



Australian Energy Market Commission

DRAFT RULE DETERMINATION

National Gas Amendment (Enhanced
Information for Gas Transmission Pipeline
Capacity Trading) Rule 2015

Rule Proponent
COAG Energy Council

1 October 2015

**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

The Australian Energy Market Commission (AEMC or Commission) has made a draft rule which is a more preferable rule to improve the information provided to the east coast gas market via the Natural Gas Services Bulletin Board (or Bulletin Board).

This draft determination follows from a rule change request submitted by the Council of Australian Governments' (COAG) Energy Council (the Energy Council).

The draft rule would amend the relevant provisions in the National Gas Rules (NGR) to require the following additional information to be reported by gas market participants:

- Transmission pipeline operators - 12 month uncontracted capacity outlook, the names of contracted shippers, data from their capacity trading platforms, additional gas flow data and more detailed facility data.
- Production facility operators - more detailed facility data.
- Storage facility operators - the actual volume of gas held in the facility, aggregated injections and withdrawals and a seven day forecast of aggregated injections and withdrawals, and a 12 month outlook of uncontracted storage capacity. Storage facilities that are used solely as part of production facilities would be exempt from reporting their daily aggregated injections and withdrawals, and from providing the seven day forecast of aggregated injections and withdrawals.
- All facility operators - medium term capacity outlooks using a new standard format.

The Commission considers that the additional information will increase market transparency, providing stakeholders with a better understanding of gas market supply and demand conditions. The changes are likely to reduce search and transaction costs, thereby promoting pipeline and storage capacity trading. This should lead to more efficient utilisation of and investment in gas infrastructure, reducing costs over the longer term to the benefit of gas consumers.

The draft rule is also likely to make it easier for new participants to enter the market. To the extent that new entry occurs, consumers would be expected to benefit from greater competition in the use and provision of gas services.

A comparison between the relevant provisions of the current rules and the draft rule is provided at the end of this summary. A list of the existing Bulletin Board information reporting requirements can be found in Chapter 1 of this determination.

The rule change request

The Bulletin Board provides gas system and market information to facilitate trade in natural gas and a market for natural gas services, and to assist in emergency management. It is operated and maintained by the Australian Energy Market Operator (AEMO). Operators of pipelines, storage facilities and production facilities are required to provide information such as nameplate capacity ratings, capacity outlooks and the amounts of gas produced and delivered.

There have been major changes in the east coast market since the Bulletin Board was created in 2008, most significantly the establishment of a liquefied natural gas (LNG) export industry.

The draft rule responds to concerns that information currently reported to the Bulletin Board is inadequate to support efficient decision making by market participants and other stakeholders in a market where gas and pipeline capacity is more actively traded.

There is a potential role for Bulletin Board information to facilitate increased trade in gas transmission pipeline capacity, which could contribute to the efficient use of infrastructure and may generate cost savings that could be passed on to consumers.

The Energy Council considers that additional information is required to:

- facilitate gas transmission pipeline capacity trade through lower search and transaction costs;
- provide stakeholders with a more complete understanding of gas flows within the east coast market; and
- enable AEMO to more effectively undertake its monitoring and operational functions.

In 2013, Energy Council officials undertook a Regulation Impact Statement process to consider policy options that may facilitate increased trade in gas transmission pipeline capacity in the east coast gas market. Energy Ministers subsequently endorsed a policy with the objective of improving information provision and standardising contractual terms and conditions for secondary capacity trading. These measures are being pursued via this rule change request and other work undertaken by AEMO.

The rule change request proposed that the operators of gas transmission pipelines be required to provide the following categories of information for publication on the Bulletin Board: three year uncontracted capacity outlook; contact details of contracted shippers; data from pipeline operator's capacity trading platforms; and additional gas flow data.

The Energy Council's proposal also included a requirement for the operators of gas transmission pipelines, storage facilities and production facilities to provide more detailed facility data.

The AEMC also consulted on the following four additional categories of information, which were identified during Stage 1 of its East Coast Wholesale Gas Market and Pipeline Frameworks Review and could address the issues raised in the rule change request:

- additional reporting by storage facilities;
- changes to existing medium term capacity outlooks;
- additional reporting on linepack by pipeline operators; and
- aggregated supply nominations from production facilities.

The draft rule

The Commission's draft rule includes all of the reporting requirements proposed in the rule change request, with some amendments. The draft rule seeks to better balance the benefits of additional information with the regulatory burden of it being provided. It also places the requirement for information provision on those best placed to ensure timely and accurate data while avoiding obligations on categories of market participants that do not currently report to the Bulletin Board.

The most substantive amendments to the proposed rule relate to the length of the uncontracted capacity outlook period and the provision of contracted shippers' contact details. The Commission is of the view that an uncontracted capacity outlook period of one year, rather than three, is adequate to address the issues raised in the rule change request. Capacity trades typically occur in the short term and it is questionable if a longer outlook period would provide the market with useful information.

Contracted shippers should provide their own contact details as they are best placed to ensure that their details are up to date. As shippers do not currently report information to the Bulletin Board, and would be the beneficiaries of any subsequent capacity trades, it is appropriate for contract details to be provided on a voluntary basis via the existing Bulletin Board contact list. This is a lower cost way of this information being provided.

The Commission is of the view that two of the four additional categories of information it consulted on would address issues raised in the rule change request and are likely to meet the national gas objective (NGO). These are additional reporting by storage facilities and changes to the medium term capacity outlook. The Commission considers that the benefits of additional reporting on linepack by pipeline operators and of aggregated supply nominations by production facilities would not outweigh the costs.

The draft rule includes the following additional reporting requirements:

- Storage facility operators will be required to provide additional information about the operation of their facilities. The additional reporting covers the actual volume of gas held in the storage facility for each gas day, aggregated injections and aggregated withdrawals for the current gas day and seven day forecast, and a 12 month outlook of uncontracted storage capacity. Storage facilities that are

used solely as part of production facilities will no longer be exempt from reporting to the Bulletin Board, however they will not be required to report on their daily injections and withdrawals, nor to provide a seven day forecast of aggregated injections and withdrawals.

- The operators of gas transmission pipelines, storage facilities and production facilities will be required to use a standard format for medium term capacity outlooks, which includes a numerical estimate of the expected capacity of the facility during the period to which the capacity outlook applies.

Expected benefits

The Commission is satisfied that the draft rule will, or is likely to, better contribute to the achievement of the NGO compared to the current arrangements and the proposed rule by:

- providing stakeholders with a better understanding of the current and expected supply and demand balance for gas in the east coast market;
- making it easier for stakeholders to use the Bulletin Board as a central repository of information required to trade in gas services;
- enabling AEMO to undertake more thorough data verification, which is likely to increase the accuracy of data published on the Bulletin Board; and
- making it easier for new participants to enter the market.

Through the benefits above, the draft rule is likely to contribute to the long term interests of consumers by promoting more efficient investment in and use of gas services. Over time, the value derived from a more transparent gas market is expected to outweigh the mostly short term costs of this information being provided.

The AEMC's work on this rule change request has been conducted in coordination with the ongoing East Coast Wholesale Gas Market and Pipeline Frameworks Review. A number of issues related to pipeline capacity trading and the Bulletin Board are currently being considered through this review, including issues relating to the Bulletin Board reporting and registration framework, compliance and cost recovery. The next formal opportunity for stakeholders to comment on these issues will be via submissions on the Stage 2 Draft Report, which will be published in December 2015.

Stakeholders are invited to make written submissions in response to this draft rule determination by no later than 12 November 2015.

Summary of proposed changes to information provision requirements

Information category	Current rules	COAG Energy Council's proposed rule	Draft rule
Uncontracted primary capacity	No information on Bulletin Board. Regulated pipelines must maintain a register of uncontracted capacity, however this is not accessible from a central location.	Pipeline operators would provide a three year (36 month) outlook of uncontracted, primary capacity. Provided monthly for each month of the 36 month outlook period.	Pipeline operators would provide a one year (12 month) outlook of uncontracted, primary capacity. Provided monthly for each month of the 12 month outlook period.
Contact details of contracted shippers	No requirement to identify contracted shippers for each pipeline. Shippers are eligible to be BB participants, however it is not mandatory to register.	For each BB pipeline, pipeline operators would provide a list of contracted shippers and their contact details, in relative order of their contracted capacities. Provided on a monthly basis.	For each BB pipeline, pipeline operators would provide a list of contracted shippers. Updated when no longer accurate.
Secondary capacity trading platforms	None.	Pipeline operators would provide information from their secondary capacity trading platforms, reported monthly.	As proposed.
Detailed facility data	All facility operators required to provide nameplate rating information.	In addition to nameplate rating information, facility operators to provide information on pipeline receipt and delivery points, and the receipt and delivery points at which storage and production facilities are located. Updated when no longer accurate.	As proposed, with minor drafting amendments.
Aggregated and disaggregated gas flow	Pipeline operators required to provide aggregated delivery point flows for each	In additional to aggregated delivery point flows, pipeline operators would be required to provide aggregated receipt	As proposed, with minor drafting amendments.

Information category	Current rules	COAG Energy Council's proposed rule	Draft rule
data	zone on a day after basis.	<p>point flow data by zone on a day after basis, which would be published on the Bulletin Board.</p> <p>Pipeline operators would also be required to provide disaggregated receipt and delivery point flow data on a monthly basis, which would not be published on the Bulletin Board. AEMO would use this data to monitor compliance with Bulletin Board reporting and registration obligations</p>	
Gas storage facilities	<p>Required to report nameplate capacity rating, actual net flows out of the storage facility for each gas day, seven day capacity outlook, and medium term capacity outlooks.</p> <p>May be exempt if production nameplate rating is less than 20 TJ per gas day, it is used solely as part of a production facility or it is not connected to a BB pipeline.</p>	No changes proposed.	<p>In addition to existing reporting, facilities would report the actual volume of gas held in the storage facility for each gas day, aggregated injections and aggregated withdrawals for the current gas day and a seven day forecast, and a 12 month outlook of uncontracted storage capacity.</p> <p>Nameplate capacity rating would be updated monthly rather than annually.</p> <p>Facilities used solely as part of a production facility would no longer be exempt from Bulletin Board reporting, but will not be required to report aggregated injections and aggregated withdrawals for the current gas day and a seven day forecast.</p>

Information category	Current rules	COAG Energy Council's proposed rule	Draft rule
Medium term capacity outlook	Required to be provided by pipeline operators, storage and production facilities are when issued to shippers.	No changes proposed.	To be provided when issued to shippers in a standard format, including a numerical estimate of the facilities' capacity during the maintenance period.
Linepack	Pipeline operators are required to provide a 3-day linepack capacity adequacy outlook flag.	No changes proposed.	No change to rules.
Production facility supply nominations	None.	No changes proposed.	No change to rules.

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1 COAG Energy Council's rule change request

1.1 The rule change request

On 1 April 2015, the Council of Australian Governments' (COAG) Energy Council (the Energy Council) submitted a rule change request to the Australian Energy Market Commission (AEMC or Commission).

The rule change request seeks to amend the National Gas Rules (NGR) to increase the amount of information that gas market participants are required to provide to the Australian Energy Market Operator (AEMO) for publication on the Natural Gas Services Bulletin Board (Bulletin Board or BB).

1.2 Current arrangements

AEMO operates and maintains a gas market Bulletin Board in accordance with its obligations under the National Gas Law (NGL) and the NGR.¹ The purpose of the Bulletin Board, as set out in the NGR, is 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.”²

The operators of BB pipelines, BB storage facilities and BB production facilities (collectively referred to as BB facilities) are required by Part 18 of the NGR (rules 163-175) to provide certain information to AEMO.

