

25 September 2013

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Australia Energy Market Commission
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Dear John,

Rule Change Request – Publication Dates for Gas Statement of Opportunities and Gas Victorian Annual Planning Report

We request the Australian Energy Market Commission (AEMC) make a non-controversial rule change to the National Gas Rules (NGR) to:

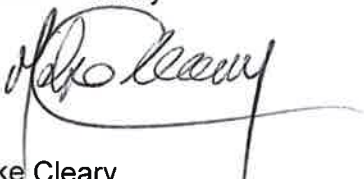
- Defer publication of the Gas Statement of Opportunities (GSOO) from 31 December to 31 March each year.
- Defer publication of the Gas Victorian Annual Planning Report (Gas VAPR) from 30 November to 31 March, and move to a two year publication cycle.
- Change the title of the Victorian Annual Planning Report to the Victorian Gas Planning Report (VGPR)
- Change all references to 'annual planning review' to 'planning review'.

The proposed rule changes improve the relevancy and value of information presented by aligning these two reports and removing duplicated effort. Further, the changes improve efficiency by reducing the need for detailed annual analysis of the Victorian gas network.

A description and drafting of the proposed Rule and a statement of how the proposed Rule contributes to the achievement of the National Gas Objective (NGO) is provided at Attachment A.

AEMO would be please if you could have these matters considered by the AEMC. For further details, please do not hesitate to contact Sandra McLaren, Acting Group Manager – Market Development, on (03) 9609 8355.

Yours sincerely



Mike Cleary
Chief Operating Officer

cc:

Attachments:

A: Rule Change Proposal

Attachment A: Publication Dates for Gas Statement of Opportunities and Gas Victorian Annual Planning Report

1 Summary

AEMO is proposing a non-controversial rule change to Rule 323 and Rule 135KC of the National Gas Rules (NGR) to:

- Defer publication of the Gas Statement of Opportunities (GSOO) from 31 December to 31 March each year.
- Defer publication of the Gas Victorian Annual Planning Report (Gas VAPR) from 30 November to 31 March, and move to a two year publication cycle.
- Change the title of the Victorian Annual Planning Report to the Victorian Gas Planning Report (VGPR)
- Change all references to 'annual planning review' to 'planning review'

The proposed rule changes improve the relevancy and value of information presented by aligning these two reports and removing duplicated effort. Further, the changes improve efficiency by reducing the need for detailed annual analysis of the Victorian gas network.

AEMO seeks finalisation of this rule change by January 2014 to enable it to prepare for the introduction of the simultaneous publication of the VGPR and the GSOO on 31 March 2015.

2 Relevant Background

As part of its ongoing improvement initiatives, AEMO has completed a review of the timing and format of the full suite of planning documents required under the National Gas Rules. Beneficial changes relating to the timing and frequency of the VGPR and GSOO have been identified.

The Gas VAPR, published annually on 30 November, provides medium-term planning and adequacy information for the Victorian gas Declared Transmission System (DTS) – including gas demand forecasts, available gas supplies, the capacity of gas infrastructure, and any subsequent mismatches between supply, demand, and capacity.

On 19 April 2013 AEMO requested a letter of No-Action from the AER on publishing the Gas VAPR by 30 December. This request sought to improve alignment between the Gas VAPR and the Gas VAPR update, and to allow analysis to be validated against the most recent winter demand. Stakeholders supported this change, and the AER agreed to the request on 30 April 2013.

AEMO is now seeking to capture these benefits permanently, and to reduce the frequency of the publication of the VGPR to every other year to recognise lower demand growth, the existence of spare system capacity in the medium term, and the already proposed augmentation plan for the DTS.

The GSOO, currently revised and republished by 31 December each year, presents consolidated information on the adequacy of existing and committed gas supplies to meet demand over a 10 to 20 year outlook. This information informs existing participants, new investors, and jurisdictional bodies to assist in their long-term decision-making processes.

