for registration as soon as practicable. The definition of pipeline operator in rule 117, however, presumes that the pipeline is already a BB pipeline. In addition, rule 153 allows AEMO to declare a pipeline or facility to be a BB facility but the definitions in rule 141, in effect, deems any facility commissioned after 1 July 2008 a BB facility.

Further, it is unclear from the provisions:

- what the purpose of registration is

⁴⁰ PIAC submission to draft determination, p 1

⁴¹ See: NGR rule 147

⁴² See: NGR rule 148 and 154

- when a new facility should become registered and if registration attaches to the facility operator or the facility
- how the registration provisions interact with the reporting obligations and exemption provisions.

The registration requirement provisions in the NGR need to be replaced in their entirety to remedy the issues identified. In particular, the final rule clearly specifies:⁴³

- **who is required to apply to AEMO for registration:** the final rule requires facilities that satisfy the definition of a BB facility to apply for registration. In effect, this means that transmission pipelines and storage and production facilities that do not satisfy the minimum reporting threshold do not have to register
- **who and what are to be registered:** the final rule requires the operators of BB facilities to apply for registration as the facility operator and to register their BB facilities
- **what is to occur if there are multiple owners of a BB facility:** the final rule provides for the following to occur if a facility is owned by more than one facility operator:
 - joint owners of a BB facility (referred to as a facility operator group) are to appoint one member of the group to be the responsible facility operator for that facility. The responsible facility operator can then apply, on behalf of itself and all other members of the group to:
 - register itself and other members of the group and the facility
 - register the responsible facility operator as the BB reporting entity for the BB facility, which means it would then be responsible for complying with the reporting obligations in Division 5 Part 18 of the NGR
- **changes to information:** the final rule requires facility operators to notify AEMO of any changes to the identity of the facility operator or facility operator group
- **revocation of registration:** the final rule provides provisions for registered facility operators to apply to revoke the registration of a BB facility if circumstances change such that they no longer meet the definition of a BB facility
- **when a BB facility would be required to be registered:** table 4.1 sets out when a facility would be required to register under the final rule registration provisions.

⁴³ See final rule 150-163

Table 4.1 When a BB facility will be required to register

| Facility | Registration required | When registration would be required | | |
|------------------------|--|---|--|--|
| | | Facilities and shippers that are already registered | Facilities in existence when final rules come into effect that are not already registered | New facilities (or existing facility that later meet the reporting threshold due to expansion) |
| Transmission pipelines | Registration only required if the facility satisfies the minimum reporting threshold | These facilities would remain registered | Facilities would have 20 business days after the commencement of the final rules to apply for registration | Facilities to register 20 days prior to the facility or expansion being commissioned |
| Production facilities | | | | |
| Storage facilities | | | | |

Under the final rule, registration would act as a trigger for BB facilities to commence reporting in accordance with the obligations set out in Division 5. The clarity of these provisions and the registration requirements would support the provision of relevant information to AEMO and meeting the amended purpose of the Bulletin Board.

The original rationale for the provision requiring BB shippers to register is not clear, but it is likely to have reflected the need for AEMO to be able to identify BB shippers for the purposes of:

- recovering the costs AEMO incurs in operating and maintaining the Bulletin Board as required under rule 191 of the NGR
- the emergency management functions that used to be performed by the Bulletin Board.

As the Bulletin Board no longer plays an emergency management function and the changes to the funding arrangements (discussed in chapter 7), the rationale that may have existed for requiring BB shippers to register does not appear to apply anymore. Therefore, the final rule does not require BB shippers to register, but does allow them to voluntarily register if they decide to do so. Those BB shippers that decide to voluntarily register would become BB participants for the purpose of the Bulletin Board, which means they would be able to access those parts of the Bulletin Board that are limited to BB participants (such as the ability to upload data to AEMO).⁴⁴

Registered BB facilities and BB shippers would be required to provide contact details to AEMO for publication on the Bulletin Board and to inform AEMO as soon as reasonably practicable of any changes to these details. Users that are party to a contract with a service provider of a transmission pipeline would also be required to provide their contact details to AEMO and inform AEMO of any changes, where they have elected not to become a registered BB shipper. It is appropriate to extend the contract

⁴⁴ See: final rule 162

detail provisions to these users so that parties seeking access to secondary capacity on pipelines can readily access and contact the relevant parties.⁴⁵

The registration provisions in the final rule provide clarity and certainty to BB participants and the market in relation to who and when registration is required and when reporting obligations are triggered. This further improves the efficient operation of the Bulletin Board and the value to the market of the information contained on the Bulletin Board.

4.4 Information standard

Under the NGR, the information that reporting entities provides to AEMO under Division 5 Part 18 does not have to comply with a particular information standard. Rather, the NGL and NGR require that:

- the information provided to AEMO must not be knowingly false or misleading⁴⁶
- immunity from any civil monetary liability for acts or omissions in giving AEMO Bulletin Board information will not be available if the act or omission was made in bad faith or through negligence⁴⁷
- estimates of daily production, storage and short-term capacity outlook must be made in "good faith".⁴⁸

4.4.1 Stakeholder views

The AER indicated in its submission that the new information standard should promote further confidence in the data provided to the market by requiring compliance with core principles.⁴⁹

4.4.2 Analysis

As a result of the lack of a reporting standard, the information provided to the Bulletin Board may be inaccurate and there is the potential for information not to be submitted in a timely manner. Therefore, it is necessary to:

- monitor the accuracy and timeliness of the information reported by BB reporting entities and address any issues that arise on a timely basis
- clearly define the information standard that reporting entities should comply with when providing information.

⁴⁵ See: final rule 163

⁴⁶ See: NGL s.225

⁴⁷ See: NGL s.226

⁴⁸ See: NGR rule 141

⁴⁹ AER submission to draft determination, p.2

While the AER and AEMO have taken a number of steps to improve the quality of information reported on the Bulletin Board, it is still possible that erroneous information would be published. Therefore, it is appropriate for AEMO to conduct periodic reviews of the information published on the Bulletin Board and work with reporting entities and, where relevant, the AER to resolve any issues identified.

The standards implied by ss. 225 and 226 of the NGL and the "good faith" reference in rule 141 of the NGR establish too low a standard for reporting and could adversely affect the market's confidence in the information reported on the Bulletin Board. Therefore, the final rule contains an information standard which the Commission is recommending be classified as both a civil penalty and conduct provision (this is similar to the approach for the STTM information standard).

The final rule provides the following form for the information standard:⁵⁰

“The BB information standard means the practices, methods and acts that would reasonably be expected from an experienced and competent person engaged in the ownership, operation or control of a BB facility in Australia of that type acting with all due skill, diligence, prudence and foresight and in compliance with all applicable legislation (including these rules), authorisations and industry codes of practice.”

The information standard will apply to information provided by reporting entities under Part 18 of the NGR and the BB Procedures. The standard will also apply to any updates of information provided to AEMO.

4.5 Compliance framework

The AER is required to monitor, investigate and enforce compliance with the NGL, NGR and BB Procedures.⁵¹ The AER has a range of tools it can employ in its enforcement and compliance capacity, including:

- commencing civil proceedings in the Federal Court and seeking:
 - an injunction or an order that the BB facility cease or remedy the conduct and/or
 - an order that a penalty be paid if a civil penalty provision has been breached.⁵²
- issuing an infringement notice if the AER has reason to believe the facility has breached a civil penalty provision⁵³

⁵⁰ See: final rule 164(2)

⁵¹ See: NGL, s. 27

⁵² The civil penalty provisions are set out in s.3 of the NGL. The maximum civil penalty is \$20,000 for individuals (\$100,000 for body corporates), plus \$2,000 (\$10,000) for every day it continues.

⁵³ The maximum infringement notice is \$4,000 for individuals and \$20,000 for body corporates.

- seeking an administrative resolution, which may include a voluntary commitment by a BB facility to rectify non-compliance.

Currently, the only provisions relating to the Bulletin Board which may attract a civil penalty are:

- section 223 of the NGL, which states that a person defined in the section (which include pipeline service providers, users of scheme or non-scheme pipelines, producers and storage providers) or the Regulations that is in possession or control of information relating to natural gas services is required by the NGR to provide AEMO with information, must do so in accordance with the NGR
- section 225 of the NGL, which states that Bulletin Board information provided to AEMO must not be knowingly false or misleading.

Although no provisions in Part 18 of the NGR or the BB Procedures are classified as civil penalty provisions in the Regulations, breaches of the Bulletin Board reporting obligations in the NGR would fall within the scope of s.223(2) of the NGL. This is because they would constitute a failure to provide information in accordance with the NGR. Breaches of the BB Procedures would also fall within the scope of s.223(2) if the NGR requires they be complied with.

Breaches of the registration and exemption provisions in Division 3 Part 18 of the NGR, on the other hand, would not fall within the scope of s.223(2) as they do not require the provision of information of the nature contemplated in s.223.

In addition to the remedies outlined above, BB facilities can be subject to a civil monetary liability for an act or omission that is made in bad faith or through negligence under s.226 of the NGL.⁵⁴ A civil monetary liability is a liability for damages, compensation or any other monetary amount that can be recovered by way of civil proceedings.