The information that is currently provided to AEMO is set out in Table 1.1 below.

Table 1.1 Information currently provided to AEMO

Market participants	Information	Frequency of information provision
BB pipelines	Nameplate capacity rating	Annual, unless capacity changes
	7-day capacity outlook	Daily
	Actual pipeline gas delivery information for each demand	Daily

¹ Chapter 7 of the NGL and Part 18 of the NGR.

² NGR, rule 142.

Market participants	Information	Frequency of information provision
	and production zone for the previous day	
	Aggregated delivery nominations by zone and aggregated forecast deliveries by zone for subsequent gas days (up to seven days)	Daily, but updated if renominations result in a material change
	3-day linepack capacity adequacy outlook flag	Daily
	Medium term capacity outlook	As issued
BB storage facilities	Nameplate capacity rating	Annual, unless capacity changes
	Actual net flows out of the storage facility for each gas day	Daily
	7-day capacity outlook	Daily
	Medium term capacity outlook	As issued
BB production facilities	Nameplate capacity rating	Annual, unless capacity changes
	Actual production data for each gas day	Daily
	7-day capacity outlook	Daily
	Medium term capacity outlook	As issued

Note: Medium term capacity outlooks are reported in the form of maintenance reports that are created by facility operators and provided to relevant shippers.

Pipeline operators may be eligible to recover, from AEMO, in accordance with rule 197, their costs of aggregating and providing information to AEMO in compliance with rules 173 and 196.³ There is no mechanism for the recovery of costs associated with providing other types of information to AEMO under rules 163-174, including all costs incurred by storage and production facility operators.

The costs incurred by AEMO in operating and maintaining the Bulletin Board are recovered from shippers that use BB pipelines. Shippers are defined as pipeline users who are party to a contract with a service provider of a pipeline, or have the right via an access determination to be provided with a pipeline service.⁴ They are liable to pay

³ Rule 173 relates to the provision of information on nominated and forecast gas deliveries. Rule 196 concerns information provided by pipeline operators to AEMO to enable it to calculate each BB shipper's share of estimated Bulletin Board costs for a particular invoice period.

⁴ NGR, rule 141.

a fee reflecting the shipper's share of the volume of gas transported during the relevant period.⁵

1.3 Issues identified in rule change request

The rule change request notes that Australia's east coast gas market is undergoing a period of change due to growth in the coal seam gas sector and the establishment of a liquefied natural gas (LNG) export industry.

In this context, the rule change request identifies a need for additional information to:

- facilitate gas transmission pipeline capacity trade through lower search and transaction costs;
- provide stakeholders with a more complete understanding of gas flows and the supply and demand balance for gas within the east coast market; and
- enable AEMO to more effectively undertake its monitoring and operational functions.

Capacity trading can be classified as trade in either primary or secondary capacity. Primary capacity is sold by pipeline owners to shippers, such as gas retailers, industrial users and producers. These transactions have historically underpinned transmission pipeline investment. Secondary capacity trading involves primary capacity holders on-selling their capacity to other market participants, or back to the pipeline owner, on a temporary or permanent basis.

The following specific issues are identified in the rule change request:

- It may be difficult for some market participants to easily determine whether uncontracted primary capacity is available on particular pipelines.
- Interested stakeholders are unable to adequately understand the level of secondary capacity trading occurring in the market. This information would better inform the decision making of new and current market participants and policy makers.
- Market participants and interested stakeholders are unable to adequately understand gas flows and the supply and demand balance for gas in the east coast market due to a lack of published receipt data. For example, this impacts on AEMO's ability to monitor Bulletin Board reporting compliance and undertake planning and forecasting activities.
- Reliable pipeline schematic diagrams cannot be produced due to a lack of sufficiently detailed facility data. These diagrams would enable an understanding of which facilities are connected to particular pipelines.

⁵ NGR, rule 191.

1.4 Proposed solution

To address the issues identified, the Energy Council proposes that BB facility operators be required to provide the following additional information to AEMO for publication on the Bulletin Board:

- **Uncontracted primary capacity.** Pipeline operators would provide a three year (36 month) outlook of uncontracted, primary capacity on BB pipelines. This information would be provided monthly for each month of the 36 month outlook period.
- **Contact details of contracted shippers.** For each BB pipeline, pipeline operators would provide a list of contracted shippers and their contact details, in relative order of their contracted capacities. This information would be provided on a monthly basis.
- **Secondary capacity trading.** Pipeline operators would provide secondary capacity trading information from their trading platforms, reported monthly. The extent of the information required would be specified in the Bulletin Board Procedures.
- **Detailed facility data.** Detailed facility data would be provided for pipeline, storage and production facilities. This would include information on pipeline receipt and delivery points, and the receipt and delivery points at which the facilities are located. The data is to be updated as soon as practicable once information previously provided is identified to be inaccurate.
- **Gas flow data.** Pipeline operators would provide aggregated receipt and delivery point flow data by zone on a day after basis, which would be published on the Bulletin Board.

The proposed rule also requires pipeline operators to provide disaggregated receipt and delivery point flow data on a monthly basis. In contrast to the information listed above, this disaggregated data would not be published on the Bulletin Board, but would be used internally by AEMO to verify reported data and monitor compliance with Bulletin Board reporting and registration obligations under the NGR.

The rule change request included a proposed rule.

1.5 Background

This rule change relates to the Energy Council's Gas Transmission Pipeline Capacity Trading project, which is part of its Energy Market Reform work stream.⁶

⁶ COAG Energy Council, Gas Transmission Pipeline Capacity Trading, website, viewed 6 July 2015, <http://www.scer.gov.au/workstreams/energy-market-reform/gas-market-development/gtpct/>

In 2013, Energy Council officials undertook a Regulation Impact Statement process to consider policy options that may facilitate increased trade in gas transmission pipeline capacity in the east coast gas market.

Energy Ministers subsequently endorsed a policy with the objective of improving information provision and standardising contractual terms and conditions for secondary capacity trading.⁷

These measures are being pursued via this rule change request and work undertaken by AEMO to improve Bulletin Board functionality and develop voluntary standard contractual terms for secondary capacity trading.

1.6 Process to date

On 16 July 2015, the Commission published a notice advising of its commencement of the rule making process and a consultation paper prepared by AEMC staff.⁸

Submissions on the consultation paper and rule change request were due by 13 August 2015.

The Commission received 12 submissions on the rule change request as part of the first round of consultation, which are available on the AEMC website.⁹ Where relevant to the discussion, the Commission has summarised the issues raised in submissions as part of its analysis in Chapters 3 and 4, with any outstanding issues summarised and addressed in Appendix A.

1.7 Consultation on draft rule determination

The Commission invites submissions on this draft rule determination by no later than 12 November 2015.

Any person or body may request that the Commission hold a hearing in relation to the draft rule determination. Any request for a hearing must be made in writing and must be received by the Commission no later than 8 October 2015.¹⁰

Submissions and requests for a hearing should quote project number "GRC0033" and may be lodged online at www.aemc.gov.au or by mail to:

Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

⁷ Standing Council on Energy and Resources, Meeting Communique, 13 December 2013, p3.

⁸ This notice was published under section 308 of the NGL.

⁹ www.aemc.gov.au

¹⁰ In accordance with section 310(2) of the NGL. A public hearing is a formal requirement for the applicant to appear before the Commission to enable the applicant to make a presentation to the Commission.

2 Draft rule determination

Following its analysis of the rule change request and the issues raised, the Commission has decided to make a draft rule which is a more preferable rule. The draft rule includes all of the information reporting requirements proposed in the rule change request, with some amendments. It also includes two additional elements: additional reporting by gas storage facilities and measures to standardise medium term capacity outlook reporting.

The draft rule is attached to and published with this draft determination. Having regard to the issues raised in the rule change request and by stakeholders in submissions, the Commission is satisfied that the draft rule will or is more likely to better contribute to the achievement of the national gas objective (NGO) than the existing rules or the proposed rule.

This chapter outlines:

- the Commission's rule making test for changes to the NGR;
- the Commission's assessment framework for considering the rule change request; and
- the Commission's consideration of the draft rule against the NGO.

Further detail on the legal requirements for making this draft determination is set out in Appendix B.

2.1 Rule making test

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

The NGO is:

“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.¹¹”

The objective captures the three dimensions of efficiency: productive (efficient operation), allocative (efficient use of) and dynamic efficiency (efficient investment).¹²

¹¹ NGL, s. 23.

¹² Productive efficiency means goods and services should be provided at lowest possible cost to consumers; allocative efficiency means that the price of goods and services should reflect the cost of providing them, and that only those products and services that consumers desire should be provided; dynamic efficiency means arrangements should promote investment and innovation in

The Commission considers that the relevant aspects of the NGO in the context of this rule change request are:

- efficient use and operation of natural gas services with respect to reliability and security of supply;
- efficient operation of natural gas services with respect to price; and
- efficient investment in natural gas services.

2.2 Assessment framework

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

- **Potential for better informed decisions and processes.** Participants should have access to a level of information that allows them to make efficient resource allocation decisions. For instance, whether and how much natural gas and pipeline capacity they should purchase and at what price. Information should be available to all interested stakeholders so as not to act as a barrier for smaller entities who may wish to enter the market or expand.
- **Potential regulatory and administrative burden.** The value provided by more transparent market information over time should outweigh the costs of providing it.
- **Balance between information transparency and confidentiality.** In a market where gas and pipeline capacity is more actively traded, greater information transparency will likely promote more efficient short term decisions. Greater transparency measures should be considered against the need for some commercial information to be confidential.

2.3 Summary of reasons

The key features of the draft rule are as follows:

- BB pipeline operators will be required to report on the categories of information proposed in the rule change request: uncontracted primary capacity outlook, the names of contracted shippers, data from secondary capacity trading platforms, detailed facility data, and additional aggregated and disaggregated gas flow data. The Commission is of the view that some changes to the proposed rule are required to better meet the NGO. The most substantive amendments relate to the length of the uncontracted capacity outlook period and contracted shippers providing their own contact details.

the production of goods and services so that allocative and productive efficiency can be sustained over time, taking into account changes in technologies and the needs and preferences of consumers.

- Production facility operators will be required to provide more detailed facility data, including the BB pipeline to which the facility is connected and the receipt and delivery points at which the facility is connected. This will allow for the publication of more accurate schematic diagrams.
- Storage facility operators will be required to provide additional information about the operation of their facilities. The additional reporting covers the actual volume of gas held in the storage facility for each gas day, aggregated injections and aggregated withdrawals for the current gas day and seven day forecast, and a 12 month outlook of uncontracted storage capacity. Storage facilities that are used solely as part of production facilities would be exempt from reporting their daily injections and withdrawals, and from reporting on a seven day forecast of aggregated injections and withdrawals.¹³
- All facility operators will be required to use a standard format for medium term capacity outlooks, which includes a numerical estimate of the expected capacity of the facility during the period to which the capacity outlook applies.

Further detail on the draft rule can be found in Chapters 3 and 4.

The Commission is satisfied that the draft rule will, or is likely to, contribute to the achievement of the NGO compared to the current arrangements by:

- Providing stakeholders with a better understanding of the current and expected supply and demand balance for gas in the east coast market. The information in the draft rule will provide for a more complete understanding of gas flows, system constraints, and the way in which gas facilities are operated. Stakeholders will be able to better anticipate potential impacts on the gas and electricity markets, allowing for more informed operational and investment decisions. Policy makers and the market operator will be able to make more informed decisions relating to the development and operation of the gas market. More informed decision making by stakeholders is likely to result in more efficient investment in and use of gas services, which would be in the long term interests of consumers.
- Making it easier for stakeholders to use the Bulletin Boards as a central repository of information required to trade in gas services. The publication of uncontracted capacity outlooks for transmission pipelines and storage facilities will reduce the transaction costs associated with identifying opportunities to procure pipeline and storage services. The additional facility data and names of contracted shippers will assist market participants to identify who they can trade with. These measures are likely to reduce the search and transaction costs associated with pipeline and storage capacity trading, which may lead to more trades taking place. This would contribute to the efficient use of pipeline and storage services, and may generate cost savings that could be passed on to consumers.