The GSOO uses gas demand projections representing demand categories, such as mass market, large industrial, gas powered generation, and liquefied natural gas. The modelling of these projections references historical information as a basis. Due to the different timing of publication, the GSOO and VGPR have not used demand projections on a consistent basis.

A common publication date for the both the GSOO and VPR of 31 March will allow sufficient time to undertake modelling for each publication based on a consistent set of forecasts, and increase the time available for stakeholder engagement during analysis. This also allows for removal of duplication between the reports, and facilitates a reduced publication frequency for the VGPR.

AEMO has consulted on the proposed rule change with industry and interested parties through the Planning and Modelling Forum (PMF), Gas Wholesale Consultative Forum (GWCF), and Short Term Trading Market Consultative Forum (STTM-CF). A summary of the stakeholder consultation can be found in Appendix A.

On the basis of this consultation, AEMO considers that participants have no objection to this proposed rule change to enable alignment of the publication dates of the GSOO and VGPR with the collection and analysis of gas demand data and reduce the frequency of publication of the VGPR.

2.1 Request for Non-controversial Rule change

AEMO requests that the AEMC reviews this Rule change proposal under section 304 of the NGL. Section 304 applies if the AEMC considers that a request for a Rule is a request for a non-controversial Rule. A non-controversial Rule means a Rule that is unlikely to have a significant effect on a market for gas or the regulation of pipeline services.

AEMO considers that section 304 applies to this proposal because the Rule change:

- Does not change the scope of information produced;

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- Is not designed to alter gas market incentives or behaviour.
 - Does not place a financial burden on the gas market.
 - Does not affect the regulation of pipeline services.

3 Statement of Issues

3.1 Issues with Current Requirements

1. Rule 323(1) requires AEMO to publish the gas VAPR by 30 November each year, however:
 - a. This date does not allow sufficient time to include data from the most recent winter.
 - b. The annual frequency does not consider:
 - i. the stability of Victorian gas demand projections over the next 5 years, or
 - ii. the extent of the DTS current system capacity and its augmentation plan over the medium term, or
 - iii. the opportunity to improve reporting efficiency resulted from (i) and (ii)
2. Rule 135KC requires AEMO to revise and republish the GSOO by 31 December each year, but this:
 - a. Does not allow sufficient time to include data from the most recent winter.
 - b. Does not allow for consistency of data between the GSOO and VGPR.
 - c. Limits the time available for stakeholder engagement during the analysis process.

4 Proposed Solution

4.1 Proposed Solutions

AEMO is proposing to:

- Change the publication date of the VGPR in Rule 323(1) from 30 November to 31 March, thus addressing issues 1a and 2b.
- Change the frequency of the VGPR in Rule 323(1) from annually to every second year, thus addressing issue 1b.

The first publication of the VGPR will be on 31 March 2015, commencing a two-year cycle with the following publication on 31 March 2017.

The monthly forecast data will apply to months January to December in the year of publication only. The annual forecast data will apply to the five years commencing in the year of publication.

Demand forecast data will continue to be published annually outside the VGPR process.

- Change the publication date of the GSOO in Rule 135KC from 31 December to 31 March each year, thus addressing issues 2a, 2b, and 2c.

This will allow both documents to use a consistent set of demand information collected through the most recent winter, reduce duplication when producing the GSOO and VGPR, and allow greater industry engagement during the GSOO modelling process.

In 2012, AEMO began publishing input data sections of the GSOO as information became available, and ahead of the final GSOO release. Under the proposed rule change, this would continue, with only the final analysis being published by the 31 March date. Input data, including demand, would continue to be published as it became available across the year. This addresses concerns raised by APA Group on input data required to meet mandated tariff timeframes.