A person other than the AER may institute proceedings in respect of a breach of a provision that is a conduct provision.⁵⁵

However, in contrast to some other parts of the NGR, Part 18 of the NGR does not currently contain any conduct provisions. If a person is found to be in breach of a conduct provision the court may:⁵⁶

- make an order that the person in breach cease the act, activity or practice within a specific period, remedy the breach, prevent the recurrence of the breach or implement a specified program
- grant an injunction to restrain the person from engaging in the conduct.

⁵⁴ The maximum civil monetary liability that a court can order is currently \$400,000 for each person who suffers a loss as a result (capped at \$20 million for a prescribed 12-month period).

⁵⁵ See: NGL, s.229(2)

⁵⁶ See: NGL, s.232

If the person that institutes proceedings suffers loss or damage as a result of the conduct by the person in breach of the conduct provision then they can recover the amount of loss or damage through an action in a court of competent jurisdiction.⁵⁷ The amount of damages that may be claimed is limited by s.226 of the NGL.

While the AER is responsible for enforcing compliance with the Bulletin Board provisions, under s.91A of the NGL, AEMO has a statutory function to investigate breaches or possible breaches of the procedures it makes under the NGR, including the Bulletin Board Procedures. AEMO is also empowered to direct a person to comply with the BB Procedures if it has a reason to believe they are not complying.⁵⁸ If the person does not comply with such a direction, then this would constitute a breach of the NGR and AEMO can refer it to the AER. AEMO has no other function or power in relation to enforcing the NGL, NGR or BB Procedures.

4.5.1 Stakeholder views

The AER is of the view that attaching civil penalty provisions to existing registration is likely to better incentivise participants to comply with the reporting obligations.⁵⁹

4.5.2 Analysis

The market's confidence in the information reported on the Bulletin Board will depend on:

- the strength of the compliance framework that underpins it and the incentives it provides facilities to register and comply with reporting obligations
- the level of awareness reporting entities have of the consequences of any breach of the Bulletin Board provisions in the NGL, NGR, and BB Procedures.

Although currently breaches of the reporting obligations in Division 5 Part 18 are subject to civil penalty provisions, the registration provisions are not. This may not have been a significant issue to date, however, it can be expected to become more of an issue going forward. This is due to the new reporting model where registration would act as a trigger for reporting by BB facilities. The operators of new facilities may therefore have an incentive to delay registration for as long as possible to avoid the reporting obligation during this period. This would, in turn, give rise to information asymmetries and could have broader reaching implications for other market participants. It is for this reason that the Commission is recommending that the obligation for facility operators to register themselves and their facilities and to advise AEMO of any changes, be classified as civil penalty provisions.⁶⁰

⁵⁷ See: NGL, s.233

⁵⁸ See: NGL, s.228A

⁵⁹ AER submission to draft determination, p 2

⁶⁰ See: final rule 150-151

The other concern regarding the compliance framework is that the level of awareness among reporting entities of the consequences of any breach of the Bulletin Board provision may be low. Unlike other parts of the NGR, the Bulletin Board provisions in the NGR do not contain notes at the end of the relevant provisions to identify those provisions that could attract a civil penalty or are conduct provisions. To remedy this, and raise the level of awareness among reporting entities, the final rule contains notes indicating which provisions are or recommended to be subject to civil penalties or conduct provisions.

The classification of these provisions as civil penalty or conduct provisions is appropriate given the reliance that market participants and policy makers may place on information that is reported on the Bulletin Board when making decisions. It is critical to instilling confidence in the information reported on the Bulletin Board and achieving the purpose of the Bulletin Board.

5 New reporting requirements

5.1 Overview of existing reporting requirements

There is no single source that captures all of the information that market participants in the east coast gas market require to make informed and efficient decisions. Participants must currently source information from the Bulletin Board, various publications and reports by AEMO, the AER, state and Commonwealth agencies and other public announcements.⁶¹

Gas market information is not only fragmented across multiple platforms, but the information available is not sufficient to support the price discovery process and enable participants to make informed and timely decisions.

Some steps are being taken to reduce the degree of fragmentation by making the Bulletin Board more of a 'one-stop-shop' for market related information. To this end, the following recent additional information has been included on the Bulletin Board:

- a market pricing tab, which contains links to the facilitated markets pricing information on AEMO's website and the AER's weekly gas report
- a planning tab, which contains links to the Gas Statement of Opportunities (GSOO) and the National Gas Forecasting Report (NGFR).

While steps have been taken to increase transparency in this market, there are still significant information gaps and asymmetries. The below table sets out the information that is currently required to be published on the Bulletin Board:⁶²

⁶¹ For example, the AER provides the Weekly Gas Market Report, the Quarterly Compliance Report and regulatory decisions for pipelines subject to full regulation. Government reports include state and Commonwealth reports on gas resources and major project and the Upstream Petroleum Resources Working Group's annual report on unconventional reserves and resources production.

⁶² This contains the new requirements introduced under the Enhanced Information for Gas Transmission Pipeline Capacity Trading final rule which commenced on 6 October 2016.

Table 5.1 Information currently reported on the Bulletin Board

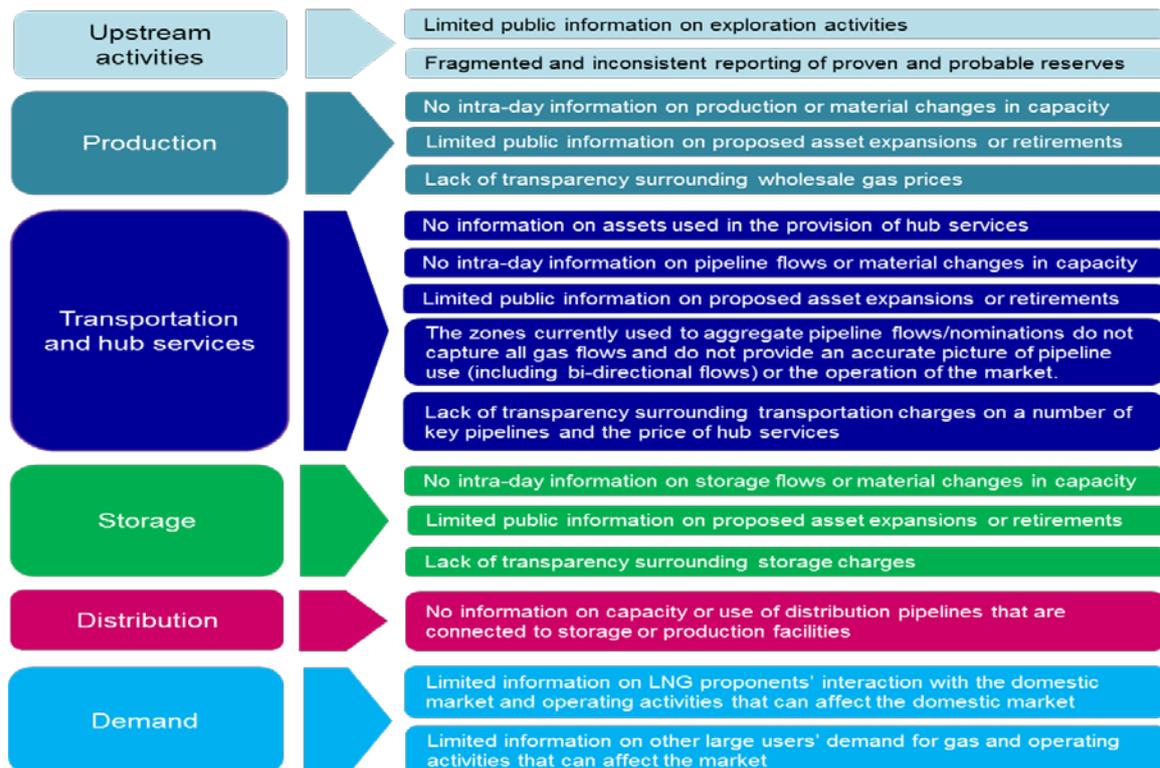
| Information | | Frequency | BB transmission pipelines | BB storage facilities | BB production facilities |
|--|--|---|--|-----------------------------------|--------------------------|
| capacity related information | nameplate capacity | annual (or as soon as reasonably practicable if changes) | ✓ | ✓ | ✓ |
| | 7-day capacity outlook | daily | ✓ | ✓ | ✓ |
| | medium-term capacity outlook | as issued | ✓ | ✓ | ✓ |
| | 3-day linepack capacity adequacy (LCA) outlook flag | daily | ✓ | x | x |
| actual pipeline deliveries, storage flows, production | | daily | aggregated by demand and production zone | net flows out of storage facility | ✓ |
| 7-day forecast for pipeline flows (supply nominations for current gas day and material intra-day renominations) | | daily (or as soon as practicable if material intra-day changes) | aggregated delivery nominations by zone | N/A | N/A |
| contact details | | as soon as practicable if changes | ✓ | ✓ | ✓ |
| other information | standing peak day demand forecasts | | | | |
| | listing service for spare gas and pipeline capacity and links to APA's and Jemena's capacity listing service | | | | |
| | registration and exemption related notices | | | | |
| | emergency protocols | | | | |
| | Bulletin Board Procedures and guides | | | | |
| secondary capacity trading information | 12-month outlook for contracted capacity | monthly | ✓ | ✓ | x |
| | contact details of shippers with contracted capacity | update as applicable | ✓ | x | x |
| | data from secondary capacity trading platforms | week after | ✓ | x | x |

| Information | Frequency | BB transmission pipelines | BB storage facilities | BB production facilities |
|--|---|---------------------------|-----------------------|--------------------------|
| detailed facility data | as applicable | ✓ | ✓ | ✓ |
| aggregated and disaggregated receipt/delivery point flow data by zone | aggregated day after disaggregated monthly | ✓ | x | x |
| more detailed and standardised medium-term capacity outlook | as issued | ✓ | ✓ | ✓ |
| actual storage volumes, aggregated injections and withdrawals and 7-day forecast | daily | x | ✓ | x |

Source: AEMC analysis

Although information is being provided under the current provisions of the NGR, the following gaps in the information provided to the Bulletin Board were identified:

Figure 5.1 Information gaps across the supply chain



Source: AEMC analysis

The effect of these information gaps and asymmetries can be difficult to quantify. However, in broad terms they can be expected to adversely affect the price discovery process and the way in which gas and other resources are allocated. This is because decisions have to be made on the basis of incomplete, inaccurate, dated and/or

asymmetric information. As the demand-supply balance in the market continues to tighten and the trade and flow of gas becomes more dynamic, these effects are likely to become more acute and have longer lasting consequences for market participants. They may also affect related markets, such as the National Electricity Market and the broader economy.