¹³ The term aggregated injections refers to the total amount of gas injected *into* the storage facility during the gas day. Aggregated withdrawals are the total amount of gas withdrawn from the storage facility during the gas day.

- Enabling AEMO to undertake more thorough data verification, which is likely to increase the accuracy of data published on the Bulletin Board. If stakeholders have a higher level of confidence in Bulletin Board data, then they may be able to use it for more applications, including to inform trading decisions. More data verification by AEMO may also reduce the effort required by market participants to undertake their own data verification, or corroborate data with other sources. To the extent that there is more trading or market participants experience costs savings, there is the potential of these savings to be passed on to consumers.
- Making it easier for new participants to enter the market. By providing stakeholders with a better understanding of the supply and demand balance for gas and making it easier for them to obtain information to trade in gas services, market entry costs may be reduced. Consumers would be expected to benefit from greater competition in the use and provision of gas services.

Under section 296 of the NGL, the AEMC may make a rule that is different from a proposed rule if it is satisfied that, having regard to the issues raised by the rule change request, the more preferable rule will, or is likely to, better meet the NGO than the proposed rule.

The Commission considers that the more preferable draft rule is likely to better contribute to the achievement of the NGO than the proposed rule by better balancing the benefits of additional information with the regulatory burden of it being provided. The draft rule specifies a shorter uncontracted capacity outlook period that the Commission considers is adequate to address the issues raised in the rule change request. It also places the requirement for information provision on those best placed to ensure timely and accurate data while avoiding obligations on categories of market participants that do not currently report to the Bulletin Board.

The more preferable draft rule also includes reporting requirements that will enhance the utility of the information provided on the Bulletin Board and provide stakeholders with a more complete understanding of the supply and demand balance for gas. The more preferable draft rule specifies additional reporting by storage facilities so that stakeholders will be more able to anticipate the impact of storage on the wholesale gas and electricity markets, and identify opportunities to procure storage services. The new requirement for medium term capacity outlooks to be in a standardised format and include a numerical capacity estimate will provide the market with more useful information for capacity trading and other operational decisions.

In making this additional information available, the more preferable draft rule will, in comparison to the proposed rule, better support trade in wholesale gas and pipeline capacity, and provide stakeholders with a more complete understanding of gas flows in the east coast market. It is therefore likely to better address the issues raised in the rule change request and better meet the NGO.

2.4 Strategic priority

This rule change request relates to the AEMC's strategic priority of promoting the development of efficient gas markets. Adopted in 2013, this priority recognises that a reliable, competitive and secure gas market allows efficient and timely investment in gas infrastructure, which is in the long term interests of consumers.

The Commission is currently consulting on its strategic priorities for Australia's electricity and gas markets.¹⁴ These priorities are reviewed every two years to determine how the existing priorities may need to evolve given advances in the Energy Council's policy priorities as well as changes within the energy markets.

It is proposed that a revised gas priority will consist of three focus areas, which complement the gas market reviews that the Commission is currently undertaking:¹⁵

- Wholesale gas trading markets - market structures that maximise efficiency of trade and minimise transaction costs.
- Pipeline capacity trading - a transmission pipeline framework which promotes efficient investment and allocation of capacity, while supporting trade in wholesale gas markets.
- Information - to support the efficient operation of a liquid wholesale market.

This rule change request relates to all of these proposed focus areas since information is used by market participants to trade gas and pipeline capacity. Greater gas market transparency may lead to improved decision making by market participants, policy makers and the market operator.

¹⁴ AEMC, *Strategic Priorities for Energy Market Development 2015*, discussion paper, 10 September 2015.

¹⁵ The Energy Council has tasked the AEMC to consider the direction that gas market development on the east coast should take, given the new market dynamic presented by the LNG export industry. Alongside this review, the Victorian Government has also asked the AEMC to look in detail at the specific arrangements in Victoria.

3 Information proposed in rule change request

The Energy Council's rule change proposed that additional information should be published on the Bulletin Board in order to better support capacity trade and provide for a better understanding of where gas flows within the east coast gas market. The Commission's assessment of the Energy Council's rule change proposal is set out in the following sections.

3.1 Uncontracted primary capacity

3.1.1 COAG Energy Council's proposal

The Energy Council has identified that it may be difficult for some market participants to easily determine whether uncontracted primary capacity is available on particular pipelines.

Currently, some transmission pipelines maintain a register of uncontracted capacity in accordance with NGR rule 111.¹⁶ However, this rule does not apply to the majority of BB pipelines, nor is there a requirement for this information to be provided for publication on the Bulletin Board.

The Energy Council submits that the proposed uncontracted primary capacity outlook would allow market participants to better plan and manage their gas supply agreements. It considers that a three year (36 month) outlook would be appropriate to inform parties undertaking contractual negotiations.

3.1.2 Stakeholder views

Stakeholders supported the concept of an uncontracted primary capacity outlook, with the main point of contention being the length of the outlook period.

Shippers supported the proposed reporting requirement, noting that the information could assist capacity seekers to understand capacity availability and support the secondary trading market by offering alternatives means of sourcing capacity.¹⁷

While GDF Suez Australian Energy (GDFSAE) and Stanwell supported the proposal, GDFSAE believed that the associated benefits are likely to be small.¹⁸ Stanwell

¹⁶ Rule 111 applies to transmission pipelines that are covered under the regulatory framework. Currently, this only includes 5.5 of the 27 transmission pipelines in the Australian east coast gas market.

¹⁷ Origin Energy, consultation paper submission, p2; and EnergyAustralia, consultation paper submission, p2.

¹⁸ GDFSAE, consultation paper submission, p2.

considered that it is unlikely to reduce search and transactions costs since the information it is already generally known and available to market participants.¹⁹

Pipeline operators questioned the need for the outlook period to be 36 months.²⁰ They noted that an outlook period of 12 months was consulted on by Energy Council officials prior to the rule change request being submitted and considered this to be a more appropriate alternative.

Pipeline operators opposed the 36 month outlook for the following reasons:²¹

- Negotiations between pipeline operators and existing or potential shippers are unlikely to occur this far in advance.
- The reported data lacks meaning where a contracted shipper has an option to purchase pipeline capacity at some point in the future. GDFSAE also raised the issue of contractual options and how these arrangements would be reported.²² Pipeline operators indicated that they would not consider capacity that is under an option as uncontracted.
- It is unnecessary when capacity trades typically occur in the short term.
- There is the potential for investment and financial markets to form an inaccurate view of the risks faced by businesses when the need for capacity has not yet been considered by relevant market participants.

APA Group estimated that it would cost between \$80,000 and \$120,000 to establish this reporting, with ongoing costs likely to be relatively minor.²³ Jemena provided a confidential estimate of the costs it would incur to implement all of the additional reporting requirements in the rule change request.

3.1.3 Analysis

The existing public information on uncontracted capacity is fragmented and incomplete. As a result, some interested stakeholders may incur material search costs to access this information, or be unable to use it in their decision making.

A 12 month outlook appears adequate for the purposes of secondary capacity trading, which is the focus of the rule change request. In support of this view, the Australian Pipeline and Gas Association (APGA) provided a summary of the trades that have occurred at the Wallumbilla Gas Supply Hub. Of the almost 850 trades that have taken

¹⁹ Stanwell, consultation paper submission, p3.

²⁰ APA Group, consultation paper submission, p4; APGA, consultation paper submission, pp10-11; and Jemena, consultation paper submission, pp2-3.

²¹ APGA, consultation paper submission, p10-11.

²² GDFSAE, consultation paper submission, p2.

²³ Energy Council's rule change request, p17.

place since it was established, most have been for gas in the following 48 hours and the remainder for less than a month ahead.²⁴

Further, while there may be value in market participants being able to assess a pipeline's contracted capacity for a period of more than 12 months, it is questionable whether the reported information would be helpful when options to exercise extensions to contracted capacity are included in gas transport agreements. APGA submitted that shippers would not make commitments regarding such options more than 12 months in advance.²⁵

3.1.4 Conclusion

The Commission considers that there would be a benefit from this information being reported in a consistent format and published in a central location. These outlooks would make it easier for market participants to identify opportunities to procure pipeline services.

However, it would be more appropriate for the outlook period to be 12 months, rather than the 36 months proposed in the rule change request. The Commission considers that this response is proportional to the issues identified in the rule change request.

The issue of how contractual options would be treated in the reporting has been considered in the drafting of the rule. Uncontracted primary pipeline capacity is defined as primary pipeline capacity that is available for sale by a pipeline operator. Where an option to extend a contract exists, this capacity would not meet this definition and would therefore not be reported in this outlook.

3.2 Shippers' contact details

3.2.1 COAG Energy Council's proposal

The Energy Council proposes that pipeline operators should be required to report on the names and contact details of their contracted shippers on a monthly basis. Under this proposal, the shippers would be listed in order of their contracted capacities, to provide market participants with an indication of which shippers are most likely to hold unused capacity.

Currently, some pipeline operators provide a list of contracted shippers. However, they are not listed in relative order of their contracted capacities and their contact details are not provided. The proposal seeks to reduce the search costs associated with secondary capacity trading by providing this additional information.

²⁴ APGA, consultation paper submission, pp10-11.

²⁵ APGA, consultation paper submission, p10.

3.2.2 Stakeholder views

Stakeholders generally supported the provision of a list of contracted shippers and their contact details, however some opposed the shippers being listed in relative order of their contracted capacities. APA Group and Jemena suggested that shippers' contact details should be provided by shippers rather than pipeline operators.²⁶

Stakeholders supported the provision of this information on the basis that it will reduce the search and transaction costs associated with secondary capacity trades.²⁷ GDFSAE put forward that this information is likely to facilitate discussion and negotiation between potential contract counter parties.²⁸

Several stakeholders questioned the need for shippers to be listed in order of their contracted capacities.²⁹ They considered that this requirement would not add any value since a shipper's relative position does not necessarily correlate with their propensity to hold unused pipeline capacity. Santos submitted that any company looking for spare capacity would contact all contracted shippers to ensure that they have a good understanding of the available pipeline capacity.³⁰

APA Group and Jemena suggested that shippers should provide their own contact details rather than the pipeline operator acting as an intermediary.³¹ Their reasoning was that shippers are better placed to ensure that the information remains accurate and reflects changes in personnel and contract details. Further, the appropriate contact for capacity trading inquiries may be different to a shipper's authorised representative under their contract with the pipeline operator.

3.2.3 Analysis and conclusion

The Commission considers that this proposal seeks to address the following two information gaps for shippers interested in secondary capacity trading:

- which shippers hold capacity on particular pipelines; and
- the contact details of those shippers.

The first gap can be addressed by requiring pipeline operators to provide a list of their contracted shippers. The second by pipeline operators or shippers providing shippers' contact details for each pipeline for publication on the Bulletin Board.

²⁶ APA Group, consultation paper submission, p3; and Jemena, consultation paper submission, p3.

²⁷ Energy Australia, consultation paper submission, p2; ESAA, consultation paper submission, p3; and Origin Energy, consultation paper submission, p2.

²⁸ GDF Suez Australian Energy, consultation paper submission, p2.

²⁹ Energy Australia, consultation paper submission, p2; ESAA, consultation paper submission, p3; Origin Energy, consultation paper submission, p2; and Santos, consultation paper submission, p2.

