Northern Territory Government Request to Change the National Gas Rules

Northern Territory Emergency Gas Supply Arrangements

November 2018

1. Name and address of the person making the request

The Hon Nicole Manison MLA
Treasurer
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2. Proposed rule change

The Northern Territory Government requests that changes be made to the National Gas Rules (NGR) so that Bulletin Board registration and reporting requirements, and exemption provisions are fit-for-purpose in relation to the interconnected upstream facilities of the Northern Territory liquefied natural gas (LNG) producers.

Specifically, the Territory Government requests that changes be made to the NGR such that those LNG related facilities upstream of their connections to the Northern Territory gas market[1] and which may soon be captured by registration and information provision requirements within Part 18 of the NGR, are exempt from such provisions to the extent that the facilities are:

- principally operated as part of an LNG producing operation; and
- connected directly or indirectly to the Northern Territory gas market solely through a pipeline facility at the location of the LNG producing operation.

The Territory Government considers these rule changes are necessary to preserve the commercial incentives for Territory LNG producers to maintain their connections to the Northern Territory gas market and to continue with the emergency back-up gas supply agreements which underpin security of gas supply in the Northern Territory.

3. Preferred rule making process

The Territory Government requests that the Australian Energy Market Commission (AEMC) use the 'fast track' rule making process under section 305 of the National Gas Law (NGL), given:

- as required by section 305(1)(b)(1) of the NGL, the Territory Government has made the request on the basis of a recommendation for the making of a Rule contained in a MCE directed review – the 'East Coast Wholesale Gas Market and Pipeline Frameworks Review' (the East Coast Review)
- as required by section 305(2)(b) —
    - the request reflects, or is consistent with, the relevant recommendation contained in the MCE directed review
    - there was adequate consultation with the public by it on the context of the relevant recommendation during the MCE directed review.

[1] The connection points for these facilities are, for Darwin LNG, the flange connection between the boundary of Darwin LNG and APA Group's Wickham Point Pipeline, and for Ichthys LNG, the point at which the lateral pipeline from the Wickham Point Pipeline to Ichthys LNG crosses the boundary (fence line) between the Inpex and Power and Water Corporation properties.

The AEMC's East Coast Review extensively considered changes to the Gas Bulletin Board registration and reporting requirements and its recommendations were subsequently endorsed by the Energy Council and were the subject of the 'Improvements to Natural Gas Bulletin Board' rule change request and determination.

Among other things, the AEMC in the East Coast Review recommended that the obligation for gas pipelines and facilities to report to the Bulletin Board should be based on minimum reporting thresholds instead of whether those pipelines carry gas into or out of particular zones and the facilities attached to those pipelines:

> ***Recommendation B:*** *Improve the reporting framework by:*
>
> *— Removing the link that currently exists between the obligation to report and the zonal model.*
>
> *— Simplifying the exemption criteria and reducing the minimum reporting threshold to 10TJ/day for transmission pipelines, production facilities, storage facilities, compression facilities used in the provision of hub services in the Gas Supply Hub (GSH compression facilities) and large user facilities.*
>
> *— Removing the existing distinction between facilities commissioned pre- and post-1 July 2008.*
>
> *— Redrafting the registration provisions to provide greater clarity about who is required to register, when registration is required and the interaction between registration and reporting.*
>
> *— Introducing an information standard for all facilities to employ and classifying the obligation to comply with this standard as both a civil penalty and conduct provision.*[2]

In the East Coast Review, the AEMC advised that:

> *The Commission's recommendation to remove the link between reporting and the zonal model would result in pipelines and facilities in the Northern Territory and north Queensland being required to begin reporting to the Bulletin Board.*
>
> *The pipelines in the Northern Territory and north Queensland that could be captured, to the extent they satisfy the minimum reporting threshold, include:*
>
> - *the North Queensland Gas Pipeline;*
> - *Amadeus Gas Pipeline;*
> - *Palm Valley to Alice Springs Pipeline;*
> - *Daly Waters to McArthur River Pipeline;*
> - *the Bonaparte Pipeline; and*
> - *Wickham Point Pipeline.*[3]

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[2] Australian Energy Market Commission 2016, *East Coast Wholesale Gas Market and Pipeline Frameworks Review, Stage 2 final report: information provision*, 23 May, p. iii.

