

**Australian Energy Market Commission**

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## **CONSULTATION PAPER**

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

**Rule Proponent**  
AEMO

30 January 2014

**RULE  
CHANGE**

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## **Citation**

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## **About the AEMC**

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

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# 1 Introduction

The Australian Energy Market Commission (AEMC or Commission) received this rule change request from the Australian Energy Market Operator (AEMO) in relation to the publication of the Gas Statement of Opportunities (GSOO) and the Gas Victorian Annual Planning Report (VAPR).

This Consultation Paper has been prepared to facilitate public consultation on the rule change request, and to seek stakeholder submissions. This paper does not necessarily represent the views of the AEMC or any individual Commissioner of the AEMC.

## *The consultation paper*

This paper:

- sets out a summary of, and a background to, the rule change request proposed by AEMO;
- identifies a number of questions and issues to facilitate consultation on this rule change request; and
- outlines the process for making submissions.

AEMO considers the proposed rule change to be non-controversial and has requested the AEMC assess this rule change request under an expedited rule-making process as provided under section 304 of the National Gas Law (NGL). As set out in section 3.5 of this consultation paper, the AEMC has decided to assess this rule change request as a non-controversial rule.

## *Submissions*

Stakeholders have:

- until 13 February 2014 to lodge written objections to the assessment of this rule change request under an expedited rule-making process; and
- until 27 February 2014 to lodge written submissions on this rule change request.

## *Timetable*

If the rule change request proceeds on an expedited basis, the final rule determination (and final rule if applicable) is to be published by 13 March 2014.

## 2 Background

### 2.1 GSOO

The GSOO is a gas planning document published by AEMO. The GSOO provides information on the gas markets in east and south eastern Australia and excludes the Northern Territory and Western Australia.<sup>1</sup>The GSOO is an annual publication and must be published by 31 December each year.<sup>2</sup>

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

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

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

### 2.2 Gas VAPR

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

- monthly based peak daily and hourly demand under severe weather conditions;
- total annual demand with and without gas powered generation;
- available and prospective gas supply and source of that supply;
- expansions and extensions of the declared transmission system;
- declared transmission capacity for the system as a whole and for major pipelines;
- range of acceptable pipeline pressures;

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

2 Rule 135KC of the NGR

3 Rule 135KB of the NGR.

4 Rule 135KB(2) of the NGR.

- storage capacity; and
- mismatches between supply, demand and capacity.

The requirement to publish a gas VAPR is in the NGR, which stipulates that AEMO must conduct an 'annual planning review' of the Victorian gas market by 30 November of each year.<sup>5</sup> In previous years, AEMO has met this requirement through the collective publication of a range of documents as outlined in Table 2.1.

However, in 2013, AEMO's reporting on Victoria's DWGM was separated from reporting on Victoria's electricity market and all the documents relating to gas were consolidated in a single publication - the Victorian Gas Planning Report - published on 12 December 2013.<sup>6</sup>

**Table 2.1 AEMO publications for Victorian gas annual planning reviews**

Pre-2011	2011	2012	2013
VAPR published by 30 June. Note the VAPR consists of both electricity and gas market information.	VAPR published by 30 June	VAPR published by 30 June	Victorian Gas Planning Report published on 12 December.
Gas VAPR update published by 30 November	Victorian Gas DTS Medium Term Outlook published as an attachment to 2011 GSOO by 30 November.	Victorian Gas DTS Medium Term Outlook published by 30 November	
	Victorian Gas System Adequacy for 2012 published on AEMO's website by 30 November.	Victorian Gas System Adequacy for 2013 published by 30 November	
		Victorian Gas DTS Capacity published by 30 November	
		Victorian Gas Planning Approach published by 30 November	

The requirement to publish a gas VAPR was previously a function carried out by the Victorian Energy Networks Corporation (VENCorp) until it was subsumed by AEMO from 1 July 2009 who then took responsibility of operating Victoria's gas markets and

<sup>5</sup> Rule 323 of the NGR.

<sup>6</sup> Available at [www.aemo.com.au](http://www.aemo.com.au).

providing planning information as required. The requirement to publish a gas VAPR is unique to Victoria.<sup>7</sup>

## 2.3 Relationship between the planning documents

### 2.3.1 Difference between the GSOO and gas VAPR

The table below outlines the key differences between the GSOO and gas VAPR.