³⁰ Santos, consultation paper submission, p2.

³¹ APA Group, consultation paper submission, p3; and Jemena, consultation paper submission, p3.

The Commission considers that pipeline operators should be required to report the names of their contracted shippers, but the contact details should instead be provided by shippers themselves. As identified by stakeholders, shippers are best placed to ensure that their contact details are correct and kept up to date.

Further, the Commission considers that it would be appropriate for shippers to provide their contact details via the existing contact list on the Bulletin Board.³² The existing contact list contains individuals and organisations that are registered as BB participants. Under rule 141, all shippers are eligible to be BB participants, however it is not mandatory to register.

This arrangement would allow shippers to provide their contact details on a voluntary basis. The Commission considers that this is more appropriate than placing a new reporting obligation on shippers, since:

- It is in shippers' interests to make their contact details available since they would benefit from any subsequent capacity trading.
- As shippers are not currently subject to any Bulletin Board reporting requirements, a new obligation may place a disproportionate burden on shippers and AEMO.
- The existing Bulletin Board contact list is a low cost way of this information being provided.

If shippers do not provide their contact details, the first information gap will still have been alleviated by the names of the relevant shippers being published.

The contact list can be accessed via the reports page of the Bulletin Board.³³ As at 21 September 2015, there were 55 unique organisations registered.

The Commission is of the view that shippers should not be listed in the relative order of their contracted capacities. As noted by stakeholders, a larger capacity holding does not necessarily mean that a shipper has more unused capacity. Also, it is likely that there would be an administrative burden associated with updating the order as contracted capacities change over time. For these reasons, a relative order listing is unlikely to enhance efficiency by reducing transaction and search costs and has not been included in the draft rule.

The rule change request proposed that pipeline operators would report on a monthly basis. This seems excessive when this information does not change very often. The Commission considers that it is adequate for pipeline operators to update the list when the pipeline operator becomes aware that the information previously provided is no

³² Under NGR rule 148(8), AEMO must maintain a contact list of BB participants. As per the Bulletin Board Procedures, the individuals on this list are the principal organisational contact for Bulletin Board matters.

³³ See: <http://www.gasbb.com.au/Reports.aspx>

longer accurate. This would ensure that this reporting obligation does not impose an undue burden on pipeline operators.

3.3 Secondary capacity trading data

3.3.1 COAG Energy Council's proposal

The Energy Council considers that there is a lack of transparency around secondary capacity trades, which prohibits market participants from adequately understanding the levels of secondary capacity trading. More information could encourage more trades to occur and assist price discovery, which would contribute to the efficient use of pipeline services.

The Energy Council proposes that pipeline operators who operate secondary capacity trading platforms be required to provide data from these trading platforms for publication on the Bulletin Board. The information could then be presented in a standardised, time-series format that would better inform the decision making of new and current market participants and policy makers.

3.3.2 Stakeholder views

Stakeholders expressed divergent views regarding this proposed reporting obligation.

Jemena and Stanwell said that they support the proposal, but did not expand on this view.³⁴

The Energy Supply Association of Australia (ESAA) questioned whether there is an information gap when the Bulletin Board already contains a link to the existing trading platforms. However, it also noted that the consolidation of this information in a central location on the Bulletin Board could assist with improving the overall usability and effectiveness of the Bulletin Board.³⁵

APA Group noted that an obligation on shippers to report on all capacity trades is more likely to collect accurate data on the size and scope of the secondary capacity trading market.³⁶

EnergyAustralia raised two concerns with the proposal:³⁷

- The level of secondary trading activity may mean that the costs of reporting will outweigh the benefits of additional market information.

³⁴ Jemena, consultation paper submission, p3; and Stanwell, consultation paper submission, p3.

³⁵ ESAA, consultation paper submission, p3.

³⁶ APA Group, consultation paper submission, p3.

³⁷ EnergyAustralia, consultation paper submission, p2.

- It may discourage market participants from trading on the platforms due to the information that must be provided to the market.

GDFSAE considered that the Commission should wait until after the East Coast Wholesale Gas Market and Pipeline Frameworks Review is complete before implementing a rule change relating to secondary capacity trading information.³⁸

3.3.3 Analysis

During the Regulation Impact Statement process undertaken by Energy Council officials in 2012, a consultant was engaged to understand a cost-benefit analysis of the policy options under consideration. The consultant observed that there was little or no objective information available on the depth of the secondary market for transmission capacity. This is because these transactions usually occur through bilateral and confidential agreements.³⁹

The policy subsequently endorsed by Energy Ministers involved enhancements to information provision and standardisation of contractual terms and conditions for secondary capacity trading. Energy Council officials characterised this as a light-handed regulatory approach that could better enable the decision making of policy makers.

This proposal for pipeline operators to report on the trades that occur on their trading platforms is consistent with this approach. It is an exercise in centralising existing information and allowing it to be presented in a format that it more accessible for analytical purposes for market participants, government officials and regulators.

It is also relatively low cost. APA Group have indicated that cost of providing this information would be in the order of \$50,000 to \$60,000 in establishment costs, with on-going costs likely to be relatively minor.⁴⁰

As only a limited number of trades have taken place to date, the benefits of this information are unlikely to exceed the costs in the short term. However, over time these platforms may be used more as market liquidity improves. It will be useful for market participants, policy makers, regulators and other stakeholders to observe this process.

While the details of this reporting obligation will be decided upon through a change to the Bulletin Board Procedures administered by AEMO, the Commission understands that the information provided would reflect the information that is already publicly available on the trading platforms. This being the case, the publication of this data on the Bulletin Board should not discourage market participants from using the platforms.

³⁸ GDF Suez Australian Energy, consultation paper submission, p3.

³⁹ SCER, *Gas Transmission Pipeline Capacity Trading*, Decision RIS, 2 December 2013.

⁴⁰ APA Group, consultation paper submission, p3.

As noted by GDFSAE, the reporting of secondary capacity trades is being considering during Stage 2 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review.

As this proposal only involves centralising existing information, the Commission does not consider there to be a conflict between making this rule and any potential changes that may occur following the East Coast Wholesale Gas Market and Pipeline Frameworks Review.

3.3.4 Conclusion

The Commission is of the view that the reporting of this data should be required as it will contribute to the Bulletin Board being a central repository of gas market information. It will provide useful information on the development of market-driven options for pipeline capacity trading.

While a broader obligation would likely provide for a more comprehensive understanding of the size and scope of the secondary capacity market, it would be a significant change to the existing arrangements. It is therefore more appropriate for this issue to be considered during Stage 2 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review.

3.4 Detailed facility data

3.4.1 COAG Energy Council's proposal

The Energy Council considers that facility operators should be required to provide data that identifies pipelines' receipt and delivery points, and the receipt and delivery points that storage and production facilities are connected to. The proposal also includes more granular reporting on a pipeline's nameplate capacity rating, and the nameplate rating of gate stations.⁴¹

The information would enable the publication of more accurate schematic diagrams of the east coast gas market. These diagrams could be used by interested stakeholders to understand what facilities are connected to which pipelines and where, informing decision making and analysis of market dynamics.

While this information is already provided by some facility operators, the Energy Council considers that it is necessary for this obligation to be in the NGR to ensure that the information remains up to date.

3.4.2 Stakeholder views

Stakeholders were broadly supportive of this information being provided.

⁴¹ A gate station is defined in the draft rule as a delivery point that serves a distribution system.

Origin considered that it would provide for a more holistic picture of the physical layout of the east coast gas system, EnergyAustralia submitted that it would help with operational processes, and Stanwell thought that it would reduce barriers to secondary capacity trading.⁴²

APA Group expected the cost of providing this information to be relatively minor, while also raising two issues with the proposed rule:⁴³

- The reporting of static nameplate capacity by zone would not be meaningful as this would vary with contractual and flow characteristics in different areas.
- Pipeline operators do not always know the nameplate ratings of gate stations connected to their pipelines because these assets are sometimes owned by third parties, such as distribution network services providers.

GDFSAE suggested that reporting should be in a standard format for all BB facilities, and that where a facility rating is provided, it should be noted if there are limiting factors along the supply chain that may impact on the reported figure.⁴⁴

3.4.3 Analysis and conclusion

More detailed facility data will provide for a better physical understanding of the gas market. AEMO will be able to publish more accurate schematic diagrams, which will assist with decision making and understanding market dynamics. In particular, it will make it easier for market participants to work out who they can physically trade with.

In relation to the issues raised by APA Group, the Commission agrees that the reporting of nameplate capacity by zone would not result in useful information for the market. As gas flows to one delivery point can impact on a pipeline's capacity to deliver gas at another delivery point, it seems unlikely that a static nameplate capacity by zone would be useful for market participants.

To fully capture the nameplate ratings of all gate stations, it would be necessary to place an obligation on gate station operators, including distribution network service providers.

The Commission has decided against imposing an obligation on distribution network service providers, in their capacity as gate station operators, as they are not currently subject to any reporting requirements under Part 18 of the NGR and the information sought is relatively minor. Such an obligation may impose an undue burden on distributors, who are not familiar with the Bulletin Board reporting framework, and AEMO, in having to engage with these businesses.

⁴² Origin Energy, consultation paper submission, p3; EnergyAustralia, consultation paper submission, p2; and Stanwell, consultation paper submission, p3.

⁴³ APA Group, consultation paper submission, p5.

⁴⁴ GDF Suez Australian Energy, consultation paper submission, p3.

The draft rule therefore places an obligation on pipeline operators to provide the:

- name of the gate station operator; and
- nameplate rating of the gate station if they are the operator of the gate station, or if this information has been provided to them by the gate station operator.

This arrangement allows for gate station operators to provide this information, via the pipeline operator.

The Commission considers this to be preferable to imposing an obligation on a category of market participants that do not currently report to the Bulletin Board.

3.5 Gas flow data

3.5.1 COAG Energy Council's proposal

The Energy Council has proposed that pipeline operators be required to report the following information:

- Aggregated receipt and delivery point flow data for each zone, provided on a day after basis.
- Disaggregated receipt and delivery point daily flow data, provided monthly on a confidential basis to AEMO.

Aggregated delivery point flow data is currently reported, but aggregated receipt point data is not. The Energy Council considers that the additional data would enable a better understanding of gas flows and the current and expected supply and demand balance for gas in the east coast market.

In addition, the Energy Council notes that disaggregated receipt and delivery point data would be valuable to AEMO for the effective operation of the Bulletin Board. It considers that AEMO would be able to use this data to more effectively monitor compliance with Bulletin Board registration and reporting obligations, and therefore publish more accurate data.

Further, the Energy Council submits that the disaggregated receipt and delivery point flow data would be useful for AEMO's other gas market functions, such as preparing the Gas Statement of Opportunities and National Gas Forecasting Report, and operating the facilitated wholesale markets.

Despite this, the proposed rule specified that AEMO would only be allowed to use the disaggregated receipt and delivery point flow data to monitor compliance with Bulletin Board registration and compliance monitoring function. Energy Council officials considered that other uses may be inconsistent with the NGL.

The proposed function includes monitoring and reviewing the capacity of a BB transmission pipeline and the trends in demand for the injection of gas into, and the withdrawal of gas from, that system.

3.5.2 Stakeholder views

Most stakeholders supported the provision of the additional gas flow data proposed in the rule change request.