[3] Australian Energy Market Commission 2016, *East Coast Wholesale Gas Market and Pipeline Frameworks Review, Stage 2 final report: information provision*, 23 May, p. 54.

From these deliberations it is clear that the AEMC actively considered the pipelines that were intended (could) be captured by its Recommendation B to change the criteria for pipelines and facilities to report to the Bulletin Board, subject to the lifting of an exemption to apply until interconnection of the Northern Territory and East Coast gas markets, proposed at Recommendation E[4].

In its advice, the AEMC did not identify that the upstream pipeline of Darwin LNG, or the upstream pipeline of Ichthys LNG then under construction, could be captured. Given these two pipelines, if considered to be Northern Territory pipelines, are the most significant Territory pipelines in terms of capacity, this suggests the intent of the AEMC's Recommendation B was not to capture these pipelines or the facilities connected to them. The Territory Government considers that making a rule change which confirms an exemption for these facilities would therefore be consistent with the AEMC's East Coast Review.

A significant amount of consultation on the revised criteria for pipelines and facilities to report to the Bulletin Board was undertaken by the AEMC in the East Coast Review and subsequently for the 'Improvements to Natural Gas Bulletin Board' rule change determination. To the Territory Government's knowledge, at no point in these reviews was it suggested by any party that the interconnected upstream facilities of the Territory LNG producers could or should be captured by an obligation to report to the Bulletin Board.

If adopted, the 'fast track' rule change process would provide for adequate stakeholder consultation, through the opportunity to make submissions on a draft rule and draft determination, while accommodating a shortened process to ensure the requested rule changes can be implemented prior to the application of the Bulletin Board reporting requirements to facilities in the Northern Territory (90 days following commencement of the Northern Gas Pipeline).

Notwithstanding that the Territory Government's proposed rule change process may satisfy the criteria for an 'expedited' rule change process, due to its urgency and non-controversial nature, the Territory Government is not requesting this process be used. Given the importance of the AEMC's final determination on this matter to the Territory's ongoing energy security, the Territory Government would like the opportunity to review and comment on a draft AEMC determination which would not be available under the expedited process.

4. Nature and scope of the issues with the existing rules

4.1. Background

4.1.1. Northern Territory gas market and security of supply arrangements

Historically, the Northern Territory has had a small and isolated gas market in which the Territory-owned Power and Water Corporation has been responsible for securing adequate gas supplies for electricity generation and industry and has had an implicit obligation to ensure security of supply.

About 90 per cent of the Territory's domestic gas requirement is sourced from the offshore Blacktip Gas field and processed at a remote production facility near Wadeye. The remainder of the

[4] Australian Energy Market Commission 2016, *East Coast Wholesale Gas Market and Pipeline Frameworks Review*, Stage 2 final report: information provision, 23 May, p. iv.

Territory's domestic gas requirement is sourced from Amadeus Basin production facilities in central Australia.

The Northern Territory currently has one operating LNG facility, Darwin LNG, and another under commissioning, Ichthys LNG.

Gas to supply LNG production at the Darwin LNG facility is sourced from the Bayu-Undan offshore gas field and is transported to an onshore LNG facility at Darwin by an independent integrated system of offshore extraction, production and pipelines facilities.

Bayu-Undan is located in the Joint Petroleum Development Area between Timor Leste and Australia, administered by the Timorese regulator, the ANPM on behalf of both governments. Proceeds from the development are split 90:10 between the two countries. A recent agreement between Australia and Timor Leste redraws Maritime boundaries between the two countries and, once ratified, Bayu-Undan will become 100 per cent within Timorese waters and jurisdiction.

Gas to supply LNG production at the Ichthys LNG facility is sourced from the Ichthys offshore fields and is similarly transported to an onshore LNG facility at Darwin by an independent integrated system of offshore extraction, production and pipeline facilities.

Notwithstanding their self-sufficiency and independence from the Northern Territory gas market, the Territory LNG producers have entered into emergency back-up supply arrangements with the Power and Water Corporation to supply gas to the Northern Territory gas market in the event of an interruption to supply.