In this rule change request, given the NGL has not yet been amended to include gas fields, large user facilities, LNG processing facilities and GSH compression facilities in s.223, any information gap that results from the unavailability of this information would not be addressed at this time.

5.2 Facilities in new locations

The final rule provides that gas pipelines and facilities are required to report to the Bulletin Board based on a minimum reporting threshold rather than whether those pipelines carry gas into or out of particular zones and the facilities attached to those pipelines.

As a result, unless exemptions exist in the NGR the reporting framework would capture pipelines and facilities that are located in:⁶³

- regional areas
- the Northern Territory
- north Queensland.

Further, given the final rule removes the exemptions for production and storage facilities that are not connected to a BB pipeline, production and storage facilities would be required to register and report to the Bulletin Board if they exceed minimum reporting thresholds. This is regardless of whether they are connected to a transmission or distribution pipeline.

5.2.1 Regional pipelines and facilities

As the final rule removes the link between reporting and the zonal model, regional pipelines and facilities attached to those pipelines would be required to report Bulletin Board information to AEMO.

It is appropriate that regional pipelines and facilities connected to the east coast system be included in the Bulletin Board reporting framework. Pipelines and facilities that meet the minimum reporting threshold are able to impact trading decisions and flows across the east coast gas system, in particular on the pipelines connected to those regional pipelines and facilities. Publishing information about regional pipelines and

⁶³ The Bulletin Board does not currently contain any information on gas flows in these locations because the Procedures do not include any zones defined for those regions. Pipeline and facilities in those locations could be included under the current framework by amending the Procedures.

facilities is expected to help industry participants understand the wider east coast gas market dynamics and make the most efficient decisions.⁶⁴

The final rule therefore appears to capture five regional pipelines in New South Wales, South Australia, Victoria and Queensland:⁶⁵

- Central West Pipeline (Marsden to Dubbo)
- Central Ranges Pipeline (Dubbo to Tamworth)
- Cheepie to Barcaldine Gas Pipeline
- South East South Australia Pipeline
- the South East Pipeline System.

The majority of these pipelines are owned by service providers that are already subject to reporting obligations; however, the final rule will result in some service providers having to provide information that were not previously captured by the Bulletin Board reporting requirements.

Production and storage facilities that are attached to these pipelines that meet the minimum reporting threshold would also be captured by the reporting requirements. The inclusion of these facilities is consistent with the purpose of the Bulletin Board.

No further changes are required in the final rule to give effect to the requirement for regional pipelines and facilities to provide information to the Bulletin Board. This is due to the removal of the link between the zonal model and reporting requirements which results in these facilities automatically being captured under the reporting requirements. The inclusion of these regional pipelines and facilities is appropriate and will contribute to the efficiency of the operation of the market and increase the confidence of Bulletin Board users in relation to the information provided.

5.2.2 Pipelines and facilities not connected to the east coast gas system

Like regional pipelines and facilities, non-connected pipelines and facilities are currently not required to report to the Bulletin Board because there are no zones defined in the BB Procedures for those regions.

As a result of the final rule removing the link between reporting and the zonal model, pipelines and facilities in the Northern Territory and north Queensland would be required to report to the Bulletin Board.

⁶⁴ This finding is supported by the ACCC. ACCC, *Inquiry into the east coast gas market*, April 2016, p. 154

⁶⁵ It is difficult to ascertain what pipelines would be captured as a result of the draft rules as the nameplate capacity information is not currently publicly available.

The pipelines in the Northern Territory and north Queensland that could be captured, to the extent they satisfy the minimum reporting threshold, include:

- the North Queensland Gas Pipeline
- Amadeus Gas Pipeline
- Palm Valley to Alice Spring Pipeline
- Daly Waters to McArthur River Pipeline
- the Bonaparte Pipeline
- Wickham Point Pipeline.

Reporting requirements would also extend to facilities that are connected to these pipelines.

Currently there may be little natural gas and natural gas service trading activity in the Northern Territory and north Queensland. However, including these areas in the Bulletin Board reporting framework may improve transparency and may encourage more efficient trading activity in these areas.

For example:

- information about the location, nameplate capacity and capacity changes of pipelines and facilities would provide local participants with key information that may affect them
- utilisation and demand information would inform planning and investment decisions in those areas.

While potentially improving transparency and encouraging trade, the costs may outweigh the benefits of requiring remote pipelines to report until such time as they are interconnected.

When remote pipelines and facilities become connected to the east coast gas system, it is clear that the benefits of reporting outweigh the costs. When these pipelines and facilities become connected, the activity on these pipelines and facilities could impact on the rest of the gas market.

Given the uncertain benefits and certainty that costs would be imposed from requiring these non-connected pipelines and facilities to provide information to the Bulletin Board prior to them becoming connected, the final rule provides an exemption for:⁶⁶

- pipelines and facilities in the Northern Territory
- pipelines and facilities in other jurisdictions that are remote. A pipeline or facility is remote if it is not directly or indirectly connected to:
 - an STTM or declared wholesale gas market (DWGM)⁶⁷ pipeline
 - a pipeline at which gas is sold through a trading exchange.⁶⁸

5.2.3 Facilities connected to a distribution pipeline

The final rule removes the exemption for a production or storage facility that is not connected to a BB pipeline. The term BB pipeline is currently defined in the NGR as a BB transmission pipeline and therefore explicitly excludes distribution pipelines.

The activity of facilities located within a distribution pipeline system that meet the minimum reporting threshold are able to impact local markets in the same way as facilities located on a transmission pipeline. Therefore, the reporting obligations should be applied consistently and these activities should be reported regardless of location on the east coast gas system. This will assist in achieving a fuller view of the overall east coast gas market.

5.2.4 Distribution pipelines

Information related to gas flows on distribution pipelines is not currently reported on the Bulletin Board. Given the recommendation that facilities connected to a distribution pipeline should report to the Bulletin Board, the Commission considered whether there is value in requiring reporting by distribution pipelines that are connected to these facilities.

There may be some practical difficulties with distribution trunk lines reporting in the same manner as transmission pipelines:

- distribution pipeline systems are not necessarily operated commercially as point-to-point pipelines and individual pipelines within the system do not have

⁶⁶ See final rules 141,143 and 144

⁶⁷ The declared wholesale gas market (DWGM) operates in Victoria and was established to enable competitive, dynamic trading based on injections into and withdrawals from the transmission system. For more information see:
<https://www.aemo.com.au/Gas/Declared-Wholesale-Gas-Market-DWGM>

⁶⁸ An example of a remote pipeline is the North Queensland Pipeline. The use of the term 'indirectly' in the final rule means that, for example, the GLNG and APLNG pipelines would not be considered remote pipelines because they are connected to the Queensland Gas pipeline, which is connected to the Roma and Brisbane Pipeline (an STTM pipeline).

shippers, transportation agreements or delivery and receipt point nominations that can be reported

- the Wilton to Newcastle trunk line does not currently experience congestion and so additional reporting by the distribution pipeline may provide little additional value to the market at this point in time.

Therefore, the final rule does not require certain distribution pipelines to report the same information as transmission pipelines at this time. As the market continues to evolve and become more dynamic, it may be appropriate at some point in the future for this issue to be re-examined to determine if the benefit to the market of providing information, in some form, may outweigh the costs and the practical difficulties.

5.3 Other changes to existing reporting requirements

5.3.1 Planned expansions and asset retirements

The market will benefit from receiving information from facility operators on planned expansions and asset retirements that would affect the facility's capacity. This type of information will enable market participants to make more informed decisions about the use of these assets over the medium-term and investment in their own facilities.

The final rule

The final rule requires facility operators to:

- report on any planned expansions or asset retirements that would affect the facility's capacity on an annual basis at the same time the facility operator reports to AEMO on the nameplate capacity rating
- report on any changes that occur during the year as soon as reasonably practicable after the facility operator becomes aware of any planned expansions or asset retirements that would affect the facility's capacity.⁶⁹

5.3.2 Frequency of information provision

The information reported on the Bulletin Board can be improved during the day when actual outcomes deviate from expectations. For example, this could occur when renominations result in a facility's expected use changing, or when there is an outage, or some other event results in a facility's short-term capacity outlook changing.