Origin and GDFSAE noted that the reported data should be aggregated so that it is not possible to identify gas flows associated with individual shippers.⁴⁵

ESAA opposed the provision of disaggregated receipt and delivery point flow data.⁴⁶ It considered that the proposed Bulletin Board monitoring and compliance function is an unwarranted extension of AEMO's compliance monitoring activities, goes beyond the requirements of rule 146 and is outside AEMO's market and system operation functions as prescribed in the NGL.⁴⁷

Other stakeholders supported the proposed Bulletin Board compliance monitoring function, but thought that AEMO should be allowed to use this information for purposes other than this function.⁴⁸ AEMO submitted that the costs of providing this information could outweigh the benefits unless the data can be used for AEMO's planning and forecasting functions. APA Group noted that it already provides this information for its BB pipelines to AEMO on a voluntary basis.

Stanwell supported increased monitoring of compliance with Bulletin Board registration and reporting requirements, but questioned AEMO's capacity to undertake these activities.⁴⁹

The Australian Energy Regulator (AER) considered it appropriate for AEMO to have a role in monitoring compliance with Bulletin Board requirements. It suggested that new provisions should specify that AEMO is required to notify the AER if it identifies potential breaches of the registration and reporting requirements.⁵⁰

45 Origin Energy, consultation paper submission, p3; and GDF Suez Australian Energy, consultation paper submission, p3.

46 ESAA, consultation paper submission, p3.

47 Under rule 146, AEMO must, in accordance with any memorandum of understanding established between AEMO and the AER, notify the AER of any breaches, or possible breaches, of Part 18 of the NGR that AEMO becomes aware of.

48 AEMO, consultation paper submission, p2; APA Group, consultation paper submission, p4; and Stanwell, consultation paper submission, p3.

49 Stanwell, consultation paper submission, p3.

50 AER, consultation paper submission, p2.

APA Group estimated that it would incur costs in the order of \$100,000 to establish this reporting.⁵¹ Jemena provided a confidential estimate of the costs it would incur to implement all of the additional reporting requirements in the rule change request.

3.5.3 Analysis

Interested stakeholders can currently observe historical and forecast gas flows through:

- a seven day outlook of delivery nominations and forecast deliveries, aggregated by zone for each BB pipeline; and
- actual flow data reported on a day after basis by pipeline, storage and production facility operators, aggregated by zone in the case of BB pipelines.

Historical data on actual gas flows is fundamental to stakeholders being able to analyse the current and expected supply and demand balance for gas. An understanding of how gas assets are operated enables market participants to anticipate how assets may operate in the future. It also enables market participants to identify trading opportunities.

In only applying to aggregated gas deliveries, and not gas receipts, the existing information appears to provide for only a partial view of gas flows. Aggregated gas receipts would represent the volume of gas received by a pipeline from a demand or production zone. This may provide additional information about gas flows in situations where a production zone is connected to multiple BB pipelines.

The provision of disaggregated flow data would serve a different purpose to the aggregated data. In evaluating the Energy Council's proposal, the Commission has considered the following issues:

- The extent to which this information would be useful for Bulletin Board purposes.
- The use of this information for other purposes.
- Whether this information needs to be confidential and how this can be achieved.

Use for Bulletin Board

As noted above, the proposed rule specified a new Bulletin Board compliance monitoring function for AEMO. This function involves monitoring and reviewing the capacity of BB pipelines and the trends in demand for the injection of gas into, and the withdrawal of gas from, that system.

Under the NGL, compliance monitoring, investigation and enforcement are functions allocated to the AER.⁵² The AER is empowered to:

⁵¹ APA Group, consultation paper submission, p3.

⁵² Section 27 of Chapter 2, Part 1 of the NGL.

- monitor compliance with the NGL, NGR and Regulations;
- investigate breaches of provisions of the NGL, NGR or Regulations; and
- institute civil proceedings in a court in relation to breaches of the NGL, NGR or Regulations.

AEMO's involvement in monitoring the accuracy of Bulletin Board data arises from NGR rule 146 and ss. 91A and 228A of the NGL:

- Under rule 146, AEMO must notify the AER of any breaches, or possible breaches, of Part 18 that it becomes aware of.
- Under s. 91A of the NGL, AEMO has a statutory function to investigate breaches or possible breaches of procedures made by AEMO under the NGR (including the Bulletin Board Procedures). Section 228A of the NGL empowers AEMO to direct a person to comply with the Bulletin Board Procedures if it has reason to believe they are not complying. If the person does not comply with such a direction, then this would constitute a breach of the NGR and AEMO could refer it to the AER.

AEMO has no other function or power in relation to enforcing the Bulletin Board Procedures, the NGR or NGL.

Currently, aggregation of gas flow data is undertaken by pipeline operators and there is no formal, independent oversight. The Commission considers providing AEMO the ability to check the accuracy of aggregations and consider alternative methods could also contribute to the development of the Bulletin Board. For example, AEMO could:

- undertake more thorough data verification, such as cross-checking reporting by storage and production facility operators;
- verify the aggregation methods used by pipeline operators in their reporting of aggregated data that is published on the Bulletin Board; and
- consider alternative ways of aggregating the data to more accurately reflect gas flow dynamics, such as flows on bi-directional pipelines.

The Commission considers that the proposed function would be more appropriately characterised as monitoring the accuracy of data provided by facility operators.

As Bulletin Board operator, AEMO is experienced in processing Bulletin Board data and therefore better equipped than the AER to check the accuracy of data provided by facility operators. In its submission, the AER considered it appropriate for AEMO to undertake data monitoring to determine whether registration and reporting obligations are met.⁵³

⁵³ AER, consultation paper submission, p2.

More thorough monitoring of data accuracy has the potential to increase the level of confidence that Bulletin Board users have in the published data. This would be of benefit to the market and increase the likelihood that information provision via the Bulletin Board can contribute to increased pipeline capacity trading.

ESAA raised some concerns with the proposed Bulletin Board compliance monitoring function for AEMO. It considers that the function goes beyond the requirements of NGR rule 146 and is outside AEMO's market and system operation functions as prescribed in the NGL.

It is reasonable to expect that the monitoring and review activities specified by the new function could lead to AEMO identifying breaches, or possible breaches, of the Bulletin Board Procedures. In accordance with Part 18 of the NGR, the Bulletin Board Procedures contain the specific details of Bulletin Board reporting obligations. Therefore, the Commission considers that the proposed function is consistent with AEMO's existing compliance monitoring activities under s. 91A of the NGL.

Other purposes

The proposed rule submitted with the Energy Council's rule change request contained a restriction whereby AEMO would only be allowed to use the disaggregated receipt and delivery point flow data for the purpose of the proposed Bulletin Board compliance monitoring function. Energy Council officials considered this to be necessary for the rule to be consistent with ss. 91F-91FE of the NGL, which relate to AEMO's information gathering powers by market information instrument.

The Commission considers however, that there is no inconsistency with AEMO's information gathering powers under s. 91F of the NGL, since the new rule will introduce a specific obligation on facility owners to provide information to AEMO for a specific purpose. It will not add to AEMO's broader information gathering powers.

As noted by AEMO, the NGL provides that AEMO may use information that it obtains in any way for any purpose connected with the exercise of any of its statutory functions.⁵⁴ It would be consistent with this section of the NGL for AEMO to be authorised to use the disaggregated data for purposes other than monitoring the accuracy of Bulletin Board data, so long as this information is kept confidential. There is some support amongst stakeholders for AEMO being able to use this data in its planning and forecasting activities, including the Gas Statement of Opportunities.⁵⁵

Information provided to AEMO on a confidential basis is protected by s. 91G of the NGL, which requires AEMO to take all reasonable steps to protect confidential information from unauthorised use or disclosure. However, there are limited exceptions to s. 91G, under which AEMO is authorised to disclose protected information. These include disclosure with written consent, as required by law, disclosure of documents with confidential information omitted, for safety and proper

⁵⁴ NGL s. 91FD.

⁵⁵ APA Group, consultation paper submission, p4; and Stanwell, consultation paper submission, p3.

operation of the market and if the detriment to the person who has given the information does not outweigh the public benefit of the information being disclosed.

There is a minor risk to the participants who provide this confidential information that AEMO may want to use one of the disclosure exceptions in ss. 91GA-GH of the NGL if it is allowed to use the information for a broader purpose than its function of monitoring the accuracy of Bulletin Board data. This risk would be reduced if AEMO is restricted in its use of this information. However, this would be at the cost of any benefits arising from AEMO using the disaggregated data in other applications, such as planning and forecasting.

Confidentiality

Unlike the other information proposed in the rule change request, the disaggregated flow data would not be published on the Bulletin Board. It is considered to be confidential by the Energy Council on the basis that it would reveal the positions of individual market participants by identifying gas flows at individual receipt and delivery points.

The Commission notes that if this information was to be made public it would represent a significantly higher level of information disclosure than is currently required. For example, it would reveal the gas consumption of large gas users who are not currently subject to Bulletin Board reporting requirements on the east coast. The Commission considers that a requirement for this reporting would go beyond the scope of this rule change process. It is therefore appropriate for this information to be treated as confidential for the purpose of this rule; the Commission notes that information disclosure is being considered more broadly during Stage 2 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review.

Section 223(4) of the NGL states that AEMO must make available for the operation of the Bulletin Board information about natural gas services that it acquires in its capacity as operator or administrator of a regulated gas market. Hence, if the disaggregated data is acquired by AEMO in its capacity as an operator or administrator of a regulated gas market, it could be required to publish the information on the Bulletin Board.⁵⁶

However, it is the Commission's understanding that if the disaggregated data is received by AEMO in undertaking the function of monitoring the accuracy of Bulletin Board data, as opposed to operating a regulated gas market, s. 223(4) would not apply and the confidential information would not be required to be made available for publication on the Bulletin Board.

3.5.4 Conclusion

The Commission considers that the reporting of receipt point flow data, aggregated by zone, would provide for a more complete picture of gas market flows and should be

⁵⁶ Further, under s. 224 of the NGL a person must not refuse to comply with an obligation to give information to AEMO under s. 223(1) on the ground of any duty of confidence.

required. In a market where gas and pipeline capacity is more actively traded, this additional detail has the potential to assist market participants and interested stakeholders in making better informed decisions.

The Commission also considers it appropriate for AEMO to be provided with disaggregated gas flow data so that it can monitor the accuracy of data provided by facility operators. Additional monitoring of data accuracy has the potential to increase the level of confidence that Bulletin Board users have in the published data, which would be beneficial for the market. It also has the potential to inform the ongoing development of the Bulletin Board.

In order to ensure that AEMO can extract the most benefit from the disaggregated data, it should also be allowed to use the data for its other market functions, such as preparing the Gas Statement of Opportunities.⁵⁷ While this may increase the likelihood of this information being disclosed for one of the reasons set out in ss. 91GA-91GH of the NGL, the Commission is of the view that this risk is relatively minor and that the NGL provides sufficient protection against it being disclosed.

The Commission is of the view that the disaggregated data should be treated as confidential and not published on the Bulletin Board. The Bulletin Board accuracy monitoring function is an appropriate mechanism for AEMO to acquire this data in a way that is consistent with s. 223(4) of the NGL.

⁵⁷ The Commission acknowledges however that AEMO can also use its information gathering powers under s 91F of the NGL to acquire information for the preparation of the Gas Statement of Opportunities.

4 Information to address other information gaps

During Stage 1 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review, the AEMC identified additional information that may address some of the issues raised in the Energy Council's rule change request. In the consultation paper for this rule change, the AEMC sought stakeholder feedback on the potential provision of four additional categories of information.

The four additional categories of information identified by the AEMC as potential solutions to the issues raised in the rule change request are discussed in the following sections.

4.1 Storage facilities

The Commission consulted on the following two issues relating to storage facility reporting:

- Additional reporting by storage facilities that currently report to the Bulletin Board, including the actual volume of gas held in the storage facility for each gas day, aggregated injections and aggregated withdrawals for the current gas day and a seven day forecast, and a 12 month outlook of uncontracted storage capacity.
- The potential removal of the reporting exemption for storage facilities that are used solely as part of a production facility.