4.1.2. 'Improvements to Natural Gas Bulletin Board'

On 26 September 2017 the AEMC gave notice that it had made a final rule determination on the 'Improvements to Natural Gas Bulletin Board' rule change request submitted by the COAG Energy Council in April 2017.[5]

Among other things, from 30 September 2018 the AEMC's 'Improvements to Natural Gas Bulletin Board' final determination will have the effect of:[6]

- obliging certain gas facilities to be registered as Bulletin Board facilities based on a minimum reporting threshold rather than whether pipelines carry gas into or out of particular zones and the facilities attached to those pipelines
- reducing the minimum reporting threshold to a nameplate capacity of 10 terajoules (TJ) per day for transmission pipelines, production facilities and storage facilities
- reducing the criteria for exemptions to the Bulletin Board reporting requirements to situations where

[5] Australian Energy Market Commission 2017, *Notice Under National Gas Law*, 26 September, https://www.aemc.gov.au/sites/default/files/content/cdd70a38-45e9-45ad-92f8-6a9bbc176312/AEMC-gas-statutory-notices-26092017.pdf.

[6] Australian Energy Market Commission 2017, *Rule Determination – National Gas Amendment (Improvements to Natural Gas Bulletin Board) Rule 2017*, 26 September, https://www.aemc.gov.au/sites/default/files/content/5ea5bc4f-dd30-4711-85af-a4edf6b5fd01/Improvements-to-Natural-Gas-Bulletin-Board-Final-determination-for-publication.pdf.

    - information required to be reported by an entity is already being provided by another Bulletin Board reporting entity
    - lateral gathering pipelines where the information reported would not be material having regard to the purpose of the Bulletin Board
- increasing the information reporting and publication requirements.

Remote Bulletin Board facilities, defined as those that are not connected directly or indirectly to the East Coast gas market, are exempt from registration and reporting requirements until such time as they are connected. The exempt facilities initially include those located in the Northern Territory and in north Queensland.[7] The exemption related to the Northern Territory expires 90 days after the Northern Gas Pipeline is commissioned.

The 'Improvements to Natural Gas Bulletin Board' rule changes alter the reporting requirements for entities that are currently required under the NGL to give information to AEMO for the purposes of the Bulletin Board such as service providers (pipeline operators), producers, users and storage providers.[8] The AEMC was not empowered to specify reporting requirements for other entities such as operators of gas fields, large user facilities, LNG processing facilities or gas supply hub compression facilities that are not currently required to report information to AEMO under the NGL. Bulletin Board reporting requirements related to these entities cannot be considered in a rule change request until such time as changes are made to the NGL or National Gas Regulations that oblige these entities to provide information to AEMO.

4.1.3. Application of the Bulletin Board reporting requirements in the Northern Territory

The Northern Territory gas market will become connected to the East Coast gas market upon commencement of the Northern Gas Pipeline which is anticipated to occur in late 2018.

Consistent with the AEMC's 'Improvements to Natural Gas Bulletin Board' rule determination, operators of gas transmission pipelines and production facilities in the Northern Territory that are not remote Bulletin Board facilities and have a nameplate rating of more than 10 TJ per day will be required to apply to AEMO for registration of their facilities within 110 days of the commencement of the Northern Gas Pipeline and to commence reporting Bulletin Board information from the date of their registration.

As a result of consultation by AEMO on amendments to the Bulletin Board Procedures in early 2018, the Territory Government became aware that AEMO had interpreted the AEMC's determination as extending Bulletin Board reporting requirements to the interconnected upstream pipeline and production facilities of Territory LNG producers. This interpretation was despite LNG facility operators not being entities obliged under the NGL to report information to AEMO for the purpose of the Bulletin Board. At that time the Territory Government became concerned that Bulletin Board reporting requirements may undermine the commercial incentives for Territory LNG producers to

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[7] Rule 144 of the National Gas Amendment (Improvements to Natural Gas Bulletin Board) Rule 2017 No. 3, Schedule 1, specifies that Part 18 does not apply to remote BB facilities defined under Rule 141 to be a Bulletin Board facility that is or is connected to a pipeline that is not a pipeline on which natural gas sold through the gas trading exchange may be physically delivered or received or through which such natural gas may be transported.

[8] *National Gas (South Australia) Act 2008*, Schedule 1, section 223.

maintain their connections to the Northern Territory gas market and to continue with the emergency back-up supply arrangements with the Power and Water Corporation.

In February 2018, the Territory Government sought clarification from AEMO, the AER and AEMC on the application of the 'Improvements to Natural Gas Bulletin Board' rule changes to Territory LNG producers. The Territory Government subsequently requested that the AER, as the regulator, provide formal guidance on the reporting requirements that would apply to Territory LNG producers under the new rules following commencement of the Northern Gas Pipeline.