Although the information gaps arising from these issues are dealt with to some extent in the BB Procedures, the coverage of these provisions is not as extensive as they need to be under the new reporting model. For example, the BB Procedures currently only require BB pipelines to revise their nominations if there has been a material change during the gas day.

In the case of short-term capacity outlooks, the BB Procedures also provide facility operators too much discretion to determine whether they will report changes during the day. This is a limitation in the current reporting obligations that could have broader reaching consequences in the market, particularly if some participants become aware of the change in capacity while others do not. This could lead to inefficiencies in the market.

Stakeholder views

APA agrees with the intent of the draft rule that the market should be provided with the most up to date information possible, but that there may be system limitations issues. As such, it may be better to implement a system whereby changes to data are provided to the market at set times during the day (this is the approach used in Western Australia).⁷⁰

Australia Pacific LNG Pty Ltd (APLNG)⁷¹ indicate that material intraday changes related to nominations and capacity should be based on a "net" rather than "gross" position. This would limit intraday reporting that has little impact on the market.

The AER supports the requirements to require material updates to the capacity of production facilities to be reported, but is of the view that it is essential that the rules provide for the when that information is to be provided.⁷² Therefore, there should be a requirement to flag, as soon as possible, material events if they occur.

Origin is of the view that the reporting requirements in the draft rule may lead to unnecessary level of information duplication as:

- forecast pipeline nominations (from D+1 to D+6)⁷³, rolling 7-day outlook, is updated daily
- firm nominations (for gas day D) is provided on a daily basis
- intra-day nominations, are provided within the gas day as required.

This leads to duplication as participants are required to re-submit multiple iterations of the same information across different timeframes. This arises as in general, firm nominations for the current gas day are the same as the forecast nominations.⁷⁴

⁶⁹ See: final rule 181

⁷⁰ APA submission to draft determination, p 1

⁷¹ APLNG submission to draft determination, pp 2-3

⁷² AER submission to draft determination, pp 2-3

⁷³ The current gas day is denoted as D with forecasts out seven days being referred to as D+1 through to D+6

⁷⁴ Origin submission to draft determination, pp 2-3

The final rule

The final rule contains provisions which require BB pipelines, BB storage facilities and BB production facilities to report any material intra-day changes in nominations and short-term capacity outlooks, where material is defined as the greater of 10 per cent nameplate capacity rating or 30 TJ. The final rule retains the requirement in the draft rule that where the NGR or BB Procedures requires a BB reporting entity to update information, this must be done as soon as practicable. In addition, this requirement is also reiterated, for clarity in the provisions dealing with intra-day changes. It is important that there is a time element to the reporting requirement to provide all participants in the market with the same information as close to the same time as possible.

Given the importance of this information being received by the market on a timely basis, it is not appropriate to set times when intra-day changes are reported. This may result in some participants having information for a significant period of time before others.

Reporting information on a gross basis rather than net basis provides a more accurate picture to the market. Further, it provides a clear trigger for when something is material and must be reported. This therefore provides greater certainty to participants and the market.

It is recognised that there may be the potential for information to be provided under the rule to be duplicative. However, the information provided across multiple time periods provides the market with information that can be used for different purposes. As such, although there may be some duplication the value of the information provided outweighs any administrative burden of providing the information.

Given the value of the information in allowing market participants to make informed decisions, the information should be prominently displayed on the front page of the Bulletin Board. This will more easily allow users to be made aware of short-term changes throughout the gas day.

5.3.3 Reporting of pipeline nominations and forecasts by receipt point

Currently, the NGR requires pipeline operators to report actual gas flows by both receipt and delivery point. Pipeline nominations and forecasts are, however, still only reported on a delivery point basis. It is not currently possible therefore to determine how much gas is forecast to be supplied into the pipeline from the information currently available on the Bulletin Board.

Stakeholder views

AEMO submits that the requirements in the draft rule related to a BB pipeline forming part of a declared transmission system should also be required to provide scheduled injections and scheduled withdrawals separately. This is the same requirement as non-DTS BB pipelines. Further, AEMO indicated that some forecasts can be provided

for a DTS pipeline - D, D+1 and D+2. Therefore, the rules should be amended to require this information be provided to the Bulletin Board. Lastly, AEMO indicates that the definition of a 'controllable system point' may be narrowly interpreted so as to only capture points where there are withdrawals and injections and not a point where there are withdrawals or injections.⁷⁵

The final rule

This is a gap in the current reporting obligations that could have broader reaching consequences for trade in both gas and pipeline capacity. The final rule therefore contains a requirement on pipeline operators to report nominations and forecasts on both a receipt and delivery point basis.⁷⁶

This new requirement will provide greater visibility about expected supply side flows and will also provide market participants with greater insights into pipeline linepack and the direction of pipeline flows. This approach is consistent with the approach used in Western Australia, where pipeline operators are required to report nominations and forecasts by both receipt and delivery point.⁷⁷

The final rule more closely aligns the reporting for the DTS with other BB pipelines. Therefore, under the final rule a pipeline forming part of the DTS will be required to provide injection and withdrawal information separately rather than aggregated. Forecasts are not currently produced by AEMO (who is the reporting entity in the Victorian DTS) out to D+6 for the DTS. However, forecasts are produced by AEMO for D+1 and D+2 and will therefore be required to be provided to the Bulletin Board. This will provide additional information to the market and align the information requirements for all BB pipelines whether they form part of a DTS or not.

5.3.4 Reporting of producer nominations and forecasts

Another reporting gap is that the NGR does not currently require producers to report their aggregated nominations or forecasts. This is in direct contrast to pipeline operators and storage providers who are currently required to report this information.

The final rule

In cases where a production facility is the only one supplying gas into a pipeline receipt point, this information should be captured by the nominations and forecast information reported by the pipeline operator. However, there may be locations in the east coast where producers are supplying gas into a receipt point that is also used to supply gas from other pipelines or storage facilities. There may also be locations where gas can be supplied into a pipeline from a production facility and from a pipeline into a production facility with this position potentially changing during the course of the day. The nominations and forecasts reported for these types of receipt points would not

⁷⁵ AEMO submission to draft determination, p b2

⁷⁶ See: final rule 183

⁷⁷ See: <https://gbb.imowa.com.au/#reports/forecastFlow>

provide a clear indication of how much gas is expected to be supplied from the production facility relative to supply from other facilities.

If an incident was to occur at the production facility, it may take some time for the market to determine what the implications for supply into the market actually are, which could, in turn affect trade in gas and pipeline capacity.

To address this gap, the final rule requires that production facilities are to provide:

- the aggregated nominations for gas day D that would be supplied into a particular receipt point
- the aggregated forecast supplies for gas day D +1 to D +6, if it has been provided with forecast supplies by its customers.⁷⁸

5.3.5 Peak demand forecasts

Under the NGR, peak demand forecasts are required to be published for each Bulletin Board demand zone. However:

- more comprehensive peak day demand forecasts are developed as part of the GSOO and the NGFR
- the forecasts developed under the NGR can be confusing and of limited value because the delineation of the Bulletin Board demand zones differs from the zones used in the NGFR and GSOO, and in some cases the forecast represents peak demand while in other cases it represents peak flow or peak net flows.⁷⁹

The final rule

The NGFR and GSOO are better vehicles to deal with any peak day demand forecasting. Further, AEMO would need to amend the way peak demand is calculated for the Bulletin Board in any event given the removal of the zonal model. Therefore, the final rule removes the provision requiring the publication of peak demand forecasts on the Bulletin Board.

5.3.6 Bulletin Board shippers

Under the draft rule a BB shipper is defined as a person who is a party to a contract with a facility operator for a BB facility under which the facility operator provides a service to that person, or has a right under an access determination to be provided with a pipeline service by means of a BB pipeline.

⁷⁸ See: final rule 185

⁷⁹ For example, the peak day demand forecast for the Sydney demand zone represents peak demand, while for the Carpentaria Gas Pipeline demand zone it represents peak flow and for the South West Queensland Pipeline demand zone it presents peak net flow.

Stakeholder submissions

AEMO in its submission to the draft determination indicated that based on this definition those parties who own the pipeline themselves, and therefore would not be shipping gas under either a contract or access arrangement would not be captured by the definition.⁸⁰

The final rule

The Commission recognises that some shippers would not fall under the definition in the draft rule. Accordingly the definition in the final rule also includes those parties that ship on a pipeline that they own. The new definition will provide additional clarity to the market regarding who is a shipper and ensure that all shippers are treated equally.

⁸⁰ AEMO submission to draft determination, p 2

6 Publication of Information on the Bulletin Board

The final rule contains provisions which provide for:

- AEMO being the responsible party for the aggregation of information to be published on the Bulletin Board
- BB pipelines reporting actual flows, nominations and forecast information on a disaggregated basis by receipt and delivery point
- AEMO publishing the aggregation methodology in the BB Procedures, which must be developed in consultation with stakeholders.

The final rule also provides for certain publication requirements:

- pipeline nominations and forecast information needs to be aggregated and published on the Bulletin Board without delay
- pipeline actual receipt and delivery point flows need to be aggregated and published each day for the previous day to provide an overview of actual flows around the market. This information would also be published on a disaggregated basis.