4.1.1 Stakeholder views

There was broad support amongst stakeholders for increased reporting by gas storage facilities.

Stakeholders submitted that increased storage facility reporting would allow for more informed decision making, especially in the short term.⁵⁸ APA Group said that this information is required to provide a complete picture of the supply/demand dynamics.⁵⁹ ESAA agreed with the AEMC's view that more information on storage facility operation may improve the ability of stakeholders to identify opportunities to procure storage services.⁶⁰

Several stakeholders commented on the current exemption criteria. APA Group considered that reporting by currently exempt storage facilities is essential to provide a

58 AEMO, consultation paper submission, p2; Origin Energy, consultation paper submission, p3; and Stanwell, consultation paper submission, p4.

59 APA Group, consultation paper submission, p6.

60 ESAA, consultation paper submission, p4.

full picture of system capability.⁶¹ ESAA submitted that all storage facilities connected to BB pipelines should provide the same level of information.⁶²

EnergyAustralia was of the view that production facilities, storage facilities, and in-pipe storage should be treated equally to maintain competitive neutrality and provide the market complete information. It considered that actual storage levels and reserves would help market participants predict likely supply availability, thereby assisting participants in valuing gas correctly.⁶³

In contrast, Stanwell supported the existing exemption for storage facilities used solely as part of production facilities, but questioned whether Santos' Moomba storage facility is actually eligible for this exemption. It submitted that if storage facilities are used solely as part of registered production facilities, information on their injections and capacity is unlikely to be helpful to market participants.⁶⁴

Santos provided evidence on the design and operation of its Moomba storage facility in support of its view that it should continue to be exempt from reporting.⁶⁵ It explained that its Moomba storage facilities are integrated into the upstream processing facility. Processed gas can be returned to the storage facility, however when it is later withdrawn in preparation for export it is still subject to further processing at the processing facility.

Santos's position is that Moomba storage facility should remain exempt as all gas that enters the east coast market comes directly from the production facility and is therefore reported on the Bulletin Board on a day after basis.

4.1.2 Analysis

In its analysis of the need for additional reporting by storage facilities, the Commission considered:

- the adequacy of existing Bulletin Board information reported by storage and production facilities;
- whether additional storage facility reporting is likely to promote the NGO, based on our assessment framework; and
- whether the reporting exemption for storage facilities that are used solely as part of production facilities should be removed.

61 APA Group, consultation paper submission, p6.

62 ESAA, consultation paper submission, p4.

63 EnergyAustralia, consultation paper submission, pp3-4.

64 Stanwell, consultation paper submission, pp4-5.

65 Santos, consultation paper submission, pp2-3.

The Commission is aware of eight gas storage facilities that operate in the east coast gas market. Only two of these currently report to the Bulletin Board, with the other facilities being exempt under NGR rule 150.

Rule 150 specifies that a storage facility may be exempt from Bulletin Board reporting if its production nameplate rating is less than 20 terajoules (TJ) per gas day, it is used solely as part of a production facility or it is not connected to a BB pipeline.

Adequacy of existing information

Storage facilities that are not exempt from reporting are currently required to provide nameplate rating information, a seven day capacity outlook reported daily, medium term capacity outlooks and actual daily storage production data (reported on a day after basis).⁶⁶

Production facilities, including production facilities with integrated storage facilities, are also required to report on the nameplate rating of the production facility, a seven day capacity outlook reported daily, medium term capacity outlooks and actual production data for each gas day (reported on a day after basis).

The AEMC identified a number of issues that lead to inadequate information being provided to market participants as a result of these arrangements:

- Most of the available information relates to the capacity rating of storage facilities - their nameplate capacity, as well as short and medium term capacity outlooks - rather than their actual or forecast operation.
- Storage production is defined in the NGR as net flows out of the facility, which is less informative than separate reporting of daily injections and withdrawals. For example, if a facility was to inject 50 TJ into storage and withdraw 50 TJ from storage in a day, this would be reported as storage production of zero.
- The Bulletin Board contains no capacity or production information about storage facilities that are used solely as part of production facilities.⁶⁷

Rationale for additional reporting

The existing information on storage facilities provides for a limited understanding of how storage facilities are operated, and no visibility for those with a reporting exemption. Stakeholders are therefore limited in their ability to anticipate short term impacts on the gas market, and identify opportunities to procure storage services. As the gas and electricity markets are interlinked through gas-fired electricity generators, this information gap is also of significance for the electricity market.

⁶⁶ The nameplate information reported by BB storage providers includes the facility's production nameplate rating, refill nameplate rating and storage nameplate rating.

⁶⁷ However, the presence of storage capacity may be reflected in the nameplate rating of the production facility, and gas flows from the production facility would include gas that has been sourced from the integrated storage facility.

In a market where gas and pipeline capacity is more actively traded, it is important for participants to be able to anticipate how other participants will react to changes in the market. Capacity information and day after storage production data are useful as they provide an indication of physical capability and how the asset has operated historically, but are insufficient to understand the potential impact of storage facilities on the supply and demand of the market.

A more comprehensive understanding would be possible if storage facilities were to also report on nominated and forecast injections and withdrawals, as well as the total volume of gas in storage. Gas volumes, in conjunction with the nameplate capacities of the facility, provide an indication of the impact that a facility could have on the market by injecting or withdrawing gas. Nominated and forecast gas flows would inform the market of expected short term gas flows.

To support stakeholder understanding of storage facility operation, it may be necessary for storage facilities to update their nameplate ratings more frequently. This information is currently provided annually, with an obligation for it to be updated if it changes for more than one year. The Commission understands that the nameplate injection and withdrawal ratings of some types of storage facilities change depending on the amount of gas in storage. This being the case, monthly updates, where changes occur, are more appropriate to ensure that market participants can accurately anticipate potential responses to changes in the market.

To identify opportunities to procure storage services, it would be helpful for market participants to have an outlook of uncontracted storage capacity. This reporting would be consistent with the uncontracted capacity outlooks for BB pipelines, which were proposed in the Energy Council's rule change request. Using these outlooks, and the other proposed storage information, market participants may be able to better utilise existing storage facilities and make more informed investment decisions, such as decisions to develop new storage facilities.

Removal of reporting exemption

As noted above, a storage facility may be exempt from Bulletin Board reporting if its production nameplate rating is less than 20 TJ per gas day, it is used solely as part of a production facility or it is not connected to a BB pipeline.⁶⁸ This section discusses removing the exemption for storage facilities that are used solely as part of production facilities.

The exemption criteria appear to have been designed to exclude storage facilities expected to have an immaterial impact on the gas market, either through their size or the way they are operated. Considering that the four largest facilities are exempt, it is debatable whether the existing criteria are still valid in a market where gas and pipeline capacity is traded more actively.⁶⁹

⁶⁸ NGR rule 150.

⁶⁹ The four largest storage facilities in terms of storage capacity are Moomba Underground Gas Storage (owned by Santos), Ballera Underground Storage (Santos), Roma Underground Storage

The Commission acknowledges that, as some stakeholders noted in their submissions, not all storage facilities are the same. They have different physical characteristics and commercial incentives. For example, LNG storage typically involves gas being taken out of the gas system, liquefied and stored in an above-ground tank. Underground storage involves injecting gas into various geological formations, such as depleted wells and salt caverns. When gas is withdrawn from underground storage, it typically requires processing to remove liquids before it can be injected into the system. These facilities vary significantly in size, and injection and withdrawal capacity.

LNG storage facilities are used in Australia to manage variations in gas demand, including seasonal variations. Underground storage facilities can also be used to manage variations in demand (eg EnergyAustralia's Iona Gas Plant), but in Australia they are more commonly integrated into upstream operations (eg Santos' Moomba storage).

Storage facilities also face different commercial incentives. Some facilities actively market a service to third parties, whereas others are used to manage producers' gas supply agreements and may not currently offer third party access. This second category includes the storage facilities that are currently exempt from reporting on the grounds that they are used solely as part of production facilities.

The Commission considers that it is more appropriate for information reporting obligations to be based on a facility's physical capability since its commercial incentives can change over time. Storage facilities that are used as part of production facilities can still have a material impact on the market by injecting gas into the system. Their capacity to respond to changes in supply and demand could be different to a production facility without integrated gas storage owing to the enhanced flexibility that gas storage can offer. A storage facility may be able to vary its output more quickly than a production field, and sustain a higher level of output under both standard and emergency operating conditions. Requiring a level of reporting by these storage facilities that allows market participants to anticipate their potential market impact in the short and medium term, in response to changes in supply and demand, appears appropriate.

The Commission considers that storage facilities that are used solely as part of production facilities should report on most of the same information as other storage facilities that are above the 20 TJ per day threshold and connected to BB pipelines. This would include the information currently reported, as well as the information consulted on during this rule change process. However, these facilities should be exempt from reporting their daily aggregated injections and withdrawals, and the seven day forecast of aggregated injections and withdrawals, since this information is adequately captured through existing reporting by production facilities and pipeline operators.

This additional reporting is expected to have a number of benefits:

(Santos GLNG) and Silver Springs (AGL). Based on Core Energy, *Gas storage facilities: Eastern and South Eastern Australia*, February 2015, p9.

- Market participants will be able to better anticipate the impact that these facilities may have on the gas and electricity markets. This is important for the price discovery process and would allow market participants to more effectively value gas and gas services. Even if a facilities' potential impact is judged by market participants to be inconsequential at any particular time, the Commission considers that this information would still be useful to inform participants' decision making.
- Stakeholders would be able to undertake more thorough analysis of gas storage capabilities in the east coast market. It would allow for a similar level of insight to what is currently possible in international gas markets.⁷⁰ This information may assist existing and new entrant market participants to identify opportunities to procure storage services and inform their decisions to develop new storage facilities.
- It avoids the need for AEMO to reassess exemptions under rule 150(5)(b). The meaning of being 'used solely as part of a production facility' can be ambiguous. In the absence of additional reporting, it may be difficult for AEMO to substantiate that a production facility has changed the way in which it operates an integrated storage facility.

Even if gas from storage requires additional processing before being injected into the gas system, as is the case with Santos' Moomba storage facility, it is the Commission's view that such facilities could still have a material impact on the wholesale gas market, which stakeholders should be able to observe to inform their price expectations.

In its submission, Santos observed that the Western Australian Gas Services Information Rules also exempt storage facilities from reporting when they are used solely as part of a processing facility.⁷¹ The Commission does not consider this to justify the continued existence of this exemption for participants in the east coast gas market. Both the eastern and western gas markets have unique characteristics that will change over time and may sometimes require solutions specific to the nature of each market.

4.1.3 Conclusion

The Commission considers that additional reporting by storage facilities is required so that stakeholders can better anticipate the potential impact that these facilities could have on the gas and electricity markets, and identify opportunities to procure storage services. Greater transparency is necessary so that stakeholders can anticipate the

⁷⁰ For example, the US Energy Information Administration's Weekly National Gas Storage Report and UK National Grid's supplementary report on Storage and LNG Operator Information. Available at <http://ir.eia.gov/ngs/ngs.html> and <http://www2.nationalgrid.com/UK/Industry-information/Gas-transmission-operational-data/Supplementary-Reports/>.

⁷¹ Western Australian Gas Services Information Rules, rule 45.

potential response of these facilities to changes in supply and demand, which will inform price expectations.

Reporting on nominated and forecast injections and withdrawals, as well as the total volume of gas in storage, are necessary for market participants to anticipate how these assets may operate in the short term. 12 month outlooks of uncontracted capacity would make it easier to evaluate storage service availability.