**Table 2.2 Difference between the GSOO and gas VAPR**

Aspect	GSOO	Gas VAPR
Geographic coverage	All jurisdictions except WA and NT	Victoria only
Outlook period	10 to 20 years	5 to 10 years
Level of detail	Aggregate terms	By system withdrawal zone and injection point

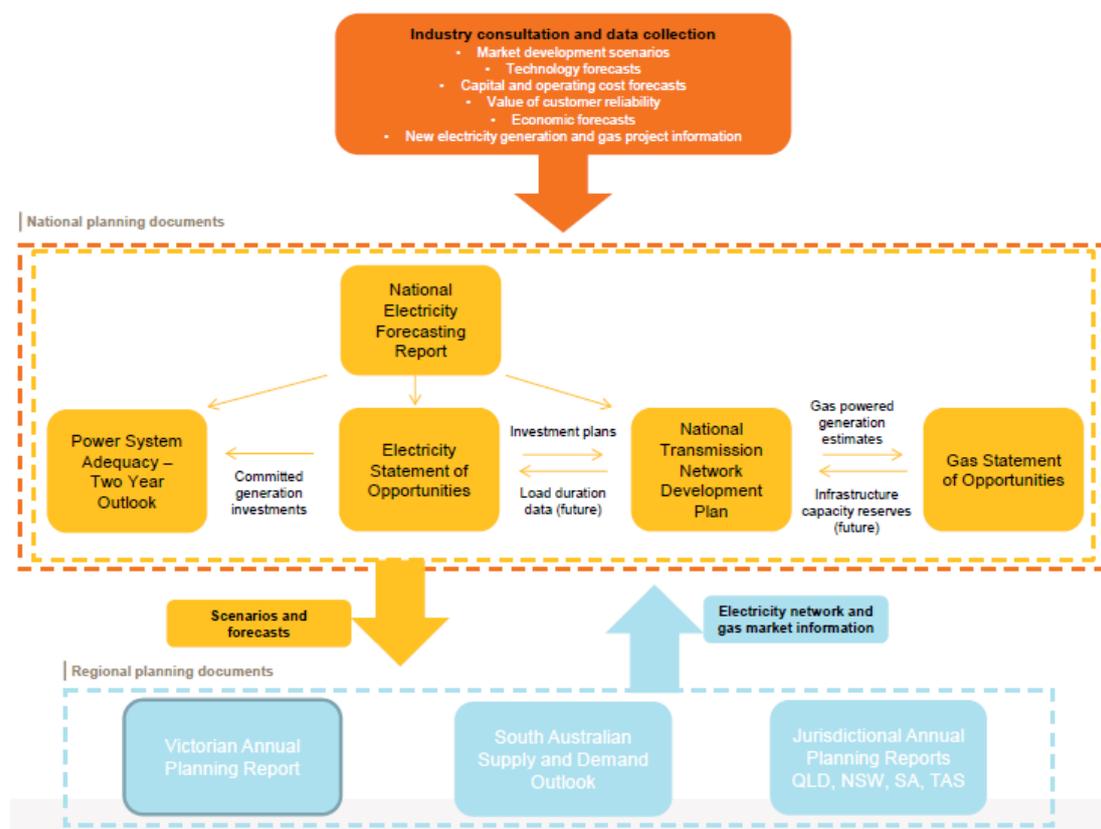
### 2.3.2 Relationship between electricity and gas planning documents

AEMO's planning documents function collectively to provide information and promote transparency about gas and electricity markets. The following diagram depicts the inter-relationships between these various planning documents.

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<sup>7</sup> Other states have only electricity APRs.

**Figure 2.1 Relationship between electricity and gas planning documents (Source: VAPR 2012, AEMO)**



## 2.4 Victorian gas market taskforce

In November 2013, the role of gas planning documents in the Victorian gas market was highlighted by the Victorian government's release of the final report prepared by the Victorian Gas Market Taskforce and chaired by the former Federal Minister Peter Reith.<sup>8</sup> The Victorian Gas Market Taskforce was established in December 2012 to provide policy options to the Victorian Government on improving the operation and efficiency of the eastern Australian gas market, suggest ways of enhancing market transparency and transmission capability, and to increase gas supply to meet rising demand at competitive prices.

The Victorian Gas Market Taskforce provided a range of recommendations to enhance upstream and downstream aspects of the gas supply chain. Of relevance to this rule change request, it recommended that to improve certainty and accessibility of gas supply information, the Standing Council on Energy and Resources (SCER) should initiate a comprehensive annual forecast for the Australian gas industry incorporating reserves, gas supply, industrial and residential customer demand and supply and transportation asset capacity. This would build on the existing GSOO.

