

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

Submission from CSR Limited

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.

A. Proposed initial reforms

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
Overarching functions			
[Insert question number]		[Insert reference where applicable]	
1	Do stakeholders have any comments on the scope of AEMO's new reliability and supply adequacy functions and the related rule-making powers as outlined in the draft Bill?		<p>These new functions increase AEMO's scope beyond what is required to perform the proposed functions.</p> <p>AEMO's GSOO and VGPR functions already provide much of this information, as does the new information provided through the transparency measures. A more appropriate function would be for rules to be put in place similar to the emergency functions of the WA Gas Bulletin Board, i.e., only to be used when needed. The proposed changes will place a significant burden on industry, for data that is only required a small percentage of the time (if at all). It should also be noted that AEMO previously argued against having emergency management functions¹ on the basis that NGERAC had developed a more coordinated and streamlined Interruption to Supply Process.</p>

¹ <https://www.aemc.gov.au/rule-changes/removal-of-gas-bulletin-board-emergency-informatio>

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
			<p>Clause 91AF gives AEMO the ability to issue directions. This should be clarified such that the recipient doesn't need to comply to the extent that the direction</p> <ul style="list-style-type: none"> • Presents a safety risk • Could result in damage to equipment • Could result in the recipient being in breach of other laws. <p>Schedule 1 (6) appears to give AEMO the ability to oblige entities to contract with each other. If this is the intent this represents a significant regulatory risk.</p> <p>These new functions result in duplication of reporting obligations, additional regulatory burden on industry, and limited benefits to the market (or benefits that could be achieved with a simpler and targeted approach).</p>
2	Does the definition of east coast gas system exclude anything that should come within scope of the new function?		
3	Do stakeholders consider any additional requirements should be specified in the rules in relation to the manner in which AEMO exercises its functions?		<p>Most of 682 subclauses aren't required as BB reporting entity covers all of the other clauses, apart from 682(b).</p> <p>Rules 684, 685 and 686 aren't required, or at best offer no value. AEMO has data on weather, outages, system constraints and therefore is best placed to produce a whole of system forecast with a greater level of accuracy. Many facilities will not have a reasonable forecast and therefore this will lead to cumulative errors that could be easily avoided by AEMO producing its own forecast.</p> <p>Rule 688 is an extension/duplication of existing maintenance requirements, and this should be incorporated into Part 18 of the rules.</p> <p>Rule 694 should have additional, independent, oversight (possibly through the AER)</p> <p>To the extent these onerous rules are progressed, a single submission approach should be used where appropriate rather than having multiple sets of the same data in different systems.</p> <p>Any trading function within AEMO should be ring-fenced from broader AEMO activities and be subject to independent reviews and audit.</p>

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
			References to gas powered generator should be gas-fired power generators (or gas fired electricity generators as per 91BF(2))
4	Do stakeholders consider that AEMO should develop any specific procedures or guidelines for its new functions?		Yes, AEMO should be transparent in its approach with sufficient input from industry and adequate oversight from the AER.
5	Do you think a review of this regulatory package after three years is appropriate?		Two years following implementation would be more appropriate.
Transparency – Regarding the proposed additional information requirements set out in Table 1 of the consultation paper:			
6	Do the proposed additional reporting requirements provide sufficient daily and monthly information to enable AEMO to monitor and signal potential threats to east coast gas system adequacy over a sufficient forecast period?		<p>The proposed changes go far beyond what is required and run the risk of increasing errors in the data. AEMO should be forecasting this information themselves given the significant data set it already has across the east coast gas and electricity markets.</p> <p>Gas-fired generators typically have contracts that need to account for the uncertainty of their usage requirements given their role in the NEM. Any level of forecasting is going to be a broad estimate and is likely to be less accurate than AEMO's own forecasts.</p> <p>The most likely scenario (leading to an emergency) is a series of unplanned events that result in a significant potential gas shortfall event. This would be best managed through a temporary emergency function that is only stood up when required.</p>
7	Do stakeholders have any comments about the proposed additional information reporting and disclosure arrangements, and related transitional timeframes?		The proposed reporting requirements will create a significant burden, with limited value to AEMO. Much of this was assessed through the measures to improve transparency in gas markets regulatory impact statement ² which found there was minimal support and significant costs.
8	Should there be any specific limits on who should be captured by disclosure		Reporting should be through the GSOO processes, and then by exception – with the possibility that the additional provisions for maintenance activities could be included in the existing part 18 rules. To the

2

https://web.archive.org/au/awa/20211005140025mp_/https://energyministers.gov.au/sites/prod.energycouncil/files/publications/documents/Measures%20to%20improve%20Transparency%20in%20the%20Gas%20Market%20-%20Decision%20RIS_accessible_V200406.pdf