6.1 Current method of aggregation and timing

Under the current reporting framework, pipeline flow information is aggregated by the pipeline operator based on the zonal model and reported to AEMO for publication on the Bulletin Board.⁸¹ The NGR does not contain any timing requirements for AEMO to publish the data it has received. However, information is typically published shortly after it is received. Nomination and forecast information is provided to AEMO by 7 pm each day, typically with a rolling seven day outlook.

Various stakeholders, including AEMO and APA carried out some work to address deficiencies in the zonal model. This included developing alternative zonal designs (for example, the transit zone design and pipeline to pipeline zone design).⁸² However, AEMO's ability to successfully address these deficiencies has been limited by the fact that the NGR currently restricts the scope of the zonal model to production and demand zones. This limitation is of concern given the gaps that have emerged under this model and its apparent inability to respond to changes in the market.

⁸¹ See: NGR, rule 173(1) and 174(1)

⁸² The alternative zonal designs included: (a) a pure demand and production zone design, which is based on the existing framework but with new zones added as required; (b) a pipeline-to-pipeline zone design, which amends the existing demand and production zone framework by introducing pipeline-to-pipeline zones to capture the movement of gas between pipelines; and (c) a gas transit zone design, which amends the existing demand and production zone framework by introducing gas transit zones at locations where gas is exchanged but not consumed.

6.2 Stakeholder views

Origin in its submission indicated it is important that the aggregation method used by AEMO does not disclose commercially sensitive information and therefore the rules should contain an explicit prohibition on reporting pipeline nomination information that could be used to infer the position of a gas-fired generator.⁸³

AEMO has concerns with the requirement that the aggregation methodology must not publish or allow for the calculation of nominations made by market generating units. The concern arises for AEMO as there is existing information available in the market that would allow for the calculation of nominations and therefore determining a methodology would require AEMO to infer what information participants may have. Alternatively, AEMO claims that they would need to aggregate the information to such a high level as not to provide useful information to the market.⁸⁴

6.3 Aggregation model under the final rule

While the current zonal model does not provide a complete presentation of gas flows around the market, zones may be useful for providing an overview and broad understanding of flows on the Bulletin Board. However, as gas markets change over time, it is important that any aggregation methodology is flexible enough to maintain the relevance of information for the market.

It is necessary to remove the requirement in the NGR for pipeline flow information to be aggregated using the zonal model given the new reporting model. Further, AEMO should be given greater flexibility to determine the appropriate aggregation method. The aggregation method should be developed through AEMO's BB procedures.

In order for AEMO to aggregate information on the Bulletin Board in a useful manner it is necessary that adequate information is provided. Therefore, the Commission's final rule contains provisions which require:⁸⁵

- BB pipelines to provide AEMO with actual and forecast flow information, disaggregated by receipt and delivery point
- AEMO to publish this information (in aggregated and disaggregated forms) on the Bulletin Board in accordance with the following time frames:
 - pipeline nominations for the gas day and week ahead forecasts: aggregated information is to be published the day before the gas day and disaggregated information is not to be published
 - pipeline actual daily receipt and delivery point gas flows for the gas day: aggregated and disaggregated information to be published the next day.

⁸³ Origin submission to draft determination, p 1

⁸⁴ AEMO submission to draft determination, pp 3-4

⁸⁵ See: final rule, rules 183, 187, 193-196

The final rule gives AEMO the responsibility for aggregating pipeline flows rather than the BB pipelines. This allows Bulletin Board users to access and analyse the data. It also allows AEMO to recut the data at a later date if the aggregation method changes so historic trends can be examined.

Aggregation by AEMO will enable the receipt and delivery point actual and forecast flow information to be presented in a more manageable form on the Bulletin Board. This will provide a more accurate and complete picture of gas flows in the east coast gas market and be more useful to Bulletin Board users.

The final rule addresses the concerns raised by AEMO regarding its inability to determine what information may be in the market that would allow someone to calculate the nominations of a gas-fired generator. The final rule provides that AEMO must not directly or indirectly disclose nominations made by market generating units. This removes the need for AEMO to be concerned in relation to its aggregation method about whether or not other parties could calculate these nominations as a result of other information and tools those parties may have.

6.4 Confidential information

The final rule requires BB pipelines to report pipeline forecasts, nominations and actual gas flows for each receipt and delivery point.

Where a gas user (including a small gas user) is the only party at a delivery point or located on a single user pipeline,⁸⁶ any receipt and delivery point data reported by the BB pipeline can be linked to that gas user by any person who accesses information from the Bulletin Board. This means that the impacts on gas users must be taken into account when considering the publication of disaggregated information from pipelines on the Bulletin Board. There are several options for managing the publication of information that may have competitive impacts:

- information can be aggregated such that it cannot be connected to a single user
- information can be published with a time lag.

6.4.1 Stakeholder submissions

AGL raised the issue of confidential information in relation to a sole user of a storage facility and that the requirement to publish information regarding daily storage volume/position.⁸⁷

⁸⁶ A gas user may be located within a distribution pipeline system, it may be one of several parties at a delivery point, it may be the only party at a delivery point, or it could be located on a single user pipeline.

⁸⁷ AGL submission to draft determination, p 2

6.4.2 Analysis

The final rule contains an exemption which allows AEMO to exempt a participant from providing information where it is already being provided by another party. Further, AEMO in the developing the BB Procedures and aggregation methodology will be required to consult with stakeholders. Therefore, it is exempted that confidential information and information provided by other participants can be addressed through this process.

There may be competitive impacts on participants in other markets where disaggregated nomination and forecast information could reveal a gas-fired generator's intended electricity generation. This could affect competition in the National Electricity Market as the forecast information would indicate how much electricity the gas-fired generator may be intending to bid into the electricity market. This may then affect the bidding activity of other participants in the National Electricity Market and the market price of electricity. Accordingly, the final rule provides that nomination and forecast information from pipelines is only published in aggregated form. The aggregated flow information is sufficient to provide the market with an overview of the expected gas flows.

It is not necessary to publish disaggregated information or forecast information with a time lag. This is because once actual pipeline flows are published the forecast information is superseded by that information, which is more relevant to market participants. Therefore publishing forecast information with a time lag would increase the administrative burden without improving the information available to the market.

The final rule does not provide for a delay in the publication of actual pipeline receipt and delivery point information. Each day, this information will be published for the previous gas day.

The publication of both disaggregated actual pipeline flows and aggregated actual pipeline flows is necessary. These serve different purposes - the aggregated data will provide a useful and understandable representation of gas flows around the market, while the disaggregated information will enable more detailed assessment and analytics by interested parties.⁸⁸

The final rule promotes equal treatment among gas users and a consistent approach to the publication of gas information, establishing a level playing field for participants reporting to the Bulletin Board. It also supports the publication of reliable market information and improves confidence in the Bulletin Board. Finally, the framework created under the final rule is administratively simpler than developing a complex exemption framework and therefore, reduces the administrative burden associated with the final rule.

⁸⁸ see: final rule 193-195

6.5 Bidirectional pipelines

Under the current reporting model, pipeline flows are reported on a net basis. For example, if gas nominations are 50 TJ in one direction and 30 TJ in the other direction, it is reported as 20 TJ. As a consequence, the Bulletin Board may not accurately reflect the utilisation of or nominations on these pipelines.

Further, greater clarity regarding the meaning of positive and negative pipeline flows will be beneficial. It is noted that AEMO publishes a schedule of default pipeline flow directions on the Bulletin Board.⁸⁹ This information is currently not easily located and when historical information is downloaded, it is unclear whether the default direction has changed over time.

The final rule does not specifically address this issue. However, given that AEMO will be required to prepare and consult on new BB Procedures, it may want to consider ways to present information on the Bulletin Board to provide a meaningful representation of the direction and quantity of gas flows.⁹⁰ On bidirectional pipelines, AEMO may consider:

- providing a breakdown of pipeline flows in each direction
- adopting a fixed standard for the assumed direction of bidirectional pipelines.

This improved clarity will greatly assist participants to understand what positive or negative flows on a pipeline represents, as well as have a better understanding of gas demand in each direction instead of a net flow.

⁸⁹ Rule 173(4) of the NGR allows for the Procedures to specify default directions for nomination and forecast information.

⁹⁰ In addition, the publication of actual pipeline receipt and delivery point information would enable third parties to provide additional analysis of pipeline flows.

7 Funding arrangements and future development

The final rule contains three revisions to the funding arrangements related to the Bulletin Board:

- the pipeline operator cost recovery provisions are removed from Part 18 NGR
- the cost recovery provisions for AEMO's Bulletin Board activities are removed from Part 18 the NGR
- a new provision has been added in rule 135CC of Part 15A of the NGR to allow AEMO to recover costs for providing services as operator of the Bulletin Board as a component of participant fees.

The final rule also contains provisions which require AEMO to publish a biennial report on the operation of the Bulletin Board and any potential changes required.