<sup>8</sup> Victorian Gas Market Taskforce final report available at <http://www.energyandresources.vic.gov.au/about-us/publications/Gas-Market-Taskforce-report>

## **3 Details of the Rule Change Request**

### **3.1 Summary of the rule change request**

In this rule change request, AEMO proposes to:

- align the publication of the GSOO and gas VAPR so that they are both published on 31 March; and
- reduce the publication frequency of the gas VAPR from an annual to a biennial publication cycle.

AEMO's rule change request includes a proposed Rule.

### **3.2 Aligning the publication date of the GSOO and gas VAPR**

AEMO's rationale for aligning the publication of the GSOO and gas VAPR is to:

- improve the quality of information by allowing AEMO more time to include the most recent winter data in its modelling and analysis;
- reduce duplication and improve consistency between the GSOO and gas VAPR; and
- allow for more time for stakeholder engagement prior to publication.

AEMO states that no stakeholders would be adversely affected by aligning the publication dates of the GSOO and gas VAPR.<sup>9</sup> AEMO stated that no stakeholders objected to this rule change request when it consulted with industry through its gas consultative forums.<sup>10</sup>

### **3.3 Changing the publication frequency of the gas VAPR from an annual to a biennial cycle**

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

- the Victorian gas market has relatively stable gas demand projections in the medium term;
- the Victorian gas market has spare system capacity and an already proposed augmentation plan over the medium term; and

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<sup>9</sup> AEMO rule change request, p. 2.

<sup>10</sup> AEMO consulted with the Gas Wholesale Consultative Forum on 11 June 2013 and 13 August 2013. AEMO consulted with the Short Term Trading Market Consultative Forum on 9 July 2013. See AEMO rule change request, pp. 8-9.

- the lead times for gas infrastructure projects indicate that a biennial publication cycle would be more appropriate.

As the gas VAPR would no longer be published annually, AEMO also proposes changing the name of the report to the Victorian Gas Planning Report (VGPR) and changing any references in the NGR to 'annual planning review' to 'planning review'.

Under AEMO's proposed rule, AEMO must update the VGPR earlier than a biennial publication if it becomes aware of any information that materially alters the most recently published VGPR.<sup>11</sup>

AEMO considers that if the rule was made, then it would reduce AEMO's resource requirements for preparing the VGPR by approximately one full-time equivalent employee.

AEMO states that no stakeholders objected to this rule change request when it consulted with industry through its gas consultative forums.<sup>12</sup>

### 3.4 Proposed publication schedule for the GSOO and gas VGPR

If AEMO's rule change request was made, then the timetable for publication in Table 3.1 would apply. Under this timetable, no GSOO or VGPR would be published in 2014 but both would re-commence publication in March 2015.

**Table 3.1 Proposed publication schedule for the GSOO and VGPR**

Year	Gas planning document
2013 - December	GSOO and VGPR
2014	No GSOO or VGPR
2015 - 31 March	GSOO and VGPR
2016 - 31 March	GSOO
2017 - 31 March	GSOO and VGPR

AEMO obtained an extension to publish the VGPR in December 2013 after the AER granted a 'letter of no action' to enable it to not comply with the 30 November publication date currently required under the NGR.<sup>13</sup>

<sup>11</sup> Proposed rule 323(5) of the NGR. AEMO rule change request, p. 6. There is an equivalent existing obligation relating to the VAPR in rule 323(5) of the NGR.

<sup>12</sup> AEMO rule change request, p. 2. AEMO consulted with the Gas Wholesale Consultative Forum on 11 June 2013 and 13 August 2013. AEMO consulted with the Short Term Trading Market Consultative Forum on 9 July 2013. See AEMO rule change request, pp. 8-9.

<sup>13</sup> AEMO rule change request, p. 2.

### **3.5 AEMO considers that the rule change request would meet the NGO**

AEMO considers that the rule change request would meet the National Gas Objective (NGO) because aligning the publication dates of the GSOO and gas VAPR will increase the quality and consistency of gas planning information provided to the market. In doing so, it would contribute to the NGO by promoting more informed and efficient investment in natural gas services. AEMO submits that this would provide greater certainty around network and supply adequacy and increase gas supply reliability for consumers of natural gas.<sup>14</sup>

AEMO explained that changing the publication frequency of the gas VAPR from an annual to a biennial cycle would contribute to the NGO by:<sup>15</sup>

- saving on costs of annual publication by the value of approximately one full time equivalent employee (quantified to be around \$150,000 per annum);
- it would still provide valuable information to promote efficiency of investments. Within a five year access arrangement cycle, investment decisions would be informed by at least two VGPR publications and annual forecast updates. Also, AEMO must update the most recent VGPR if it is materially affected by new information<sup>16</sup>; and
- the VGPR would be published on a cycle that is consistent with the lead times for system augmentations (typically 2 or more years) and therefore provide information aligned with the efficient operation of the market.