The AER's guidance, received in July 2018, is that:

- the 'Improvements to Natural Gas Bulletin Board' rule changes will impose Bulletin Board reporting requirements on the Territory LNG producers
- the changes to the Bulletin Board requirements have been designed to remove most avenues for reporting exemptions and the circumstances, whereby Territory LNG producers are connected to the domestic grid via emergency pipelines, do not provide cause for exemption from Part 18 of the NGR
- the emergency pipelines exceed the threshold for Bulletin Board reporting (10 TJ per day) and classification of the emergency pipelines as Bulletin Board pipelines means interconnected upstream facilities, that also exceed the reporting threshold, may be captured by Part 18 of the NGR.

Notwithstanding its conclusions, the AER's advice acknowledged that the circumstances surrounding the Territory LNG producers may appear unique and required a particular interpretation under the NGR and NGL. The AER's advice noted that if there are concerns that the NGR are not fit-for-purpose in the context of the Northern Territory as it transitions to the National arrangements, the AER recommended the most appropriate course of action may be to seek a rule change.

4.2. Issues to be addressed

Based on the advice of the AER, and knowledge of the different characteristics of the Northern Territory gas market compared to the East Coast gas market, the Territory considers that Part 18 of the NGR as amended by the 'Improvements to Natural Gas Bulletin Board' rule change is not fit-for-purpose for the Northern Territory.

The Territory Government is concerned that the new rules may adversely affect gas and electricity supply security in the Northern Territory by undermining Territory LNG producers' commercial incentives to maintain their connections to the Northern Territory gas market and to continue with the emergency back-up supply arrangements since:

- the connections of the Territory LNG producers to the Northern Territory gas market are incidental to their core business of producing LNG
- the Bulletin Board reporting requirements, if applied, may expose Territory LNG producers to material actual or perceived detriments to their competitive position in the international LNG market
- the Bulletin Board reporting requirements are not fit-for-purpose for the Territory LNG producers and may expose them to a higher than necessary administrative burden.

Further, the potential for reduced supply security in the Northern Territory gas market from the application of the Bulletin Board reporting requirements would not be justified by commensurate offsetting benefits for consumers because information about the Territory LNG producers' upstream facilities is irrelevant for Northern Territory gas market or East Coast gas market participants.

4.2.1. The emergency gas back-up supply arrangements provided by the Territory LNG producers are essential to maintaining security of gas and electricity supply in the Northern Territory

The Northern Territory is totally dependent on natural gas for baseload electricity power generation.

The Northern Territory Utilities Commission, in its annual assessment of the Territory's Power System Review, has assessed that the two major risks to the Territory's gas supply are:

- loss of supply from the Blacktip facility
- leak or major rupture of the main pipelines.

In the event of loss of supply from the Blacktip facility, diesel back-up generation and additional gas from the Amadeus Basin and pipeline line pack (residual gas in the pipeline) can contribute to electricity supply security. However, the Utilities Commission has assessed that these sources are insufficient to meet the Territory's needs during an extended loss of gas supply event (less than a day). As stated by the Utilities Commission:

> *The alternative contingency is pipeline line pack, diesel and southern gas fields. Line pack is only capable of supplying 100 per cent of electricity demand for less than a day. The other contingencies include supplementary diesel backup generation and, for Alice Springs, supplementary supply available from the Dingo gas field and potentially the Mereenie and Palm Valley gas fields. However these measures are not capable of replacing 100 per cent of Territory's energy requirements.*[9]

The Northern Territory gas market relies on the emergency back-up connection and supply arrangements with Darwin LNG to maintain 'N-1' redundancy. From late 2018, back-up gas will also be available from Ichthys LNG, improving the Northern Territory's gas system security to 'N-2' until at least 2022 when the Darwin LNG back-up gas agreement is due to expire.

The importance of the back-up gas supply arrangements with Territory LNG producers was illustrated during a failure of the Blacktip gas supply in September 2014 which resulted in a gas shortage:

> *On 11 September 2014, Blacktip gas field experienced a total cessation of production due to a failure of power and electrical communications to the offshore platform. At the same time, [the Power and Water Corporation's] backup supply from Darwin LNG was unavailable because of major planned maintenance. As a consequence of no gas being supplied into the system, the Territory experienced periods of blackouts until gas supply could be re-established.*[10]

[9] Utilities Commission 2018, *Power System Review 2016-17*, p. 141.
[10] Utilities Commission 2018, *Power System Review 2016-17*, p. 137.