5 Proposed Rule

5.1 Proposed Rule change

AEMO is proposing rule changes to NGR (Rules 135KC, 200, 323 and 341) which would have the effect of aligning the publication dates of the VGPR until 31 March every second year, and the GSOO until 31 March each year. AEMO proposes these rule changes operate from January 2014, with transitional rules to provide for no publication of the VGPR or GSOO in 2014.

~~Red strikethrough~~ indicates deletions

Blue indicates insertions.

5.2 Draft of Proposed Rule

AEMO's proposed change to Rule 135KC, 200, 323 and 341 are provided below. This draft is based on version 17 of the National Gas Rules.

Part 15D Gas statement of opportunities

135KC Revision of gas statement of opportunities

The gas statement of opportunities must be revised ~~in each calendar year~~ and re-published by ~~31 December of that year~~ 31 March each year.

Part 19

Division 1 Preliminary

200 Definitions

annual planning review means the planning review to be provided by AEMO under rule 323.

Division 4, Subdivision 2 – Forecasts and Planning and Maintenance Reviews

323 Annual Planning reviews

- (1) By no later than ~~30 November~~ 31 March 2015 and by 31 March in every second year thereafter, AEMO must prepare and publish an **annual** planning review in accordance with this rule.
- (2) Each **annual** planning review must contain annual forecasts by system withdrawal zone of the matters set out in subrule (3) for each year of the 5 years, and (where practicable) for each month of the 12 months, commencing from 1 January in **immediately following** the year in which the **annual** planning review is provided to Registered participants.
- (3) **Annual** Planning reviews prepared by AEMO must include forecasts for the total system and by system withdrawal zone (except where otherwise specified) in respect of the following matters:
 - (a) peak daily and hourly demands under peak demand conditions for severe weather conditions that would be expected to be exceeded, on average, once in 2 years (1 in 2 peak demand conditions), when those peak demands might occur, and an assessment of the impact of demand from gas fired generation on these days;
 - (b) peak daily and hourly demands under peak demand conditions for severe weather conditions that would be expected to be exceeded, on average, once in 20 years (or such other planning criteria as AEMO may determine), and when those peak demands will occur;
 - (c) total annual demand with and without demand from gas fired generation;
 - (d) available and prospective gas supply and the source of that supply;
 - (e) any expansions of, and extensions to, the declared transmission system;
 - (f) declared transmission system capacity for the system as a whole and for major pipelines in the system;
 - (g) the acceptable range of minimum and maximum pressures at such declared transmission system locations as AEMO considers appropriate;
 - (h) storage capacities by facility;
 - (i) storage operating parameters including but not limited to injection and withdrawal rates and pressures and the sustainability of those rates and pressures; and
 - (j) mismatches between supply, demand and capacity.

(4) When preparing an **annual** planning review AEMO must:

(a) take into account:

- (i) the information provided by Registered participants under rules 324(2), (3) and (4);
- (ii) anticipated future growth in the demand for gas in the adoptive jurisdiction; and
- (iii) committed projects for new or additional gas production facilities or extensions or expansions of a declared transmission system or a distribution pipeline; and

(b) subject to rule 324(6), publish the assumptions upon which it bases its **annual** planning reviews.

(5) If AEMO becomes aware of any information that materially alters the most recently published **annual** planning review, AEMO must update that **annual** planning review as soon as practicable, and provide Registered participants with the details of that update.

Division 5 Intervention and market suspension

Subdivision 5 System security threat

341 Notice of threat to system security

(1) If AEMO believes that a threat to system security is indicated by:

- (a) the **annual** planning reviews prepared by AEMO under Division 4, Subdivision 2; or
- (b) an operating schedule; or
- (c) any other fact or circumstance of which AEMO becomes aware...

6 How the Proposed Rule Contributes to the National Gas Objective

Before the AEMC can make a Rule change it must apply the rule making test set out in the NGL, which requires it to assess whether the proposed Rule will or is likely to contribute to the national gas objective (NGO). Section 23 of the NGL sets out the NGO as follows:

... 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.