### **3.6 Non-controversial rule and an expedited rule change process**

AEMO has requested that the AEMC consider this rule change request as a non-controversial rule and to assess it under an expedited rule-making process.

#### **3.6.1 Requirements for a non-controversial rule and an expedited rule making process**

Under section 304 of the NGL, the AEMC may consider that a rule change request is a non-controversial rule if it is satisfied that the proposed rule is unlikely to have a significant effect on a market for gas or the regulation of pipelines. If the proposed rule meets this test, then the AEMC may assess this rule change request under an expedited rule-making process.

An expedited rule-making process would entail:

- 2 weeks for any person to lodge a written objection to the expedited rule-making process. The AEMC must assess whether the objection is misconceived or lacking

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<sup>14</sup> AEMO rule change request, p. 6.

<sup>15</sup> AEMO supplementary submission on proposed changes to the Victorian gas planning review.

<sup>16</sup> Proposed rule 323(5) of the NGR

in substance. If it finds that the objection is not misconceived or lacking in substance, then the AEMC must assess the rule change request under the standard rule change process. If the AEMC finds that the objection is misconceived or lacking in substance, then it may continue assessing the rule change process under the expedited rule-making process;

- if there are no objections (or any objections are found to be misconceived or lacking in substance), then there is a further 2 weeks for the receipt of submissions; and
- a further 2 weeks for publication of the final rule determination (that is, a total of 6 weeks from the date of the publication of the consultation paper to the publication of the final rule determination).

### **3.6.2 AEMO's reasons for a non-controversial rule**

AEMO have requested that this rule change request be assessed as a non-controversial rule for the following reasons:<sup>17</sup>

- the rule change request does not change the scope of information provided to the market;
- it is not designed to alter gas market incentives or behaviour;
- it does not place a financial burden on the gas market; and
- it does not affect the regulation of pipelines.

### **3.6.3 AEMC's decision to assess the rule change request as a non-controversial rule**

The AEMC considers that the rule change is unlikely to have a significant effect on a market for gas or the regulation of pipelines on the basis that it:

- does not have direct and material financial effect on market participants, other than AEMO, as these documents do not directly impact upon investment decisions;
- does not materially affect the behaviour of gas market participants, other than AEMO, because these planning documents appear to be used to provide information to the market rather than directly for investment or operational decisions; and
- does not materially affect risk on market participants because although reducing the publication frequency of the gas VAPR could potentially diminish the timeliness of information to stakeholders about the Victorian gas market, the GSOO would capture significant and strategic gas supply and demand issues in

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<sup>17</sup> AEMO rule change request, pp.2-3.

Victoria. In addition, the gas VAPR appears to be used for the purposes of information rather than to directly input into investment or operational decisions. Also, there is a requirement for AEMO to publish a gas VGPR earlier than on a biennial basis if it becomes aware of any information that materially alters the most recent VGPR.<sup>18</sup>

On this basis, the AEMC has decided to treat the rule change request as a non-controversial rule and assess it under an expedited rule making process as outlined above.

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<sup>18</sup> Proposed rule 323(5) of the NGR. AEMO rule change proposal, p. 6.

## 4 Assessment Framework

The Commission's assessment of this Rule change request must consider whether the proposed Rule promotes the National Gas Objective (NGO) as set out under section 23 of the National Gas Law (NGL):

**Box 4.1: National Gas Objective**

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

In assessing the rule change request against the NGO, the Commission proposes to consider:

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

The Commission welcomes stakeholders' comments on the proposed assessment framework.

The proposed rule will be assessed against the relevant counterfactual arrangements, which in this case are the existing provisions in the NGR.

## 5 Issues for Consultation

Taking into consideration the assessment framework, we have identified issues for consultation that appear to be relevant to this Rule change request.

These issues outlined below are provided for guidance. Stakeholders are encouraged to comment on these issues as well as any other aspect of the rule change request or this paper including the proposed framework as set out in Chapter 4 above.

### 5.1 Use of the GSOO and gas VAPR

The main issue for this rule change is to assess whether the proposed change would affect the quality of information and transparency in the market. To address this issue, we must consider who uses the GSOO and gas VAPR and the purposes for which these gas planning documents are used. By understanding the use of these gas planning documents, this will provide a basis to evaluate the consequences of:

- changing the publication date of the GSOO and gas VAPR; and
- reducing the frequency of publication of the gas VAPR from an annual to a biennial publication cycle.