The Commission is of the view that the current exemption for storage facilities that are used solely as part of production facilities should be removed as these facilities are physically capable of having a material impact on the gas and electricity markets. However, storage facilities that are used solely as part of production facilities should not be required to report on their aggregated injections and withdrawals, or the 7 day forecast of aggregated injections and withdrawals, as this information is adequately captured in production facility and pipeline reporting. The Commission is of the view that this provides an appropriate level of information to the market, however welcomes stakeholders' views on this matter.

The Commission notes that the removal of this exemption will mean that some storage facilities that are currently exempt from reporting will no longer meet the criteria for exemption. Under rule 152 of the NGR, AEMO may revoke an exemption declaration if it has reasonable grounds to believe that a storage facility no longer meets the exemption criteria. If the Commission makes a final rule in the form of this draft rule, it will need to consider whether any transitional provisions are necessary to implement the revocation of currently existing exemptions for storage facilities that will no longer meet the exemption criteria.

Some storage facilities, especially those that are used solely as part of production facilities, may currently be operating in a way that has a relatively benign impact on the market. As the east coast gas market matures, market participants are likely to operate their assets in different ways and new storage facilities may be developed.

In aligning the reporting requirements with the facilities physical capabilities, the proposed information is likely to assist with the development of the market and allow market participants to respond to more dynamic conditions.

4.2 Medium term capacity outlook

The Commission consulted on potential changes to the existing medium term capacity outlook so that this information is provided in a standard format and on a consistent basis, such as a rolling twelve month capacity outlook reported monthly. The Commission also sought stakeholder feedback on experiences providing or using the medium term capacity outlook data.

4.2.1 Stakeholder views

Stakeholders generally agreed that the current medium term capacity outlook reporting arrangements are sub-optimal and that standardised reporting would be an

improvement on the status quo. There were a range of views on whether a defined outlook period is required.

Stanwell noted that the current information is difficult to use due to differences in the information provided by facility operators and the format in which it is published on the Bulletin Board.⁷² It supported this information being reported to AEMO in a standardised format, as did AEMO, APGA, GDFSAE and Jemena.⁷³

AEMO submitted that this measure would reduce administrative burden and enable publication of more consistent and useful information.⁷⁴

APGA and Jemena questioned the materiality of the administrative burden on AEMO from managing the medium term capacity outlook.⁷⁵ However, APGA accepted that standardised reporting would make it easier for AEMO to provide a centralised report. To support this, it proposed that existing facility maintenance information notices be modified to include a standard table of information.

The proposed standard table of information would include: the facility's name, activity start date, activity end date, a traffic light indicator (discussed below) and a free text field.⁷⁶

Pipeline operators opposed the requirement for a 12 month rolling outlook. APGA stated that:⁷⁷

"In APGA's view, the provision of a 12-month rolling capacity outlook is an example of a transparency initiative that increases the complexity of both reporting for facility operators and analysis required by market participants with very little, if any, material increased benefit."

Instead of numerical capacity reporting, pipeline operators proposed that the standard table of information include a traffic light indicator which would reflect the facility's ability to meet market requirements. APGA considered this to be preferable on the basis that pipeline operators are better placed to judge a facility's ability to meet expected demand, and it would be less complex and less expensive to implement.

Origin and ESAA considered that there may be some benefit from standardised reporting on a consistent basis, but that this would depend on the detail of the changes. These details would include: the outlook period, the reporting interval, any triggers for

⁷² Stanwell, consultation paper submission, p5.

⁷³ Stanwell, consultation paper submission, p5; AEMO, consultation paper submission, p3; APGA, consultation paper submission, p15; GDF Suez Australian Energy, consultation paper submission, p4; and Jemena, consultation paper submission, p3.

⁷⁴ AEMO, consultation paper submission, p3.

⁷⁵ APGA, consultation paper submission, pp14-15; and Jemena, consultation paper submission, p4.

⁷⁶ APGA, consultation paper submission, pp16-17.

⁷⁷ APGA, consultation paper submission, p16.

amending information, and how the information would be provided to and presented by AEMO.⁷⁸

EnergyAustralia suggested that a three year outlook for the medium term capacity outlook would be appropriate.⁷⁹

4.2.2 Analysis

The existing medium term capacity outlooks were introduced following a rule change submitted by AEMO and made by the AEMC in the first half of 2014.⁸⁰ The outlooks have been provided by facility operators and published on the Bulletin Board since 8 January 2015.

At its submission, APGA considered that the issues raised in the 2014 rule change request have been addressed by maintenance information notices being provided to the market. While this may be true, it appears that the information in these notices serve a different purpose for facility operators' contracted shippers than it does for other market participants.

The maintenance notices observed by the AEMC typically include a high level statement about the impact on capacity, or a statement that is relative to a contracted shippers requirements. Since other market participants are unlikely to know what the shippers requirements are, this information appears to be of limited value.

Ideally, other market participants could use this information to identify constraints, which could be useful for capacity trading and portfolio optimisation decisions. EnergyAustralia explained that it would use this information to manage its positions and maintenance schedules, but that the existing data cannot be used for this purpose.⁸¹ Stanwell noted that it was very difficult to conduct capacity analysis with the current data.⁸²

The Commission considers that the current usability issues with the medium term capacity outlook are due to:

- information not being provided in a standard format; and
- not all facility operators providing a numerical estimate of the impact that the maintenance activity will have on the capacity of the facility.

The standard table of information proposed by pipeline operators appears adequate to address these issues. However, the information table would need to include a numerical estimate of the facility's capacity.

⁷⁸ Origin Energy, consultation paper submission, p3; and ESAA, consultation paper submission, p4.

⁷⁹ Energy Australia, consultation paper submission, p3.

⁸⁰ National Gas Amendment (National Gas Bulletin Board Capacity Outlooks) Rule 2014 No. 3.

⁸¹ Energy Australia, consultation paper submission, p3.

⁸² Stanwell, consultation paper submission, p5.

Pipeline operators proposed that a traffic light indicator be used instead of numerical capacity reporting. The Commission does not support this change because the information would be less useful to market participants. A numerical estimate of capacity has broader application than the proposed traffic light indicator and is less subjective. If another traffic light system was implemented there is the risk of it being confused with the linepack capacity adequacy flag.

The Bulletin Board Procedures state that medium term capacity outlooks may include the expected capacity during the maintenance period, however not all facility operators have adopted this practice.⁸³ The Commission considers the inclusion of a numerical estimate to be fundamental to the utility of the medium term capacity outlooks.

However, it appears that it would be unnecessary for medium term capacity outlooks to be updated at regular intervals, such as monthly. It is unclear if there would be a benefit from requiring this; by definition an asset should be operating at its nameplate capacity when no maintenance is taking place. Any variations will be captured in the short term capacity outlook.

The costs of providing this information should be relatively minor. Numerical capacity estimates are either already provided, or would be calculated at the same time that a maintenance event is being planned. The additional effort required is expected to be small in the context of planning a maintenance event.

4.2.3 Conclusion

The medium term capacity outlook should be provided in a standard format so that it is easier for market participants to use this information in their decision making. This approach would also reduce the administrative burden on AEMO from managing this reporting. However, it is not necessary for this information to be provided at regular intervals.

The standard information must include a numerical estimate of the facility's capacity for this report to be useful for the broader market. Market participants could use information for capacity trading and portfolio optimisation decisions.

By continuing to use maintenance reports that facility operators send to their shippers, this obligation only requires facility operators to undertake this reporting when maintenance is going to occur. The Commission considers that this arrangement appropriately balances the effort required to comply with the obligation with the likely market benefit from this information being disclosed.

⁸³ The Commission has observed medium term capacity outlooks for the SEA Gas pipeline which include a numerical estimate of capacity.

4.3 Linepack

The Commission sought stakeholders' views on whether there is a case for mandating additional linepack information, such as more granular flag-based indicators or numerical reporting.

4.3.1 Stakeholder views

Most stakeholders opposed the publication of additional linepack data and consider that the current information (provided via a traffic light reporting system) is sufficient.

Shippers were generally of the view that the existing information is adequate for their purposes and did not see a need for additional reporting.⁸⁴ Origin considers there to be only a limited opportunity for opportunistic trades given linepack variations are predominantly for operational risk management purposes.

ESAA noted that some stakeholders have stated that enhanced linepack information would provide a more complete picture of short term system adequacy. However, they felt that the case hadn't been made that existing information is insufficient for this purpose.⁸⁵

Pipeline operators opposed the publication of numerical linepack data on the basis that it can be misleading.

APA Group identified two potential uses for linepack data and explained why it would not be suitable.⁸⁶ The potential uses were:

- for shippers to make their own assessment of a pipeline's delivery or storage capability; and
- to provide additional information into the supply/demand balance provided by the Bulletin Board.

APA Group considered that pipeline operators, rather than shippers, are best placed to assess a pipeline's delivery and storage capability as they are more informed about the physical and contractual characteristics of the pipeline.

APGA providing the following explanation of how linepack data could be misinterpreted by market participants:⁸⁷

“A low linepack figure may lead market participants to believe a pipeline will be facing deliverability issues when it is not. A high linepack figure

⁸⁴ EnergyAustralia, consultation paper submission, p3; GDF Suez Australian Energy, consultation paper submission, p4; Origin Energy, consultation paper submission, p4; and Stanwell, consultation paper submission, p5.

⁸⁵ ESAA, consultation paper submission, p4.

⁸⁶ APA Group, consultation paper submission, p8.

⁸⁷ APGA, consultation paper submission, p18.

may lead market participants to assume it is a resource that can be drawn upon. The reality may be very different; linepack may be being built up to cover an anticipated reduction in injections, a short-term increase in demand for a shipper or loss of capacity due to a maintenance event.”

To balance supply and demand, APA Group considered that measures should be taken to ensure the complete and accurate representation of existing Bulletin Board data before seeking further information, such as numerical linepack.⁸⁸ APGA considered that changes in linepack can already be understood through the analysis of historical gas flow data from the Bulletin Board.⁸⁹

In contrast to the views above, AEMO thought that further information about linepack would be useful to the market as an indicator of short term system adequacy and for better risk management by market participants.⁹⁰

4.3.2 Analysis

As noted in APGA’s submission, linepack reporting has been considered by AEMO and others through several processes in recent years. It appears that there is currently little support for additional linepack reporting amongst stakeholders.

The Commission understands that some stakeholders have previously considered linepack data to be necessary to balance supply and demand using Bulletin Board data. It is likely that stakeholders’ inability to balance supply and demand is due to deficiencies in the way Bulletin Board data is reported rather than variations in linepack.

These deficiencies, including the zone definitions, are being considered in Stage 2 of the East Coast Wholesale Gas Market and Pipeline Frameworks Review. Once these are addressed it will be easier to determine whether linepack data is required to balance supply and demand.

In the interim, there may be a benefit in making minor changes to the existing linepack capacity adequacy indicator. APA Group raised two such changes in its submission:⁹¹

- multiple flags for each pipeline, which could correspond with zones; and
- an early warning mechanism to tell the market that a pipeline operator is dealing with an incident that may affect pipeline operation.

An alternative to having multiple flags would be for pipeline operators to provide the location of the incident. It is currently possible for pipeline operators to do this via the free text facility, but this does not always occur. These refinements could be

⁸⁸ APA Group, consultation paper submission, p8.

⁸⁹ APGA, consultation paper submission, pp18-19.

⁹⁰ AEMO, consultation paper submission, p3.

⁹¹ APA Group, consultation paper submission, p8.

implemented via changes to the Bulletin Board Procedures. These specify the requirements for linepack reporting and currently require the free text facility to be used by pipeline operators to provide a reason for a change in a linepack capacity adequacy flag.

