PROPOSED PROCEDURE CHANGE (PPC) – SUMMARY SECTION

Issue Number			
Impacted Jurisdiction(s)	VIC, TAS, NSW, Qld, SA, ACT		
Proponent	COAG Energy Council Secretariat	Company	N/A
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Affected Gas Market(s) ▪ Retail ▪ Wholesale ▪ Bulletin Board	Natural Gas Services Bulletin Board (GBB)	Date proposal sent to AEMO	2/10/15
Short Title	Gas Bulletin Board Wallumbilla Demand Zone		
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PROPOSED PROCEDURE CHANGE (PPC) – DETAILED REPORT SECTION

1. Description of change(s) and reasons for change(s)	The Natural Gas Services Bulletin Board (GBB) publishes information on eastern Australian gas infrastructure to facilitate improved decision making and the trade in gas across the eastern gas market. Gas production, storage and delivery data is defined and reported by demand and production zones. A work stream associated with the Council of Australian Governments Energy Council's *Australian Gas Market Vision* statement involves improving information transparency, including gas flow information published on the GBB. While improved transparency is relevant to the broader eastern gas market, it is a particular concern for gas flows between the domestic market and liquefied natural gas (LNG) export facilities, in a period of market transition characterised by uncertainty and risk. A recently completed GBB procedure change process (BB 15-001) will soon see gas production and flow data associated with LNG export facilities located in Queensland published on the GBB. However, a key information asymmetry will remain because gas flows between the domestic market and LNG projects' pipelines/facilities via infrastructure located at Wallumbilla will not be reported. This is because pipelines that flow gas solely within a zone are not required to report on the GBB. This is a major issue because several large-capacity pipelines that ship gas to LNG projects via Wallumbilla are not required to report. The combined capacity of these pipelines is greater than 1,000 TJ/d, more capacity than the combined capacities of the three reporting GBB pipelines that connect to Wallumbilla. This blind spot inhibits the ability of market participants to undertake gas trades at the Wallumbilla Gas Supply Hub (GSH) and effectively manage risk as outlined below. This information asymmetry is likely to result in LNG proponents having a competitive advantage in the market and contribute to the inefficient pricing of gas traded at the GSH. This asymmetry undermines trader confidence and may limit participation and competition at the GSH. Accurate and complete gas flow information at Wallumbilla is particularly important during the current transitional period as LNG projects ramp up production and there is uncertainty concerning LNG proponents' gas supply adequacy. This procedure change request follows from consultations undertaken by AEMO with industry through their GBB Reference Group. Reference Group consultations concerning redesigning the GBB zones occurred on: 9 September 2014; 11 November 2014; and 23 March 2015. At these meetings, AEMO presented a number of zone models that could potentially improve transparency concerning gas flows. The approaches considered were using the existing zone framework or introducing new pipe-to-pipe and/or transit zone frameworks. During

	consultations, it was noted that no single model presented could provide a solution to deliver a comprehensive and accurate representation of eastern market gas flows. The Australian Energy Market Commission (AEMC) is currently undertaking its *East Coast Wholesale Gas Market and Pipeline Frameworks Review*. As part of this process, the AEMC is considering whether the coverage and accuracy of GBB information can be improved. This work will include a holistic review of the current zone model and whether it continues to be an appropriate framework for the reporting of gas facilities and flows. However, this review process, the subsequent comprehensive consultation and implementation processes are likely to take a considerable period that could extend to mid-2018. In the period while the AEMC completes its review process and potentially implements a solution to better portray gas flows, this PPC would create a new Wallumbilla demand zone and therefore enable accurate gas flows to and from Wallumbilla, and from connected facilities, to be reported and published on the GBB. Implementing a Wallumbilla demand zone would create new obligations for facility operators to report net flows from the Roma production zone into or out of the South West Queensland Pipeline compound located at Wallumbilla for at least the following pipelines: • Berwyndale to Wallumbilla Pipeline; • Darling Downs Pipeline; • Comet Ridge to Wallumbilla Pipeline; • Spring Gully Pipeline; and • Fairview Pipeline. Further, the Roma Underground Storage facility could potentially be required to report. In addition, to enable better understanding of Wallumbilla gas flows, net flows into or out of the South West Queensland Pipeline compound for the following pipelines would also need to be reported: • Roma to Brisbane Pipeline; • South West Queensland Pipeline; and • Queensland Gas Pipeline. Net flows of pipelines connected to Wallumbilla will need to be defined, reported and published in a manner whereby the data can be unambiguously interpreted. It is recognised that the establishment of a Wallumbilla demand zone would not provide a complete solution for the accurate provision of information concerning all of the eastern market's gas flows but it would provide an important short-term solution concerning information that is required to underpin the efficient pricing of gas traded at the GSH.

