

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

Submission from Epic Energy (SA) Pty Ltd ACN 068 599 815 (Epic)

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?		Epic supports comments made by the Australian Pipelines and Gas Association (APGA) in its submission (which Epic has reviewed and generally supports, as noted below).
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		Epic supports comments made in the APGA submission.

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
	rules in relation to the manner in which AEMO exercises its functions?		<p>In addition to the comments made in the APGA submission it is important for AEMO to consider the overall impact of directions on pipeline operations. When directions are issued pipeline operators are potentially required to curtail scheduled quantities (which are in accordance with the contractual rights of the customer) in place at the time of the direction. This curtailment will impact the overall balance of the market including reducing gas supply to other customers including gas fired generators which may result in a net negative impact to the market reducing market reliability.</p> <p>This highlights the need for AEMO to consult with service providers prior to issuing directions to enable all impacts to be assessed prior to the direction being issued and avoid unintended adverse consequences for market participants and other stakeholders.</p>
4	Do stakeholders consider that AEMO should develop any specific procedures or guidelines for its new functions?		In addition to the comments made in the APGA submission, Epic emphasises the need to develop an appropriate procedure regarding industry consultation prior to the issue of directions.
5	Do you think a review of this regulatory package after three years is appropriate?		Epic supports comments made in the APGA submission.
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?		Epic supports comments made in the APGA submission.
7	Do stakeholders have any comments about the proposed additional information reporting and disclosure arrangements, and related transitional timeframes?		Further comments to be provided as part of the review of the NGR

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
8	Should there be any specific limits on who should be captured by disclosure obligations or ways to minimise compliance obligations such as thresholds, reporting party definitions, or links to other regulatory reporting requirements?		Further comments to be provided as part of the review of the NGR
Transparency – regarding the further more granular information set out in the consultation paper (subject to further consultation in 2023):			
9	<p>What are your views on:</p> <p>a) The categories of information, and are they appropriate for real-time or hourly reporting?</p> <p>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?</p>		<p>Epic supports comments made in the APGA submission.</p> <p>In addition Epic highlights Cyber Security risk as a key risk facing critical infrastructure owners. The increased interconnectivity of systems required for live data will increase this risk exposure. Epic notes that responsible entities for critical infrastructure assets are also required to comply with the enhanced regulatory framework established under the Security of Critical Infrastructure Act (2018), and Cyber Security risk is expected to be a focus of critical infrastructure risk management programs. It would be a perverse outcome if AEMO’s requirements for more granular information resulted in increasing the risk exposure of responsible entities of critical infrastructure assets.</p> <p>Further comments to be provided as part of the review of the NGR.</p>
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?		Epic supports comments made in the APGA submission.
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?		Epic supports comments made in the APGA submission.

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
12	Are there any other approaches that could be undertaken to elicit market responses ahead of directions powers?		Epic supports comments made in the APGA submission.
13	How should AEMO work with stakeholders in giving directions?		Epic supports comments made in the APGA submission.
14	Are there technical matters that should be considered in the issuing of directions powers?		<p>Epic supports comments made in the APGA submission.</p> <p>In addition to the comments made in the APGA submission:</p> <ul style="list-style-type: none"> - AEMO must consider the ramp time of users and the impact this has on directions. Ie the time required to implement directions to increase or decrease flow. - In many circumstances pipeline operators rely on users to implement directions in a safe manner, only in extreme circumstances will pipeline operators directly intervene in users' gas flows due to the inherent safety issues associated with this. For this reason it is critical that primary directions are issued to users and not pipeline operators. -
15	Are there any entities that should not be subject to directions or certain types of directions?		
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?		Epic supports comments made in the APGA submission.
17	What costs should parties who must comply with directions be able to seek compensation for? (e.g.		Epic supports comments made in the APGA submission.

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
	direct costs, opportunity costs)		
18	How should the costs of compensation be apportioned and recovered from the market?		Epic supports comments made in the APGA submission. It is critical that compensation costs be apportioned to the entity responsible and this be linked to a reliability requirement for supply. This approach would encourage market participants to maintain an adequate level of risk coverage or hedging to ensure they do not incur costs in relation to the exercise of AEMO powers, which should encourage appropriate behaviour and the limitation of utilisation of AEMO powers.
19	Should there be financial limits on individual claims, or on claims overall within a financial year?		No
20	Is the proposed \$35m initial trading allocation appropriate?		
21	How should the trading function be funded?		Given the trading function is only intended to be utilised in emergency circumstances the cost of industry funding this function through cash injection would be an unnecessary cost and administrative imposition on market participants which would only increase the cost to the ultimate customers. It is recommended that the least burdensome cost funding solution should be implemented which would be via an at call loan facility from the Federal Government that can be called upon at short notice when necessary. The recovery of any losses or return of any profits obtained from the actual trading activity can then be separately determined through AEMO cost recovery mechanisms.
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	
[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	

Question /Section	Feedback
[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. 	AEMO Powers may impact users' appetite for risk and discourage users obtaining hedging products such as pipeline capacity and gas supply as AEMO offers a broader risk product through market intervention. This can be limited by ensuring appropriate cost recovery mechanisms and user reliability requirements. Consideration should also be given to the potential liability of market participants and how this liability will be covered by credit support, ensuring the appropriate users are able to contribute to costs.
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