

7th October 2022

Attention: Energy Ministers Secretariat
Consultation – Extension of AEMO Functions and Powers

Dear Secretariat,

RE: Draft National Gas (South Australia) Amendment (East Coast Gas System) Bill 2022

Brickworks Building Products Pty Limited (“Brickworks”) welcomes the opportunity to comment on the Draft National Gas (South Australia) Amendment (East Coast Gas System) Bill 2022 (“Draft Bill”).

Brickworks is Australia’s leading manufacturer of building products and is the owner of Austral Bricks. Annually the company consumes up to 3.1 PJ (million GJ) of natural gas to produce circa 500 million bricks within the east coast of Australia. Brick manufacturing is a high-heat process that requires natural gas to fire bricks in a kiln at a temperature of over 1,000 degrees celsius. Brickworks is a market participant in each wholesale gas market in Victoria, Sydney, Brisbane and Adelaide and the Gas Supply Hub. Brickworks supports the Santos Narrabri gas project and recognises the importance of this project in providing additional gas supply to the east coast domestic gas market. Brickworks is conducting a feasibility study on developing a renewable gas (biomethane) production facility next to an Austral Bricks plant in Western Sydney. Brickworks also consumes approximately 250 TJ (thousand GJ) of landfill gas annually.

Brickworks was concerned about the potential risk of gas load curtailment occurring this winter following the AEMO identifying potential gas supply shortfalls on several occasions. It was unclear what consequences may have followed if a gas supply shortfall materialised and whether the AEMO would direct large gas users to curtail gas consumption irrespective of their gas injection volumes or contracting status. Brickworks remains unclear on the details and causing factors leading up to those events and would like to see further transparency on these issues.

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Brickworks supports the intent of the Energy Ministers to provide the AEMO with new powers and obligations to identify, report and attempt to resolve potential and actual gas reliability and adequacy issues. However, further consideration is needed on the possible cost to gas consumers to ensure the Draft Bill includes adequate cost protections for gas consumers. With 2023 gas contract pricing currently at extreme levels, it is essential that the Draft Bill provides sufficient consumer cost protections to minimise any uncontrollable costs that will ultimately be passed through to gas consumers. Any power provided to AEMO to issue directions or procure gas, pipeline and/or storage services should be limited to only where it is absolutely necessary and where market participants have confirmed they are unable or unwilling to resolve the potential identified issue. The proposed compensation mechanism also requires careful consideration to ensure that parties can not game compensation payments by acting in a way that artificially inflates the cost claim. Compensation costs should be limited to direct costs that reflect the reasonable cost to produce, transport or store gas. Recovery of AEMO procurement and compensation costs should occur on a causer pay basis to only those market participants that contributed to causing the identified issue.

Brickworks also recommends establishing a new Gas Reliability Panel to develop, monitor and review the gas reliability standards. The Gas Reliability Panel could be administered similarly to the existing (electricity) Reliability Panel. The Gas Reliability Panel should have panel members representing relevant stakeholder groups, including wholesale large gas consumers, retail large gas consumers, small gas consumers, and small gas retailers.

Given the short consultation period, we have limited our details comments to Section C on the Draft Bill.

Brickworks supports the submission made by the Energy Users Association of Australia. If you wish to discuss any aspect of this submission further, please contact the undersigned.

Kind Regards,



Melissa Perrow
General Manager Energy

Attachment D – Extension of AEMO Functions and Powers - Stakeholder feedback template

Submission from Brickworks Building Products Pty Ltd

The template below has been developed to enable stakeholders to provide feedback on proposed amendments to the national gas regulatory framework (including the National Gas Law and associated Regulations and Rules) as outlined in the consultation paper *Extension of AEMO Functions and Powers to manage supply adequacy in the east coast gas market*. ESOM strongly encourages stakeholders to use this template, so that it can have due regard to the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. When responding to questions, stakeholders should make reference to the relevant draft Bill or Regulations or Rules if applicable.

Should stakeholders choose to provide additional feedback outside the template, they should reference the relevant question they are responding to.

