

IMPACT & IMPLEMENTATION REPORT (IIR) – LNG RESERVE PROCEDURE

Impacted Jurisdiction(s)	Victoria	Company	AEMO
Proponent	Luke Stevens	Consultation process (Ordinary or Expedited)	Expedited
Affected Gas Market(s)	DWGM	Date Industry Consultative forum(s) consultation concluded	Tuesday, 20 December 2022
Industry Consultative forum(s) used	GWCF		
Short Description of change(s)	AEMO is implementing this Procedure change to comply with the AEMC's DWGM interim LNG storage measures rule change.		
Procedure(s) or Documentation impacted	Updates to: Gas Scheduling Procedures New: LNG Reserve Procedure		
IIR Prepared By	Luke Stevens	Approved By	Violette Mouchaileh
Date IIR published	20 December 2022	Date Consultation under 135EE or 135EF concludes	8 February 2023
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IMPACT & IMPLEMENTATION REPORT – DETAILED REPORT SECTION

CRITICAL EXAMINATION OF PROPOSAL

1. DESCRIPTION OF ISSUE

AEMO is implementing this Procedure change to comply with the AEMC's [DWGM interim LNG storage measures](#) rule change. As a consequence of this Rule change AEMO is consulting on changes to the Wholesale Market Gas Scheduling Procedures and new Wholesale Market LNG Reserve Procedures.

The Procedures must be in place by 1 March 2022, as required by the Rules, to allow refilling of AEMO's LNG reserve for Winter 2023.

2. REFERENCE DOCUMENTATION

- Wholesale Market Gas Scheduling Procedures
- Wholesale Market LNG Reserve Procedures

3. OVERVIEW OF CHANGES

3.1. Procedure Changes

The changes to the Procedures include:

3.1.1. Wholesale Market Gas Scheduling Procedures

Addition of a new chapter 6 for the Operation of AEMO's LNG Reserve detailing:

- Scheduling AEMO's LNG Reserve in response to a Threat to System Security
- Scheduling AEMO's LNG Reserve for disposal
- Appropriate cross referencing of these process in other sections of the Procedure and to the LNG Reserve Procedure.

3.1.2. Wholesale Market LNG Reserve Procedures

AEMO is required, by the NGR286A, to produce a new LNG Reserve Procedures, relating to:

- contracting for LNG storage capacity;
- the acquisition of gas for storage on its behalf as LNG stock;
- the disposal or reduction of the LNG stock held on its behalf, including:
 - specify the terms and conditions on which LNG stock is to be transferred to a Market Participant; and
 - specify the methodology to be used by AEMO to determine the price of LNG stock transferred to a Market Participant;
- cost recovery and return of proceeds;
- include the methodology to be used by AEMO to determine the allocation factor for each Market Participant for each relevant year;
- deal with the publication of information; and
- provide information to explain the arrangements for cost recovery and return of proceeds.



4. OVERALL COST AND BENEFITS

The AEMC has assessed the cost/benefit of the rule changes against the NGO.¹ It is AEMO's view that this IIR implements those rules in a way that delivers the greatest benefit.

5. AEMO'S PRELIMINARY ASSESSMENT OF THE PROPOSAL'S COMPLIANCE WITH SECTION 135EB:

The Procedure changes described in this document are required for AEMO's procedures to maintain consistency with the NGR and to implement the AEMC's [DWGM interim LNG storage measures](#) rule change. AEMO considers that the NGO is met for the reasons set forth in the AEMC's rule determination.²

6. EXPEDITED PROCEDURE CHANGE

AEMO is undertaking an expedited Procedure change under NGR135EF as AEMO considers that the Procedure is urgently necessary to ensure the proposed operation of the DWGM.

The Procedure change is required for the AEMC's [DWGM interim LNG storage measures](#) rule change, published 15 December 2022, which requires the Procedures to be effective from 1 March 2023.

IMPACT & IMPLEMENTATION REPORT – RECOMMENDATION(S)

7. SHOULD THE PROPOSED PROCEDURES BE MADE?

AEMO recommends that the Procedures should be amended as set out in the draft Procedures published with this IIR.

8. CONSULTATION TIMELINES

- IIR publication date: 20 December 2022
- IIR consultation submissions due: 24 January 2023
- Notice of Decision published: 8 February 2023
- Effective Date of Procedures: 1 March 2023

¹ <https://aemc.gov.au/rule-changes/dwgm-interim-lng-storage-measures>

² <https://aemc.gov.au/rule-changes/dwgm-interim-lng-storage-measures>