Potential users of these documents include:

- industry (including gas infrastructure owners or operators, gas producers);
- potential investors;
- gas consumers; and
- regulatory bodies and governments.

The GSOO and gas VAPR could be used for:

- information purposes to enhance the decision-making of various stakeholders; and
- specific use by industry, regulatory bodies and governments to contribute to actual investment and operational decisions within a gas market.

#### **Question 1 Use of the GSOO and gas VAPR**

**For what purposes do you use the GSOO and/or gas VAPR?**

## 5.2 Aligning the publication date of the GSOO and gas VAPR

AEMO considers that aligning the publication of the GSOO and gas VAPR would yield the following benefits:

- allow for inclusion of the most recent winter data and therefore increase the quality of the information in these documents;
- improve consistency and reduce duplication between these documents; and
- allow for more time for stakeholder comment into the publication of these documents.

### **Question 2      Aligning the publication date of the GSOO and gas VAPR**

**Based on your use of the GSOO and gas VAPR, do you agree with AEMO's proposed benefits? Would it affect the quality of information available to the market or the level of transparency? In particular:**

- **Is it important to include the most recent winter data in these documents?**
- **Is there a benefit in improving consistency between these documents?**
- **Would stakeholders value more time to provide their input into the development of these documents?**

## 5.3 Changing the publication frequency of the gas VAPR from an annual to a biennial cycle

AEMO considers that changing the publication frequency of the gas VAPR from an annual to a biennial cycle would:

- result in savings by not having to publish the VAPR every year and this can be passed on to consumers;
- add value by informing the five year access arrangement cycle and AEMO would still be required to update the VGPR should new material information arise; and
- align with the lead times for system augmentations, which are typically 2 or more years.

**Question 3      Changing the publication frequency of the gas VAPR from an annual to a biennial cycle**

Based on your use of the GSOO and gas VAPR, do you agree with AEMO's proposed benefits? Would it affect the quality of information available to the market or the level of transparency? In particular:

- Is it beneficial that there be alignment between the publication cycle of the proposed VGPR and the lead times for system augmentations?
- Is rule 323(5) of the NGR requiring AEMO to publish an updated VGPR should AEMO be aware of new material information sufficient to ensure the VGPR remains up to date?

## **6 Commencement of the rule change process and lodging a submission**

The Commission has published a notice under sections 303 and 304 of the NGL to assess this rule change request under an expedited rule-making process.

The Commission is now accepting written requests to object to an assessment of this rule under an expedited rule change process. Written requests not to make a rule under an expedited process must include reasons for the request, and must be lodged with the Commission by 13 February 2014, either online or by mail, in accordance with the requirements specified below.

The Commission is also accepting written submissions on this rule change request. Written submissions must be lodged with the Commission by 27 February 2014, either online or by mail, in accordance with the requirements specified below. Where practicable, submissions should be prepared in accordance with the Commission's Guidelines for making written submissions on rule change requests.<sup>19</sup> The Commission publishes all submissions on its website subject to a claim of confidentiality.

All enquiries on this project should be addressed to Marc Tutaan on (02) 8296 7800.

### **6.1 Lodging a submission electronically**

Electronic submissions must be lodged online via the Commission's website, [www.aemc.gov.au](http://www.aemc.gov.au), using the "lodge a submission" function and selecting the project reference code "GRC0022". The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated.

Upon receipt of the electronic submission, the Commission will issue a confirmation email. If this confirmation email is not received within 3 business days, it is the submitter's responsibility to ensure the submission has been delivered successfully.

### **6.2 Lodging a submission by mail**

The submission must be on letterhead (if submitted on behalf of an organisation), signed and dated. The submission should be sent by mail to:

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Or by Fax to (02) 8296 7899.

The envelope must be clearly marked with the project reference code: GRC0022.

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<sup>19</sup> This guideline is available on the Commission's website.

Except in circumstances where the submission has been received electronically, upon receipt of the hardcopy submission the Commission will issue a confirmation letter.

If this confirmation letter is not received within 3 business days, it is the submitter's responsibility to ensure successful delivery of the submission has occurred.

## Abbreviations

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
Commission	See AEMC
DWGM	Declared Wholesale Gas Market
GSOO	Gas Statement of Opportunities
NGL	National Gas Law
NGO	National Gas Objective
NGR	National Gas Rules
SCER	Standing Council on Energy and Resources
VAPR	Victorian Annual Planning Report
VENCorp	Victorian Energy Networks Corporation
VGPR	Victorian Gas Planning Report