7.1 Stakeholder views

Shell, PIAC, APPEA⁹¹ in their submissions indicate support for the removal of the cost recovery provisions in Part 18 of NGR. In its submission Shell indicated that the current methodology to collect costs has resulted in a disproportionate allocation of costs to LNG businesses.⁹² PIAC indicates that while reporting information may be a small burden it is appropriate that there is not a mechanism in the rules for market participants to be able to recover costs of providing or aggregating information for the Bulletin Board.⁹³

AEMO in its submission indicated that a specific power should be included in Part 15A of the rules providing that AEMO is able to collect the costs associated with operating the Bulletin Board as a component of participant fees. AEMO claimed that the inclusion of such a power will provide clarity to the market regarding AEMO's authority in relation to these costs.⁹⁴

7.2 Cost recovery - market participants

Under the current provisions of the NGR, pipeline operators are permitted to recover the costs of providing 'aggregation and information services' related to the information they provide to AEMO for the Bulletin Board.⁹⁵

The role and relevance of the existing cost recovery provisions given the other changes contained in the final rule were considered, in particular, the requirement that AEMO

91 APPEA submission to draft determination, p 1

92 Shell submission to draft determination, pp 1-2

93 PIAC submission to draft determination, pp 2-3

94 AEMO submission to draft determination, p 2

95 The information provided by pipeline operators is pursuant to rules 173 and 196

rather than the pipeline operator will be responsible for the aggregation of information provided by the pipeline operators. Further, given that additional parties will be required to provide information to AEMO, the Commission examined whether the cost recovery provisions should be broadened to allow additional market participants to recover their costs.

The Commission is of the view that:

- new cost recovery provisions should not be introduced to allow any market participant to recover the cost of providing any information to AEMO for publication on the Bulletin Board - this is a cost of doing business
- the existing cost recovery provisions for pipeline operators⁹⁶ in regard to providing 'aggregation and information services' for AEMO should be removed from the NGR.

It is clear from the current NGR provisions that generally the cost of providing Bulletin Board information should not be recompensed, but the cost of providing the specific aggregation and information services to AEMO may be recovered. Therefore, extending the current NGR provisions to provide a general cost recovery mechanism appears inconsistent with the current policy approach in the NGR.

Under the final rule, more parties will be required to provide information for the Bulletin Board to AEMO. These parties will incur costs to comply with these new requirements. Further, participants that are already providing information for the Bulletin Board may be required to provide additional information under the final rule. This may result in increased administrative and compliance costs for these participants.

Information provision aims to improve the function and decision making across the market. This purpose benefits consumers of gas by enhancing the ability of market participants to make efficient and well-informed decisions. The value of this information is enhanced if the coverage of information reporting is broad and relevant to participants. The final rule will result in the burden of information provision to be increasingly shared by market participants along the supply chain and providing information will become a 'cost of doing business' in the east coast gas market.

The administrative and operational costs associated with a specific Bulletin Board cost recovery mechanism are not justified. Given the expansion of the number of reporting entities that would arise from implementation of the final rule, the costs associated with a cost recovery mechanism, which would be recovered from market participants, may exceed the benefits arising from the ability of the market participants to recover its costs.

The existing cost recovery provisions for pipeline operators providing 'aggregation and information services' for AEMO, will be removed from the NGR. In general, the cost of providing information is a cost of doing business. However, it is recognised that the

⁹⁶ See: NGR rules 197 and 198

aggregation and information services provided by pipeline operators benefit AEMO in conducting its role as operator of the Bulletin Board. However, it is noted that:

- the final rule no longer requires pipeline operators to carry out the aggregation service for AEMO
- the cost of providing the aggregation and information services would be expected to be relatively minor
- the available cost recovery provisions to date have not been used by a pipeline operator.

7.3 Cost recovery - AEMO

Under the NGR, AEMO recovers the costs for operating and maintaining the Bulletin Board from shippers that use Bulletin Board pipelines.⁹⁷ AEMO must notify each shipper of estimated and actual Bulletin Board costs and issue each shipper with a tax invoice showing the amount that the Bulletin Board shipper is being charged, which is based on the proportion of gas transported by individual shippers.

The specific requirements for recovery of AEMO's Bulletin Board costs are in contrast to the provisions relating to the recovery of AEMO's costs for the facilitated gas markets. For these markets, the NGR specifies that AEMO must "develop, review and publish" the structure of participant fees for time periods AEMO considers appropriate.⁹⁸ The participant fees should be sufficient to cover AEMO's budget revenue requirements, and must be consulted on in accordance with the extended consultative procedures. In determining the structure of the market participant fees, AEMO must have regard to the NGO and the following principles:

- the fee structure should be simple
- the fee components reflect the extent of involvement of a registered participant
- the fee structure should not unreasonably discriminate against a category of registered participant.⁹⁹

To date, the current approach has provided a clear method for the levying of fees to fund a service that is for the benefit of the public - the Bulletin Board. It has been a relatively low cost method of recovering costs. This is because Bulletin Board shippers are readily identifiable and the formulas for determining the fees are clearly set out in the NGR. Shippers may be able to pass on the costs of the fees to end users, who ultimately benefit from the Bulletin Board.

⁹⁷ See: NGR rule 191

⁹⁸ See: NGR rule 135CA(1)

⁹⁹ See: NGR Rule 135CA(4)

In practice, this mechanism has resulted in the Bulletin Board being funded mainly by the major pipeline shippers (and ultimately their users). The major shippers, historically, were entities such as AGL, EnergyAustralia and Origin. However, now that the LNG pipelines are commissioned, the relatively large throughput of the shippers on those pipelines results in them becoming the major contributors to the cost of the Bulletin Board under the current framework.

The Bulletin Board is only one component of AEMO's functions and services across the electricity and gas sectors, and the approach used to provide for the recovery of Bulletin Board costs is at odds with other AEMO activities. In general, the governance framework provides AEMO with the responsibility for determining its fee methodology. A consultative review process is used to assist it in the development of an appropriate methodology. These reviews have tended to be carried out in three yearly intervals. This process is the most appropriate forum to consider stakeholder views on the manner of calculation and collection of Bulletin Board costs.

There does not appear to be any reason, formed at the time of commencing the Bulletin Board or more recently, for why the AEMO Bulletin Board cost recovery arrangements are specified in the NGR as they are. Further, there does not appear to be any reason why the generally applicable AEMO methodology could not also apply to the recovery of Bulletin Board costs.

The use of one cost methodology and process for all gas activities would be practical and administratively efficient for AEMO to apply and for all stakeholders to participate in. Therefore, the general AEMO cost recovery framework should also include its Bulletin Board costs - the specific requirements for collecting costs related to the Bulletin Board have been removed from Part 18. The final rule also inserts a new provision into rule 135CC of Part 15A to address the concerns raised by AEMO in its submission. The final rule:

- removes the note in Part 15A referencing the Bulletin Board cost methodology in Part 18
- adds a subsection to rule 135CC of Part 15A specifically including the costs of operating the Bulletin Board as a component of participant fees that may be collected by AEMO.

This approach provides the benefit of a single governance framework for AEMO's gas market related costs to be recovered. Further, the changes to Part 15A provide greater certainty to AEMO and market participants from whom Bulletin Board costs are to be recovered.

7.4 Future development of the Bulletin Board

As set out in s.219 of the NGL, AEMO has the following Bulletin Board functions:

- “(a) to collect and collate Bulletin Board information;
- (b) to collect and collate other information in relation to the natural gas services for inclusion on the Bulletin Board;
- (c) to derive from information of the type mentioned in (a) and (b) information for inclusion on the Bulletin Board;
- (d) to publish information on the Bulletin Board of the kinds that may or must be included on the Bulletin Board under the rules;
- (e) to manage information of the type mentioned in (a), (b) and (c); and
- (f) other functions conferred on AEMO in its capacity as the operator of the Bulletin Board by the NGL, NGR or any other law prescribed by the Regulations for the purposes of this paragraph.”

In addition:

- AEMO may make Bulletin Board procedures¹⁰⁰
- AEMO must maintain the Bulletin Board in accordance with the NGL, NGR and the Procedures.¹⁰¹

In contrast to other parts of the NGR which provide for periodic reviews, Part 18 of the NGR does not currently provide for a periodic review of the Bulletin Board.¹⁰²

The ongoing responsibility of AEMO to maintain the relevance of the Bulletin Board is of significant importance to the market and its users. AEMO can continue to maintain the relevance of the Bulletin Board through the provisions contained in the NGR (currently rule 144, under the final rule it is rule 146). The purpose of the Bulletin Board (final rule 145) should be referenced by AEMO in maintaining the Bulletin Board.

The final rule also contains a requirement for AEMO to conduct a biennial report on the Bulletin Board to help maintain its relevance. A frequency of two years would not create a burden for AEMO that outweighs the benefit of providing a report on Bulletin

¹⁰⁰ See: NGL ss.227 and 228

¹⁰¹ See: NGR, rule 144

¹⁰² For example, in the STTM, reviews of market parameters such as the administered price cap and the cumulative price threshold must occur no later than five years after the last review of these parameters was completed. If a corresponding value in another Australian gas market or the National Electricity Market is reviewed and the review finds that the value should be changed, AEMO must, in consultation with interested parties, determine whether to conduct a review of the market parameter. The Victorian Declared Whole Gas Market does not feature similar provisions.

Board operations and timely identification of appropriate changes for further consideration by stakeholders.¹⁰³

The final rule (final rule 149) provides that AEMO's biennial report should be published and, at a minimum, include information on:

- AEMO's recent and planned Bulletin Board work program
- usage and performance of the Bulletin Board
- any recommended changes to the Bulletin Board.