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
	obligations or ways to minimise compliance obligations such as thresholds, reporting party definitions, or links to other regulatory reporting requirements?		extent AEMO already has the required information (e.g., through MT PASA) there should be no requirement to provide information. Any new AEMO functions for directions and additional information gathering should be as emergency only.
Transparency – regarding the further more granular information set out in the consultation paper (subject to further consultation in 2023):			
9	What are your views on: a) The categories of information, and are they appropriate for real-time or hourly reporting? b) What is the optimal approach to the collection of the categories of information listed in the interests of minimising costs and ensuring efficient data transfer?		A more appropriate approach would be to have an emergency function that can be stood up in real-time and request the relevant pieces of information. Not all information will be required all of the time and the costs must be considered. Facility operators are likely to be best placed to provide information on the operation of their assets in an emergency. Provision of real-time information, all of the time, where AEMO is not the system operator is an unnecessary burden.
Signalling – regarding the signalling framework which aims to provide a practical but flexible approach to allow AEMO to notify market participants of threats to system reliability and supply adequacy:			
10	What are your views on formalising and extending AEMO’s ability to hold Gas Supply Adequacy and Reliability Conferences?		While it is important to ensure transparency to the industry when an event is occurring, the use of conferences to solve an issue can have limitations.
Directions Powers – regarding the initial broad powers to be provided to AEMO to take necessary action to manage the risk of gas supply shortfalls in winter 2023:			
11	Are there particular principles which should guide AEMO’s expanded powers of direction?		They should only be used as a last resort and in extreme situations.
12	Are there any other approaches that could be undertaken to elicit market		Government interaction is required to ensure adequate supply is made available while the markets are in this state of transition.

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
	responses ahead of directions powers?		
13	How should AEMO work with stakeholders in giving directions?		A market response approach should be the first priority (which could be some form of emergency market).
14	Are there technical matters that should be considered in the issuing of directions powers?		Yes, much of this could be achieved in having standing data.
15	Are there any entities that should not be subject to directions or certain types of directions?		Any framework must be fair and transparent with a focus on domestic markets.
Cost recovery and compensation			
16	Do the proposed changes to the cost recovery framework enable AEMO to appropriately recover costs in relation to its east coast gas market reliability and supply adequacy functions?		
17	What costs should parties who must comply with directions be able to seek compensation for? (e.g. direct costs, opportunity costs)		Direct costs only.
18	How should the costs of compensation be apportioned and recovered from the market?		
19	Should there be financial limits on individual claims, or on claims overall within a financial year?		

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
20	Is the proposed \$35m initial trading allocation appropriate?		
21	How should the trading function be funded?		
22	What principles, if any, should guide AEMO's trading functions?		

B. Proposed civil penalty provisions

Section 3 of the consultation paper sets out the proposed sections of the draft Bill or Rules that will be subject to civil penalty provisions and what level of penalty would apply. Please reference the specific sections of the draft Bill or Rules if you would like to provide feedback.

Section or rule	Feedback on proposed tiers
[include section or rule]	
[include section or rule]	
[include section or rule]	
[include section or rule]	
[insert extra rows if necessary]	

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	

Question /Section	Feedback
[Insert section and subsection reference]	
[Insert section and subsection reference]	
[Insert section and subsection reference] [insert extra rows if necessary]	
Feedback on proposed changes to the National Gas Regulations	
[Insert regulation reference]	
[Insert regulation reference]	
[Insert regulation reference] [insert extra rows if necessary]	
Feedback on proposed changes to the National Gas Rules	
[insert rule and sub-rule reference]	
[insert rule and sub-rule reference]	
[insert rule and sub-rule reference] [insert extra rows if necessary]	

D. Future reliability and supply adequacy reforms

Section 4 of the consultation paper outlines future additional reliability and supply adequacy reform works which will require further technical analysis, stakeholder consultation and detailed policy design. If you have comments on any of the additional future work streams, please do so in the table below.

Number	Question	Feedback
In relation to the proposed reliability and supply adequacy reforms outlined in Section 4 of the consultation paper, please provide initial feedback on the merits of these proposals, noting formal consultation will occur in 2023, when the policy design process has been further progressed.		
23	In your opinion, are any of these proposals more or less important to address reliability and supply adequacy concerns?	
24	Are there any practical issues arising from any of these proposals? <ul style="list-style-type: none"> If so, please elaborate on your concerns. 	
25	Are there any other reliability and supply adequacy proposals that should be considered as part of this work?	

E. General feedback on timing and next steps required

Please elaborate if you would like to provide general feedback on the timing and next steps required regarding this work.

Topic	Feedback