C. Feedback on proposed changes to the National Gas Law, Regulations and Rules

Attachment A of the consultation paper contains the proposed regulatory amendments to give effect to the policy intent set out in the consultation paper. Comments specific to particular sections of the draft Bill, Regulations and Rules should be provided in sections C of this template.

Question /Section	Feedback
Feedback on proposed changes to the National Gas Law	
91AD (f)	Delete words “or desirable”. AEMO’s power to purchase gas or other services should be limited to where it is absolutely necessary. We are unclear under what desirable circumstances exist for AEMO to incur potentially very significant costs that will be passed through to gas consumers that they have no ability to control.
91AF(2)(b)	Potential Threat should be defined so that it is limited to instances where there is a real possibility of a significant gas supply shortfall occurring.
91AF(3)	Replace the words “The Rules may specify” with “The Rules must specify”. The powers being provided to AEMO have significant implications for gas market participants and, if exercised, are likely to incur significant costs which will be passed through to gas consumers.
91AF(4) & 91AF(6)	AEMO should be made to publicly consult on the development of direction guidelines. Public consultation should also be required where direction guidelines are amended to specifically include or exclude new codes of practice or standards.

Question /Section	Feedback
91AF(10)(g)	We note that the current definition appears to exclude distribution networks, which may need to be directed (eg to receive gas from a party that does not currently hold a distribution agreement with the network)
[9] 91FA(3) & [10] 91AF(4)	AEMO should continue to have an obligation to consult relevant parties. In practical terms, we believe that market participants may often be capable of addressing issues more quickly than AEMO due to the contracting and information technology changes needed to procure gas, transport or storage services at short notice. We suggest the timeframe could be reduced and the consultation process significantly streamlined, with consultation only skipped in extreme instances where the timeframe is so short that it is not practically possible.
[13] Schedule 1	(2) Add the Gas Reliability Panel. (9) We understand that peak demand is primarily driven by gas-fired generators and temperature-sensitive customer demand which includes small gas customers. As some large gas users have flat consumption, gas retailers should include small gas consumers in meeting their obligation to develop plans to manage peak or other demand scenarios.
Feedback on proposed changes to the National Gas Regulations	
	No comments provided.
Feedback on proposed changes to the National Gas Rules	
Rule 135C – east coast gas system reliability costs & Rule 135CC & Rule 135CF	We strongly disagree with the approach to socialise all costs incurred by AEMO across all market participants. Any costs AEMO incurs from procuring gas, storage or transport should be recovered on a causer pays basis from only those market participants that contributed to the threat. These costs should be excluded from market participant fee recovery. Socialising these costs across all market participants results in all gas consumers cross-subsidising one, or a small number of market participants, that were physically short in the market with insufficient injection volumes to cover their forecast withdrawals. If a market participant is injecting equal or more gas compared to its withdrawals, it should not pay for any costs that AEMO incurs that have been caused by other market participants. AEMO’s costs to procure gas, storage or transport should be recovered after an event and allocated to the causer market participants based on their contribution to causing the issue. We also suggest that AEMO procurement costs need urgent further consideration as to how they interact with market costs to minimise the total cost across the market (ie ensure AEMO cannot adversely impact participants’ normal market costs) and minimise the cost recovery amount.
Rule 687(1)(c)	Obligations to provide information on the proportion of expected withdrawals to be purchased from a STTM or gas exchange should also apply gas powered generators and retailers who sell gas. It is unclear why only BB large users are being asked to provide, what would generally be considered, highly confidential information but large retailers and gas-fired generators are not. Information about a specific party’s intent to buy gas from a gas market or gas hub should be treated as confidential by AEMO and not be made publicly available.
Rule 690	We strongly support this rule, but suggest it would be helpful for AEMO to also provide sufficient context in its notices to reduce the need for market participants to call AEMO seeking further details on the expected issue to understand the potential impact on the market.
Rule 697(8)	AEMO must also publicly consult on developing or amending the compensation procedure.
Rule 700	We disagree that all market participants should be required to fund a trading account. Cost should be recovered after an event on a causer pays basis. Costs should not be socialised across all market participants which has the effect of passing through uncontrollable costs to all gas consumers to subsidise market participants that are short in the market.