4.3.3 Conclusion

The Commission agrees with the views of the majority of the stakeholders that reporting of numerical linepack data is not necessary at the current time. Until deficiencies in the way the Bulletin Board is currently represented are addressed, additional linepack reporting is unlikely to usefully contribute to stakeholder understanding of the supply and demand balance.

AEMO could consider marginal improvements to existing linepack reporting that could be implemented via changes to the Bulletin Board Procedures.

4.4 Aggregated supply nominations

The Commission consulted on the potential for production facilities to report on their aggregated supply nominations for the current gas day and forecast production for subsequent gas days.

4.4.1 Stakeholder views

There were divergent views on requiring production facilities to report on their supply nominations.

APA Group, GDFSAE and Stanwell indicated that the publication of this information would be helpful, though Stanwell considered it to be a low priority issue.⁹² APGA considered it appropriate that all Bulletin Board facilities are subject to similar levels of information obligation.⁹³

Origin and Santos opposed this proposal. Origin thought that this information would not be helpful since supply nominations can change throughout the day. It also considered this information to be commercially sensitive.⁹⁴ Santos said that actual and forecast gas injections is relevant information for short term trading, not the forecast nominations for particular production facilities. On this basis it considers production facility supply nominations as being excessive for the needs of the market.⁹⁵

EnergyAustralia noted that pipeline nominations are useful for identifying spare pipeline capacity, which allows for better pipeline utilisation. Production facilities'

⁹² APA Group, consultation paper submission, p9; GDF Suez Australian Energy, consultation paper submission, p4; and Stanwell, consultation paper submission, p5.

⁹³ APGA, consultation paper submission, p19.

⁹⁴ Origin Energy, consultation paper submission, p4.

⁹⁵ Santos, consultation paper submission, pp3-4.

supply nominations wouldn't offer the same advantages and may be redundant since forecast pipeline flow data is already available.⁹⁶

4.4.2 Analysis

In consulting on this category of information, the Commission sought to test the view that this information could assist market participants in understanding short term supply and demand dynamics, and contribute to more efficient short term trading decisions. It would also provide for the same reporting across BB facilities.

While there was some support for this information being reported, it is not clear that the information would address a significant need or be immediately useful.

Supply nominations do not appear to have the same benefits as pipeline nominations. Forecast gas flows below a pipeline's nameplate may indicate an opportunity for shippers to access 'as available' capacity, or firm capacity via secondary trading. In contrast, production below a production facility's nameplate capacity doesn't necessarily mean that the facility could inject additional gas into the system if requested.

Further, using existing Bulletin Board data, stakeholders can determine how much gas is expected to flow on specific BB pipelines and the production zone in which production facilities are located. The draft rule specifies that production facilities will also provide the injection point that they are connected to.

Therefore, it is questionable if reporting on supply nominations is necessary. The existing information, combined with the new information in the draft rule, appears to provide for an adequate understanding of the current and expected supply and demand balance for gas.

4.4.3 Conclusion

The Commission has not identified a need for production facilities to report on their aggregated supply nominations at the current time. While some stakeholders indicated that they support the provision of this information, the information does not appear to be sufficiently useful for the benefits to outweigh the costs.

⁹⁶ EnergyAustralia, consultation paper submission, p3.

Abbreviations

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
APGA	Australian Pipeline and Gas Association
COAG	Council of Australian Governments
ESAA	Energy Supply Association of Australia
GDFSAE	GDF Suez Australian Energy
LNG	liquefied natural gas
MCE	Ministerial Council on Energy
NGL	National Gas Law
NGO	national gas objective
NGR	National Gas Rules
TJ	terajoule

A Summary of issues raised in submissions

Where relevant, stakeholder comments have been addressed throughout the draft rule determination. The table below summaries issues raised by stakeholders that were not explicitly addressed in the body of this determination and the Commission's response to these comments.

Stakeholder	Issue	AEMC Response
Cost recovery		
APA Group, p5.	APA Group is concerned that the rule change proposal does not give adequate consideration to pipeline operator cost recovery in relation to additional information requirements. APA Group doesn't consider the additional requirements to be immaterial. A basic principle should be that those parties that benefit from information provision should pay the costs of it being provided.	<p>The Commission considers the cost recovery arrangements for information providers (including pipeline operators, production facility operators and storage providers) to be an important issue.</p> <p>The draft rule is consistent with existing practice. Pipeline operators can only recover the costs incurred in providing AEMO with aggregation and information services under NGR rules 173 and 196. Since the additional reporting requirements in the draft rule have not been classified as aggregation and information services, it is consistent with existing practice for information providers to cover the costs of providing this information for publication on the Bulletin Board.</p>
APGA, pp3-4, p8.	APGA considered that it is not effective to ask market participants if more information is warranted without considering what they have been willing to pay for in the past and what they are willing to pay for in the future. As a matter of principle, those parties that benefit from information should bear some costs associated with the provision of that information.	<p>This does however raise substantive questions, and it is therefore more appropriate for cost recovery to be considered during the East Coast Wholesale Gas Market and Pipeline Frameworks Review.</p> <p>The next formal opportunity for stakeholders to comment on the issue of Bulletin Board cost recovery will be via submissions on the Stage 2 Draft Report of the East Coast Wholesale Gas Market and Pipeline Frameworks Review, which will be published in December 2015.</p>
Jemena, pp4-5.	Jemena submitted that the benefits of the proposed information requirements are likely to flow to market participants other than pipeline operators. Rule 197 should be broadened to cover any new information reporting	

Stakeholder	Issue	AEMC Response
	requirements on pipeline operation resulting from the rule change request.	
ESAA, pp1-2.	ESAA submitted that decisions to implement additional information requirements should be informed by an assessment of costs and benefits.	The AEMC has considered the costs and benefits of the different categories of information in its assessment and welcomes further information from stakeholders on compliance costs in response to this draft rule determination.
Stanwell, p2.	Stanwell indicated that it is concerned by recent increases in Bulletin Board fees, noting that AEMO's costs in operating and maintaining the Bulletin Board are recovered from shippers.	
Bulletin Board reporting and registration framework		
AEMO, p2.	AEMO undertook industry consultation in 2014 which indicated that the current Bulletin Board zones do not best reflect the current and changing dynamics of the gas market. AEMO supports a review of information coverage more broadly, including consideration of options outside the current regulatory framework, through the East Coast Wholesale Gas Market and Pipeline Frameworks Review.	<p>The Commission acknowledges that there are deficiencies in the way Bulletin Board data is reported owing to the way in which the Bulletin Board zones are defined. Bulletin Board zones are defined in the Bulletin Board Procedures, and therefore AEMO can redefine them in accordance with the NGR and Procedures.</p> <p>This issue and broader issues relating to the accuracy and usefulness of Bulletin Board information are being considered during the East Coast Wholesale Gas Market and Pipeline Frameworks Review. The next formal opportunity for stakeholders to comment on these issues will be via submissions on the Stage 2 Draft Report, which will be published in December 2015.</p>
APA Group, p1, p7.	APA Group considered that the existing data on the Bulletin Board is not accurately represented and is incomplete. This should be addressed through redefinition of Bulletin Board zones and moves to ensure all production, demand and pipeline data are appropriately represented. APA Group strongly recommends that work commenced by AEMO to rectify issues with current data representation is completed as a	

Stakeholder	Issue	AEMC Response
	matter of urgency.	
APGA, p13.	APGA noted that essential work on the Bulletin Board, including revisions to the existing zone definitions, is still to be completed by AEMO. APGA believes that completion of this work is essential before further incremental information requirements are considered.	
Stanwell, p.1	Stanwell proposed a comprehensive audit be undertaken of all pipelines, production and storage facilities to ensure that all facilities are compliant with their registration obligations. The audit would reveal whether the rules are sufficiently clear on an operator's obligations and whether the rules inadvertently allow exemptions to important facilities.	This issue is being considered during the East Coast Wholesale Gas Market and Pipeline Frameworks Review. The next formal opportunity for stakeholders to comment on these issues will be via submissions on the Stage 2 Draft Report, which will be published in December 2015.
Demand for secondary capacity trading		
APA, p2; APGA, pp5-6; and Jemena, p2.	Considered that there is a low level of unmet demand for secondary pipeline capacity, as evidenced by the low levels of utilisation of the existing capacity trading platforms.	The Commission's view is that the draft rule is likely to reduce the search and transaction costs associated with pipeline and storage capacity trading and make it easier for new participants to enter the market, which may lead to more trades taking place.
Hydro Tasmania, p1.	Hydro Tasmania considered that high price discovery costs unreliable information, high transaction costs and lack of a liquid secondary market, presents significant risks for new market entrants.	The recent major changes in the east coast gas market are also likely to see the market evolve to one where gas and pipeline capacity is more actively traded.
Other issues		

Stakeholder	Issue	AEMC Response
Jemena, p2.	Jemena suggested that AEMO should publish usage statistics for each type of information on the Bulletin Board.	The Commission agrees that usage statistics can be insightful, but should be treated with caution as they don't provide a complete picture of the value derived from using Bulletin Board data.
AER, p2.	The AER noted that, while beyond the scope of the rule change, it may be timely to consider the approach to penalties for failure to comply with Bulletin Board provisions under the East Coast Wholesale Gas Market and Pipeline Frameworks Review.	This issue is being considered during the East Coast Wholesale Gas Market and Pipeline Frameworks Review. The next formal opportunity for stakeholders to comment on these issues will be via submissions on the Stage 2 Draft Report, which will be published in December 2015.

B Legal requirements under the NGL

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

B.1 Draft rule determination

In accordance with section 308 of the NGL the Commission has made this draft rule determination in relation to the rule proposed by the COAG Energy Council.

The Commission's reasons for making this draft rule determination are set out in section 2.3.

A copy of the draft rule is attached to and published with this draft rule determination. Its key features are described in section 2.3.

B.2 Power to make the rule

The Commission is satisfied that the draft rule falls within the subject matter about which the Commission may make rules. The draft rule falls within section 74 of the NGL as it relates to regulating the collection, use, disclosure, copying, recording, management and publication of information in relation to natural gas services (s. 74 (1)(a)(iii)).

Further, the draft rule falls within the matters set out in Schedule 1 to the NGL as it relates to items 58, 59, 60 and 61 because it relates to the kinds of information that must be given to AEMO for inclusion on the Bulletin Board; the persons to whom the requirement to provide Bulletin Board information applies; and the grant of power to AEMO to exempt persons from that requirement.

B.3 Commission's considerations

In assessing the rule change request the Commission considered:

- the Commission's powers under the NGL to make the rule;
- the rule change request;
- the fact that there is no relevant Ministerial Council on Energy (MCE) Statement of Policy Principles;⁹⁷
- submissions received during first round consultation; and

⁹⁷ Under section 73 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.

- the Commission’s analysis as to the ways in which the proposed rule will or is likely to, contribute to the NGO.

B.4 Civil penalties

The draft rule does not amend any clauses that are currently classified as civil penalty provisions under the NGL or National Gas (South Australia) Regulations. The Commission does not propose to recommend to the COAG Energy Council that any of the proposed amendments made by the draft rule be classified as civil penalty provisions.

B.5 Others

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 AEMO’s declared system functions. The more preferable draft rule is compatible with AEMO’s declared system functions because it does not affect the performance of those functions.

Under s. 296 of the NGL the Commission may make a rule that is different (including materially different) from a market initiated proposed rule if the Commission is satisfied that, having regard to the issue or issues raised by the market initiated proposed rule, the more preferable rule will or is likely to better contribute to the achievement of the NGO. As discussed in Chapter 2, the Commission has decided to make a draft rule which is a more preferable rule. The Commission’s reasons for this decision are set out in section 2.3.