Notwithstanding the implementation of gas conservation measures, including voltage and frequency reduction, reduction in spinning reserve and the changeover of several generating units to operate on diesel, the September 2014 gas supply failure resulted in rotational electricity load shedding of 20MW for 409 minutes with a resulting loss of 136.3 MWh.[11]

4.2.2. Connection to the Northern Territory gas market is incidental to the Territory LNG producers

The ‘Improvements to Natural Gas Bulletin Board’ rule determination was made in response to a rule change request made subsequent to the AEMC’s East Coast Review. This review, among other things, found that the market needed more information about East Coast LNG producers’ activities because of their influence on the domestic market.

Each of the three LNG producers in the East Coast market (Queensland Curtis LNG, Australia Pacific LNG and Gladstone LNG) source their gas from onshore gas fields connected to the domestic market and as such are active and influential participants in the East Coast gas market.

In contrast, both Territory LNG producers (Darwin LNG and Ichthys LNG) source their gas from offshore gas fields and only engage in limited and periodic trade with the Northern Territory gas market. No Territory LNG producer engages in trade with any market participant in the East Coast gas market.

The pipeline connecting Darwin LNG to the Northern Territory gas market is only capable of supplying gas into the Northern Territory gas market and has been used only infrequently to supply emergency back-up gas supply to the Northern Territory gas market during supply shortfalls.

The pipeline connecting Ichthys LNG to the Northern Territory gas market is capable of supplying gas into the Northern Territory gas market and taking gas from the Northern Territory gas market. Under normal circumstances Ichthys LNG will not be importing gas from, or exporting any gas to the Northern Territory gas market. Under other circumstances, such as when called upon by the Power and Water Corporation in the event of an emergency gas supply interruption, gas may flow from Ichthys LNG to the Northern Territory gas market to support supply security. There is also capacity for Ichthys LNG to import small quantities of gas from the Northern Territory gas market intermittently on a spot or as available basis, however, there is only capability for Northern Territory gas to be used by Ichthys LNG for electricity generation. There is no physical capability for gas to flow from the Northern Territory gas market to Ichthys LNG to be used as feedstock for LNG production.

This is a very different situation to the East Coast LNG producers who rely on onshore gas as the feedstock for their LNG production. The Territory Government understands that the economics of exporting gas from the Northern Territory gas market to Ichthys LNG mean that it is only ever likely to occur where a gas wholesaler has contracted to receive gas for which they have not been able to secure a purchaser in the Northern Territory gas market. As such, spot sales to Ichthys LNG for electricity generation are likely to represent a last resort for gas wholesalers.

Notwithstanding the potential for gas to flow into the Northern Territory gas market from Darwin LNG and Ichthys LNG, or out of the Northern Territory gas market to Ichthys LNG for electricity generation, any interaction between the Northern Territory gas market and the LNG producers is

[11] Utilities Commission 2016, *Power System Review 2014-15*.

likely to be inconsequential to the Territory LNG producers' core business of producing LNG due to the relative small size of the Territory gas market compared to their own operations.

Total maximum production capacity in the Northern Territory gas market is about 60 petajoules[12] (PJ) per year (from late 2018) and demand is just 25 PJ[13] per year. This is much smaller, for instance one-tenth of the production capacity and one-twentieth of the demand, than the potential production and demand of the Territory LNG producers of more than 600 PJ per year (based on AEMO estimates of gas consumption of LNG trains in the East Coast gas market)[14].

4.2.3. The competitive position of the Territory LNG producers in the international LNG market may be adversely affected

In the AEMC's East Coast Wholesale Gas Market and Pipeline Frameworks Review, LNG producers identified concerns that publication of certain information about LNG facilities may affect their competitive position in the international LNG market:

> *Specifically, the LNG producers were concerned that publishing information about planned and unplanned outages could reveal their position and affect any negotiations to obtain LNG from other sources to meet their position and affect any negotiations to obtain LNG from other sources to meet their supply contracts.*[15]

The AEMC assessed these claims in the context of two considerations:

- the potential for adverse impacts on competition in international LNG markets
- the balance of detriments for LNG producers and the benefits for gas market participants from the publication of LNG producer information.