To aid in the preparation of the biennial report on the Bulletin Board, AEMO must consult with Bulletin Board users, the AER and the AEMC. It is important that all interested parties have the opportunity to participate in the consultation process for the report.

¹⁰³ Procedure changes or rule change requests may follow the biennial report.

8 Transitional arrangements

The final rule provides the following in relation to transitional arrangements:

- AEMO must prepare and implement the necessary Bulletin Board Procedures by 30 April 2018
- schedule 1 of the final rule commences operation on 30 September 2018
- schedule 2 of the final rule which deals with the cost recovery provisions will commence operation on 15 May 2018.

Shell and APPEA submitted that the changes to the cost recovery provisions should be effective from May 2018. This is due to the fact that participant fees are calculated on a financial year basis and AEMO has previously undertaken some consultation on methods for collecting Bulletin Board costs.

The final rule provides that the removal of the cost provisions will commence on 15 May 2018. This will provide AEMO with sufficient time to develop the participant fees procedure and methodology to be used to collect Bulletin Board costs. In addition, the result is that the new cost recovery methodology will be applicable from 1 July 2018 rather than 1 July 2019. As participant fees are collected on a financial year basis this will provide the opportunity for the new methodology to be in place for the next financial year. Given the potentially disproportionate way in which fees are collected under the current cost recovery methodology and the greater benefit to the market participants from the improved Bulletin Board, it is appropriate that the cost recovery methodology be amended and in place as soon as practicable.

The AER is of the view that it is important to implement the new reporting requirements as soon as possible. However, the AER also understands that this needs to be balanced against preparing, consulting and implementing the required changes to the BB Procedures and systems.¹⁰⁴ APA indicated that the proposed start date of 30 September 2018 should provide adequate time for implementation; however, given other changes also occurring in the gas market a later date may be appropriate.¹⁰⁵

The commencement date for the other parts of the final rule of 30 September 2018, takes the following into account:

- AEMO's Bulletin Board Procedures will require substantial changes to incorporate all of the requirements associated with the final rule
- AEMO will need to develop a new aggregation methodology
- AEMO will need to undertake significant consultation on the new aggregation methodology and the new Bulletin Board Procedures

¹⁰⁴ <http://www.aemc.gov.au/getattachment/6205c0ea-7710-4338-ab32-554881f2f572/AER.aspx>

¹⁰⁵ APA submission to draft determination, p 1

- AEMO and market participants will need to develop or change IT systems to implement the final rule and Bulletin Board Procedures, which work may commence at a high-level prior to the Bulletin Board Procedures being finalised but will require the details of the Bulletin Board Procedures prior to being fully completed
- market participants will need to develop internal policies and procedures to ensure compliance with the final rule and Bulletin Board Procedures
- new market participants who are required to become registered and provide information under the final rule and Bulletin Board Procedures will need to be made aware of the new requirements and determine what is required to ensure compliance
- AER will need to consider and determine if any policies or processes require amending so it can adequately monitor and ensure compliance with the requirements of the final rule and Bulletin Board Procedures.

Given these factors, a commencement date of 30 September 2018 provides AEMO and market participants with a reasonable period of time to implement the required changes to the Bulletin Board.

Abbreviations

| | |
|--------------------------|---|
| AEMC or Commission | Australian Energy Market Commission |
| AEMO | Australian Energy Market Operator |
| AER | Australian Energy Regulator |
| BB Pipeline | Bulletin Board Pipeline |
| BB Procedures | Bulletin Board Procedures |
| BB Production Facilities | Bulletin Board Production Facilities |
| BB Reporting Entity | Bulletin Board Reporting Entity |
| Bulletin Board | Natural Gas Bulletin Board |
| COAG Energy Council | Council of Australian Governments' Energy Council |
| DWGM | Declared Wholesale Gas Market |
| GMLG | Gas Market Leaders Group |
| GSH | Gas Supply Hub |
| GSOO | Gas Statement of Opportunities |
| LNG | Liquefied Natural Gas |
| MCE | Ministerial Council on Energy |
| NGFR | National Gas Forecasting Report |
| NGL | National Gas Law |
| NGO | National Gas Objective |
| NGR | National Gas Rules |
| Procedures | Bulletin Board Procedures |
| Regulations | National Gas (SA) Regulations |
| STTM | Short-Term Trading Market |

A Summary of other issues raised in submissions to draft determination

This appendix sets out the issues raised on the draft determination for this rule change request and the AEMC's response to each issue. If an issue raised in a submission has been discussed in the main body of this document, it has not been included in this table.

| Stakeholder | Issue | AEMC response |
|-------------------------------------|---|---|
| Australia Pacific LNG (APLNG) p1 | The methodology used by AEMO to collect Bulletin Board costs should take into account the wide industry use of the Bulletin Board and consider the breadth of parties that benefit from the information. | The methodology to be used by AEMO to collect Bulletin Board costs is out of scope of this rule change request. However, AEMO will be required to undertake stakeholder consultation on the methodology and may want to consider the wide industry use of the Bulletin Board in examining the participants that become responsible for Bulletin Board costs. |
| AGL, p2 | There is duplication of information requirements to comply with the Bulletin Board when the facility is part of the STTM. The draft rule requires information to be provided twice. | Although the Commission recognises that some information may be provided to AEMO for different purposes and therefore will have to be provided more than once, the requirement to provide the information rests with the participant and not AEMO. This does not mean that AEMO may not be able to address this through the BB procedures. However, the rules do not provide an exemption for this type of information as the Commission does not see the administration burden of providing the same information for different purposes as overly onerous given the benefits to the market of the information. |
| APPEA, p2 | Under rule 185 there is a requirement for producers to report aggregated injection nominations for D+1 to D+6; however, gas purchasers have no contractual requirement to provide forward nominations to producers in good faith. As a result there may be an opportunity to manipulate short term markets. | Under rule 185(1)(b) the aggregate forecasts for nominations if BB shippers have provided forecast nominations under contract or applicable market rules. Therefore, if the BB shipper is not obligated to provide this information, the information does not have to go onto the Bulletin Board. Where the information is provided by contract, this risk can be managed through commercial arrangements. Lastly, |

| Stakeholder | Issue | AEMC response |
|-------------|--|---|
| | | there is no evidence to suggest this is a concern at this time; however, as the Bulletin Board continues to evolve if an issue arises it may be addressed through the BB Procedures or a rule change request. |
| Origin, p.2 | The BB is currently calibrated to the calendar day rather than the gas day which may result in a time lag associated with the publication of information on the Bulletin Board. | <p>Rule 170 provides that each reporting entity must provide information to AEMO about the time at which its gas day starts. This will assist the market in assessing information provided by that entity in relation to any lag caused by the calendar day versus gas day. In addition, the BB procedures may be able to address time lags that may arise.</p> <p>It is recognised that the Bulletin Board will continue to evolve and that information gaps may arise during the operation and implementation of the final rule. Where issues cannot be addressed in the BB procedures, these issues should be fully explored in a separate rule change request or as part of the second rule change request flowing out of the east coast gas market review.</p> |
| AEMO, p.2 | Pipelines often offer storage products and the market would benefit from additional information, such as minimum, maximum and actual linepack levels or alternatively, pipelines that offer storage products should fall within the definition of BB storage facility. | Information related to linepack levels is not currently included in the requirements for information to be provided to the Bulletin Board. Although the Commission recognises that this information may provide value to the market. However, it is necessary to determine exactly what how any requirement to report this information would operate and the trigger for reporting such information. This is an issue that has not been raised in this rule change request but can be examined in a separate rule change request or as part of the second rule change request flowing out of the east coast gas market review. |

B Legal requirements under the NGL

This appendix sets out the relevant legal requirements under the NGL for the AEMC to make this final rule determination.

B.1 Final rule determination

In accordance with s.311 and 313 of the NGL the Commission has made this final rule determination and final rule in relation to the rule proposed by the COAG Energy Council.

The Commission's reasons for making this final rule determination are set out in sections 3.1 to 3.3.

A copy of the final rule is attached to and published with this final rule determination. Its key features are described in section 3.3 and in more details in chapters 4 through 7.

B.2 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. The final rule falls within s.74 of the NGL as it relates to regulating the collection, use, disclosure, recording, management and publication of information in relation to natural gas services.¹⁰⁶ Further, the final rule falls within matters set out in schedule 1 of the NGL as it relates to:

- fees payable to AEMO for services provided, or statutory functions performed under this Law, the Rules or the Procedures¹⁰⁷
- the Natural Gas Bulletin Board.¹⁰⁸

B.3 Commission's considerations

In assessing the rule change request, the Commission has considered:

- the Commission's powers under the NGL to make the rule
- the rule change request
- the AEMC East Coast Wholesale Gas Market and Pipeline Frameworks Review, Stage 2 Final Report: Information Provision, including stakeholder submissions on the relevant issues raised in the review
- stakeholder submission to the draft determination and the draft rule

¹⁰⁶ See: NGL s.74(1)(a)(iii)

¹⁰⁷ See: schedule 1; 55K

¹⁰⁸ See: schedule 1; 56-68

- the Commission’s analysis as to the ways in which the proposed
- submissions received during consultation on the draft determination.