Aligning the publication dates of the GSOO and VGPR will increase the quality and consistency of gas planning information provided to the market. This contributes to the NGO by promoting more informed and efficient investment in natural gas services. Ultimately this provides greater certainty around network and supply adequacy – increasing gas supply reliability for consumers of natural gas.

7 Expected Benefits and Costs of the Proposed Rule

The parties who are affected by this proposed rule change are existing participants, potential investors, and jurisdictional bodies who use AEMO's gas planning analysis and data sets to assist their decision making processes.

The change presents the following benefits to industry:

- Greater efficiencies and reduced duplication when producing the GSOO and VGPR.
- Improved consistency of data between the GSOO and VGPR to achieve more efficient outcomes.
- Improved quality by using most recent winter data in modelling and analysis.
- Greater opportunities for stakeholder engagement during the GSOO analysis phase.

The proposal creates efficiency through reducing AEMO resource requirements for preparing the VGPR by approximately one full-time equivalent employee.

AEMO considers that the proposed rule change will provide benefits to all parties affected by the change with no parties adversely affected.

Appendix A: Public Consultation

Gas Wholesale Consultative Forum

All GWCF papers and minutes are published on the AEMO Website –

<http://www.aemo.com.au/Gas/Resources/Working-Groups/Gas-Wholesale-Consultative-Forum>

The papers relevant to this issue are summarised below:

11th June 2013 Wholesale Gas Consultative Forum Meeting

Papers Presentation - GWCF Gas Publication Strategy – Rule Change

Minutes of Meeting 180 – 11 June 2013

Summary

AEMO provided an overview of its planning publication review, and the outcomes of this process from a gas market perspective. AEMO discussed its proposal to amend the publication date of both the proposed VGPR and GSOO publications – including the justification and benefits of this change.

There was general support for improving publication consistency, and no objections were raised with the deferral of these publications. A concern was voiced over the timing of gas demand data that is currently provided to participants in late October, ahead of VGPR publication.

AEMO has responded to this concern, and intends to continue the current practice of providing this information outside the formal publication process, where stakeholder find value in this data.

13th August 2013 Wholesale Gas Consultative Forum Meeting

Papers GWCF 13-038-02 GSOO VGPR Publication Dates

Minutes of Meeting 181 – 13 August 2013

Summary

AEMO provided details of its proposed rule changes to the timing and frequency of the GSOO and the proposed VGPR – including the justification and benefits of this change. AEMO indicated that it would submit the proposal to the AEMC later in August.

The group was supportive, and no objections were raised.

STTM Consultative Forum

All STTM-CF papers and minutes are published on the AEMO Website –

<http://www.aemo.com.au/Gas/Resources/Working-Groups/STTM-Consultative-Forum>

The papers relevant to this issue are summarised below:

9th July 2013 STTM Consultative Forum Meeting

Summary

AEMO provided a verbal update of its planning publication review, and the outcomes of this process from a gas market perspective. AEMO discussed its proposal to amend the publication date of both the proposed VGPR and GSOO publications – including the justification and benefits of this change.

There was general support for improving publication consistency, reducing duplicated effort, and allowing greater time for stakeholder engagement on the GSOO analysis. No objections were raised with the deferral of these publications.

Glossary

Term or Abbreviation	Explanation
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
DTS	The Declared Transmission System of Victoria
Gas VAPR	Gas Victorian Annual Planning Report (to become the VGPR or Victorian Gas Planning Report)
GSOO	Gas Statement of Opportunities
GWCF	Gas Wholesale Consultative Forum
NGL	National Gas Law
NGO	The National Gas Objective as stated in section 23 of the NGL, being “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”
NGR	National Gas Rules
PMF	Planning and Modelling Forum
STTM	Short Term Trading Market
STTM-CF	Short Term Trading Market Consultative Forum
VGPR	Victorian Gas Planning Report (previously the Gas VAPR or Gas Victorian Annual Planning Report)