The AEMC formed the view that competition in international LNG markets was unlikely to be affected by the publication of LNG producer information because, in its estimation, LNG producers on the East Coast have some ability to manage their long term gas contracts through their relationships with other companies and because LNG markets are expected to be oversupplied in the medium term.

However, the AEMC appeared to acknowledge that there were potential commercial detriments to the LNG producers from the publication of information but that these were justified because of the integration of the LNG facilities with the domestic market:

> *… the LNG export facilities in Queensland are highly integrated with the domestic market and it is appropriate that certain information is made available because their activities can impact the domestic market. … The Commission is of the view that the*

[12] Northern Territory Department of Treasury and Finance estimates based on published producer information.
[13] Utilities Commission 2018, *Power System Review 2016-17*, p. 137.
[14] Australian Energy Market Operator 2016, *National Gas Forecasting Report For Eastern and South-Eastern Australia*, December.
[15] AEMC 2016, *Stage 2 Final Report: Information Provision East Coast Wholesale Gas Market and Pipeline Frameworks Review*, May, p. 79.

> *potential benefits to the domestic market from providing this information outweigh the potential detriments to LNG producers.*[16]

The Territory asserts that in the context of the Northern Territory gas market, the potential for actual or perceived competitive detriments to Territory LNG producers from the publication of information about Territory LNG producers' upstream facilities will outweigh the (negligible) benefits from the publication of this information.

4.2.4. There would be negligible benefit from the publication of information related to Territory LNG producers' upstream facilities

The new Bulletin Board Procedures[17] and Pipeline Aggregation Methodology[18] published by AEMO indicate that, if applied, the following information for Territory LNG producers' offshore pipeline and production facilities would be published through the Bulletin Board.

- Standing data including:
    - facility operator and contact details
    - detailed facility information
    - name plate rating
    - storage capacity
    - maximum injection and withdrawal capacity
    - pipeline directional capabilities
    - production facility capacity
    - gas day start times
    - registered state.
- Short term pipeline and production capacity outlook.
- Medium term pipeline and production capacity outlook.
- Pipeline receipt and delivery nominations for day D.
- Forecast pipeline receipt and delivery nominations for D+1 to D+6.
- Actual flow data, daily production and storage information, published on D+1.

This is a significant amount of information, which for the vast majority of the time would relate to gas flows wholly within the closed production and pipeline systems of Territory LNG producers and

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[16] AEMC 2016, *Stage 2 Final Report: Information Provision East Coast Wholesale Gas Market and Pipeline Frameworks Review*, May, p. 80.

[17] Australian Energy Market Operator 2018, *BB Procedures Version 8.0*, April, http://www.gasbb.com.au/~/media/Documents/2018%20Rule%20Change%20Information/BB%20Aggregation%20Methodology%20v1.pdf.

[18] Australian Energy Market Operator 2018, *BB Pipeline Aggregation Methodology Version 1.0*, September, http://www.gasbb.com.au/~/media/Documents/2018%20Rule%20Change%20Information/BB%20Aggregation%20Methodology%20v1.pdf.

would be completely independent of, and uninformative of, gas flows affecting the Northern Territory gas market.

4.2.5. The Bulletin Board reporting requirements are not fit-for-purpose for Territory LNG producers

Notwithstanding that information related to Territory LNG producers' upstream facilities is irrelevant to Northern Territory gas market participants, it is acknowledged that infrequently and for short periods of time, gas flows from Territory LNG producers to the Northern Territory gas market under the emergency back-up supply arrangements may be of relevance to Northern Territory gas market participants (limited flows from the Northern Territory gas market to Territory LNG producers as contemplated under a spot sales arrangement are not relevant at the present time because major users are not reporting entities under Section 223 of the NGL).

However, the Territory Government is concerned that the reporting requirements that might be applied, if notional production facilities are assumed at the point of connection of the Territory LNG producers to the Northern Territory gas market, do not appear to have been developed with emergency back-up supply arrangements in mind.

In the context of the Territory LNG producers' emergency back-up supply arrangements, where an assumed notional production facility's normal operating state is not to be producing any gas, the NGR[19] to apply from 30 September 2018 would still require the facility operator to report certain information to AEMO on a daily basis.