There is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request.¹⁰⁹

The Commission may only make a rule that has effect with respect to an adoptive jurisdiction if satisfied that the proposed rule is compatible with the proper performance of Australian Energy Market Operator (AEMO)’s declared system functions.¹¹⁰ The final rule is compatible with AEMO’s declared system functions as it does not affect the performance of those functions.

B.4 Civil penalties

The Commission's final rule amends Part 18 of the NGR which currently does not contain any civil penalty provisions except for the reporting obligations provisions; however this civil penalty arises as a result of the operation of section 223 of the NGL.

The Commission cannot create new civil penalty provisions. However, it may recommend to the COAG Energy Council that new or existing provisions of the NGR be classified as civil penalty provisions. The Commission is proposing to recommend, subject to consultation with the AER, to the COAG Energy Council that the following provisions be classified as civil penalty provisions under the National Gas (South Australia) Regulations:

- rule 150: registration obligations of facility operators
- rule 151: obligation to register BB facilities
- rule 156: change of operator
- rule 157: change to facility operator group
- rule 164(1) and (4): standard for information or data given under Part 18 of the NGR or BB procedures.

The Commission considers that the new provisions should be classified as civil penalty provisions to provide the market with greater confidence in the information reported on the Bulletin Board. This confidence is developed and maintained through an effective compliance framework and incentives to ensure reporting entities comply with the requirements of the NGR.

¹⁰⁹ Under s. 225 of the NGL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is referenced in the AEMC's governing legislation and is a legally enduring body comprising the Federal, State and Territory Ministers responsible for Energy. On 1 July 2011 the MCE was amalgamated with the Ministerial Council on Mineral and Petroleum Resources. The amalgamated council is now called the COAG Energy Council.

¹¹⁰ Section 295(4) of the NGL.

B.5 Conduct provisions

The Commission cannot create new conduct provisions. However, it can recommend to the COAG Energy Council that new or existing provisions of the NGR be classified as conduct provisions. The Commission is proposing to recommend, subject to consultation with the AER, to the COAG Energy Council that the following provision be classified as a conduct provision:

- rule 164(1): which requires a BB reporting entity to submit information or data in accordance with the BB information standard.

The Commission considers the new provision should be classified as a conduct provision as it would allow persons other than the AER to commence proceedings if there is a breach of the information standard. This will serve to further strengthen the compliance framework.

B.6 Civil penalty and conduct provisions for the Declared Wholesale Gas Market

The Commission can recommend that new or existing provisions of the NGR be classified as civil penalty provisions and/or conduct provisions, as the case may be, in relation to the Declared Wholesale Gas Market by notifying the Victorian Minister of the policy rationale for the recommendations.

The Commission is proposing to recommend, subject to consultation with the AER that the following rules be classified as civil penalty provisions for the declared wholesale gas market:

- rule 150: registration obligations of facility operators
- rule 151: obligation to register BB facilities
- rule 156: change of operator
- rule 157: change to facility operator group
- rule 164(1) and (4): standard for information or data given under Part 18 of the NGR or BB procedures.

Further the Commission is proposing to recommend, subject to consultation with the AER, that rule 164(1) be classified as a conduct provision for the declared wholesale gas market.

The classification of these rules as civil penalty and/or conduct provisions, as the case may be, in the Commission's view will strengthen the compliance framework, both in terms of AER enforcement and other persons being able to initiate proceedings. This will then lead to increased confidence in the information and data on the Bulletin Board.

C Stage 2 Final Report: Information provision recommendations

The package of recommendations contained in the Stage 2 Final Report: Information provision includes changes to the current operation of the Bulletin Board as well as required amendments to the NGL, Regulations, NGR and the BB Procedures. The full set of recommendations is set out below.¹¹¹

Recommendation A: Broaden the stated purpose of the Bulletin Board to recognise the important role that information plays in enabling informed and efficient decision making, as well as aiding price discovery and facilitating trade.

Recommendation B: Improve the reporting framework by:

- removing the link that currently exists between the obligation to report and the zonal model
- simplifying the exemption criteria in Part 18 of the NGR by:
 - removing the existing exemption criteria
 - reducing the minimum reporting threshold to 10TJ/day for transmission pipelines, production facilities, storage facilities, GSH compression facilities and large user facilities
 - only allowing large users to seek an exemption from reporting, with an annual exemption from reporting daily consumption available if the large user can demonstrate to AEMO that it satisfies the annual reporting exemption criteria
- removing the distinction that currently exists in Part 18 of the NGR between facilities commissioned pre- and post-1 July 2008
- redrafting the registration provisions to provide greater clarity about who is required to apply for registration, who and what are required to be registered, when registration is required and the interaction between registration and reporting
- introducing an information standard for all facilities to employ and classifying the obligation to comply with this standard as both a civil penalty and conduct provision. This standard will require the facility or field operator to act with all due skill, diligence, prudence and foresight and in compliance with all applicable legislation, authorisations, industry codes of practice and in the case of information or data about proved and probable reserves, SPE-PRMS.

¹¹¹ See: AEMC 2016, East Coast Wholesale Gas Market and Pipeline Frameworks Review, Stage 2 final report: information provision, 23 May 2016. pp. 114-118

Recommendation C: Strengthen the compliance framework by classifying the obligation to register as a civil penalty provision. Notes should also be added to the relevant rules to identify those that are civil penalty or conduct provisions.

Recommendation D: The entities that are required to report Bulletin Board information to AEMO should be expanded to include:

- the operators of gas fields with 2P reserves - these operators will be required to report their 2P reserves on an annual basis (or more frequently if a revised estimate is subsequently reported to the ASX or a government agency)
- the operators of GSH compression facilities - these operators will be subject to similar reporting obligations as operators of BB transmission pipelines
- large users - the operators of large user facilities (including LNG facilities) are to report the nameplate capacity of their facilities and daily consumption. The operators of LNG processing facilities will also report on their facility's short- and medium-term capacity outlook and material intra-day capacity changes.

Recommendation E: A consequence of the removal of the zonal model from Part 18 of the NGR is that regional pipelines and facilities attached to those pipelines would be required to report Bulletin Board information to AEMO. It also means that facilities in the Northern Territory and north Queensland around Moranbah and Townsville would be required to report. However, the Commission's recommendation was that these remote, unconnected, pipelines and facilities be excluded from the Bulletin Board framework until such time as they are connected to the primary east coast gas system of pipelines and facilities.

Recommendation F: Amend the existing reporting requirements to:

- require those facilities that report on their medium-term capacity outlook to also report on planned expansions and asset retirements
- improve the frequency with which information is reported and alerted to the market in regard to material intra-day changes to a facility's capacity or nominations, with information to be reported as soon as practicable on the gas day
- require pipeline operators to report nominations and forecasts on both a receipt point (injection) and delivery point (withdrawal) basis
- require producers to report nominations and forecasts for production facilities
- remove the obligation for AEMO to publish estimates of the total forecast demand on peak demand days.

Recommendation G: That AEMO be responsible for the aggregation of information to be published on the Bulletin Board and that:

- BB pipelines must report actual flows, nominations and forecast information on a disaggregated basis, by receipt and delivery point
- AEMO must publish its aggregation methodology in the Procedures, in consultation with stakeholders.

Under this recommended approach different types of information would be published at different times:

- pipeline nomination and forecast information would be aggregated and published without delay. This information would not be published in disaggregated form because aggregated information is sufficient to provide an overview of expected gas flows. In addition, it may have competitive impacts for gas-fired generators in the NEM
- pipeline receipt and delivery point actual flows would be aggregated and published on the following day to provide an overview of actual flows around the market. It would also be published in a disaggregated form
- large user actual gas use data would be published on the following day. In addition, AEMO would aggregate large user gas use to provide an overview of different types of demand across the market (for example, by user type).

Recommendation H: That AEMO progress the following actions under the current framework immediately to improve the information available on the Bulletin Board, including that AEMO:

- adopt a fixed and consistent standard for the assumed direction of bidirectional pipelines
- add further pricing information to the Bulletin Board:
 - actual price and volume data for the Gas Supply Hub, STTM and DWGM
 - ABS Price Index - if the ABS develops a wholesale gas price index then this could be included on the Bulletin Board
 - the voluntary publication of pipeline, storage facility and hub service charges - which could take the form of a link to the owner's website, or a document or spreadsheet
- create a notice board segment within the Bulletin Board to provide market participants with the ability to notify each other of opportunities, such as an open season for a pipeline expansion or an auction of pipeline capacity
- AEMO to add links to the Bulletin Board for the following types of public information:
 - APPEA industry statistics, which, among other things includes statistics on CSG wells and drilling activities

- the Upstream Petroleum Resources Working Group's annual report on unconventional gas reserves, resources, production, forecasts and drilling rates
- other reports prepared by the Office of the Chief Economist, Geoscience Australia, and other Commonwealth, state or territory government agencies on upstream activities
- AER's quarterly compliance report and regulatory decisions for pipelines subject to full regulation.

Recommendation I: The pipeline operator cost recovery provisions be removed from the NGR.

Recommendation J: The cost recovery provisions for AEMO's Bulletin Board activities be removed from the NGR.

Recommendation K: AEMO be required to publish a biennial report on the operation of the Bulletin Board and any potential changes required. The report is to be prepared in consultation with Bulletin Board users, the AER and the AEMC.