2. Reference documentation ▪ Procedure Reference ▪ GIP/Specification Pack Reference ▪ Other Reference	GBB Procedures version 5.0 - Schedule 2
3. The high level details of the change to the existing Procedures This includes: ▪ A comparison of the existing operation of the Procedures to the proposed change to the operation of the Procedures. ▪ A marked up version of the Procedure change (see Attachment A).	It is proposed to add a Wallumbilla zone as a new demand zone to the Schedule of Demand and Production zones in the GBB Procedures. A marked-up version of the proposed change to Schedule 2 of the GBB Procedures is included in Attachment A.
4. Consequences for making or not making the change(s)	Not making the changes will perpetuate the current information asymmetry that is hampering the efficient pricing of gas traded at Wallumbilla.
5. Explanation regarding the order of magnitude of the change(s) (eg: material, non-material or non-substantial)	Market impact: The proposed change will be material as it will require operators to register their facilities on the GBB and provide forecast and actual delivery data, as well as capacity updates for their facilities, on a daily basis in accordance with the National Gas Rules and the GBB Procedures. Because these operators are already, or soon will be, data providers for the GBB, they would need to augment their business systems to ensure data is provided in an accurate and timely manner. Implementation impact: The proposed change will require adding new facilities to the GBB reports and changes to the GBB website map to add the new zone, associated GBB pipelines and facilities.

6. Likely benefits for industry as a whole	The expected benefits of this change are increased information availability on the GBB, which will increase transparency and likely have the following benefits: *Efficient commodity pricing*: Information on production, flows and storage quantities are important considerations when pricing wholesale transactions. The ability to price transactions aids decision making and leads to efficient resource allocation. *Improved confidence*: Information gaps concerning flows through the Wallumbilla facility undermine confidence. Traders faced with information gaps respond by adjusting their bids and offers to reflect the risk associated with missing information, or may completely withdraw from trading. This behaviour reduces trading, undermines efficient pricing and in turn results in less efficient resource allocation. *Equity*: Information asymmetries unfairly disadvantage some trading participants. Transparency and the credibility it brings to a market is an important attribute for attracting new participants, particularly financial players, to the Wallumbilla gas market. *Improved risk management*: Wallumbilla flow information could provide a signal to market participants to assist them in balancing their positions across the eastern market. Wallumbilla is of particular importance as it would provide signals related to dynamics between the export and domestic markets. This information could provide a signal for trading participants to take actions to avoid congestion and aid efficient balancing outcomes. *Emergency management*: Complete information on flows, production and storage at Wallumbilla could be of importance to participants and jurisdictions during unexpected system or market events that impact supply or demand. *Capacity trading*: To trade at the GSH, market participants require access to pipeline capacity. Some participants have raised concerns that, at times, they have been unable to access required capacity. Net Wallumbilla flow information may be useful for participants who are seeking secondary capacity.
7. The likely implementation effect of the proposal on Industry in general and/or any identified parties (e.g. end-users)	Market participants require improved transparency concerning gas flows at Wallumbilla to better: price gas traded at the GSH; understand market dynamics; manage risk; and make informed decisions. Policy makers also require better information to better understand market dynamics make informed decisions. As indicated above, the proposed change will require operators to register their facilities on the GBB and provide information on a daily basis in accordance with the National Gas Rules and the GBB Procedures.

8. Testing requirements	AEMO will need to undertake user acceptance testing for the addition of a new demand zone to the GBB reports, as well as adding new GBB pipelines and facilities to the interactive GBB map. Affected participants will need to make their own assessment of their individual testing requirements for submission of the required GBB data.
9. Supporting Documentation (attach if necessary)	N/A
10. If applicable, a proposed effective date for the proposed changed Procedures to take effect and justification for that timeline.	ASAP

ATTACHMENT A – DOCUMENTATION CHANGES (SEE SECTION 3)

Blue represents additions. Red and strikeout represents deletions – Marked up changes

Schedule 2 *Demand Zones* and *Production Zones*

a. Demand Zones

Demand Zone	Description	BB pipeline nominations, flows required
Wallumbilla	Net flows into or out of the SWQP compound located at Wallumbilla including those from the RBP, QGP, SWQP, Berwyndale to Wallumbilla Pipeline (BWP), Darling Downs Pipeline (DDP), Comet Ridge to Wallumbilla Pipeline (CRWP), Spring Gully Pipeline (SGP) and Fairview Pipeline.	RBP, QGP, SWQP, BWP, DDP, CRWP, SGP and Fairview Pipeline