Although Rule 167 of the NGR provides for the Bulletin Board Procedures to exempt a reporting entity from the obligation to provide an item of information under Part 18 and for a default value to be used in place of the relevant item of information, this provision applies only to reporting of outlooks, indicators, nominations and forecasts (see for example, Rules 178(2), 179(2), 181(2), 183(6) and 185(3)). The rules requiring actual daily flow data for Bulletin Board pipelines (Rule 187) and actual daily production and storage data (Rule 188), do not provide for the reporting of default values. Relevantly, the Bulletin Board Procedures and Guide to Gas Bulletin Board Data Submissions[20] published by AEMO do not make provision for the reporting of default values as contemplated by Rule 167.

In the context of emergency back-up supply arrangements, a requirement to report information daily imposes a higher than necessary administrative burden.

In addition, although conceivably highly beneficial for providers of an emergency back-up supply service such as the Territory LNG producers, it is not clear whether the exemption under Rule 164(2) from reporting information that would also be reported by another person could be used effectively by Territory LNG producers due to different reporting requirements for production facilities than for operators of connecting pipelines.

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[19] Australian Energy Market Commission 2017, *National Gas Amendment (Improvements to Natural Gas Bulletin Board) Rule 2017 No. 3, Schedule 1*.

[20] Australian Energy Market Operator 2018, *Guide to Gas Bulletin Board Data Submissions – How to Prepare and Submit GBB Data*, 31 August.

5. How the proposed changes would address the issues

The proposed rule change would result in all the LNG related facilities upstream of their connections to the Northern Territory gas market[21] and which will soon be captured by registration and information provision requirements within Part 18 of the NGR to be exempt from such provisions. Information about these facilities would consequently not be published on the Bulletin Board.

Information relevant to the Northern Territory gas market, such as the gas flows from notional production facilities at the point of connection of the Territory LNG producers to the Northern Territory gas market, could be reported and published under Bulletin Board reporting requirements that are fit-for-purpose for the Northern Territory gas market. Specifically, such gas flows could be reported by another Bulletin Board participant (for instance, the owner or operator of the emergency pipelines), negating any reporting requirement by Territory LNG producers.

Under these arrangements, irrelevant information related to the production and transport of gas from offshore facilities to the Territory LNG facilities would not be reported or published. Together these changes would streamline the administration of the Bulletin Board and improve the relevance of the Bulletin Board to Northern Territory gas market participants.

6. How the proposed changes will contribute to the achievement of the National Gas Objective; expected benefits and costs of the proposed change and potential impacts of the proposed changes on those likely to be affected

The National Gas Objective, as stated in the NGL 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.*

The proposed rule change would contribute to the price, reliability and security of supply elements of the National Gas Objective by virtue of preserving the commercial incentives for the Territory LNG producers to continue with the emergency back-up gas supply arrangements currently in place.

To be clear, in this context, consumers of natural gas include gas fired electricity generators.

The proposed rule change is not anticipated to have any adverse consequences for any party.

6.1. Reliability and security of supply

Preservation of the emergency back-up supply arrangements between the Territory LNG producers and the Power and Water Corporation would safeguard the Northern Territory's currently strong gas supply reliability and security for the benefit of consumers.

Without the emergency back-up supply arrangements with the Territory LNG producers, the Northern Territory's supply security would effectively transition from an expected 'N-2' redundancy

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[21] The connection points for these facilities are, for Darwin LNG, the flange connection between the boundary of Darwin LNG and APA Group's Wickham Point Pipeline, and for Ichthys LNG, the point at which the lateral pipeline from the Wickham Point Pipeline to Ichthys LNG crosses the boundary (fence line) between the Inpex and Power and Water Corporation properties.

from late 2018 to having insufficient redundancy for any prolonged interruption to gas supplies from the Blacktip gas field.

6.2. Price

Although reliability and security of supply of the Northern Territory gas market would likely be adversely affected if the commercial incentives for Territory LNG producers to provide emergency back-up supply arrangements were undermined, it is also likely that alternative higher cost emergency back-up supply measures would need to be pursued by the Power and Water Corporation or the Northern Territory Government to achieve at least ‘N-1’ redundancy.

Potential measures available could include contracting supply from existing or new gas fields, investment in increased diesel storage and generation capacity, or funding the upgrade of the Northern Gas Pipeline to provide for bidirectional gas flows.

Each of these options may entail higher costs to the Power and Water Corporation and the Northern Territory Government and, subject to these costs being passed through, higher costs for gas consumers.