

Energy Ministers' Secretariat

Via email - gas@industry.gov.au

Extension of Australian Energy Market Operator (AEMO) Functions and Powers to Manage Supply Adequacy in the East Coast Gas Market - Part Two

Australian Gas Infrastructure Group (AGIG) welcomes the opportunity to provide this submission to the Extension of AEMO Functions and Powers to Manage Supply Adequacy in the East Coast Gas Market Consultation Paper to address the second stage consultation topics, including the regulatory framework and rules.

AGIG owns gas pipelines, distribution networks and storage assets that provide services to over two million homes, businesses and large industrial customers across Australia.

As a key participant in the downstream east coast gas supply chain, we recognise the energy supply issues that occurred in mid-2022 which have given rise to this policy consultation. These include significant gaps in the supply of coal-fired electricity and subsequently a greater demand for gas as a substitute. They also include the decline in production from southern gas reserves which is predicted to become more substantial from next year.

To the extent that the energy crisis experienced has been the product of electricity shortfalls and government policies that either discouraged or disallowed gas production, it does not hold that gas infrastructure companies and our customers should incur the cost of ensuring it does not reoccur. Our business has a strong commitment to keeping costs as low as possible and as equitable as possible, and this would be in our view an unfair and inequitable outcome for consumers. AGIG is strongly of the view that any costs associated with increased reporting and compliance because of the proposed reforms should be kept as low as possible and should be paid by the entities whose actions or policies have given rise to the shortfall.

AGIG acknowledges the urgency with which these reforms are being progressed and has sought to engage fully in the consultation process. However, with respect to the very short timeframes for policy development, AGIG's submission emphasises that reforms should be as alert as possible to the market uncertainties, risks and flow-on effects that could eventuate during the reform implementation phase and beyond, some of which may not be fully known or anticipated at the present time.

Importantly the Consultation Paper does emphasise that 'these functions will aim to provide greater visibility to identify and resolve emerging issues and minimise the need for more interventionist actions' and 'that the new powers are proposed to enable AEMO to work with energy market participants to identify, signal and manage emerging supply adequacy risks across the east coast gas system.' AGIG strongly supports and encourages a transparent and accountable implementation of this aim and approach during the implementation of this reform.

In addition, transparency and accountability for the ongoing implementation of this reform would also be assisted by public release of post-incident reports by AEMO that address the steps taken to engage market responses and why it was necessary to use the new powers.

AGIG also understands the need for additional transparency in terms of data provided by industry, however the requests for maintenance details for a 24-month horizon under broad definitions such as a 'Natural Gas Industry Facility' would benefit from further discussion. It's not clear to AGIG to what extent this might apply to gas distribution networks or if so, how it could be appropriately targeted to the vast footprint and operations of gas distribution networks. Planning details for maintenance work is not currently available for a 24-month horizon and may be subject to significant changes and uncertainty over this type of timeframe.

AGIG supports amendments to R687 to exclude a Bulletin Board (BB) blended gas distribution system from the definition of BB reporting entities. An exemption for single shipper transmission pipelines which do not receive daily nominations and forecasts should also be included in R687(3) on the basis that these pipelines have a similar exemption from having to provide BB nomination and forecast information under the NGR 183.

AGIG also has concerns regarding any future reform information requirements to provide real-time or hourly supply data on pressures, flows and heating values at the gas transmission and distribution levels given that significant investment would be required on information systems, including SCADA, and other operational and compliance-related activities across the industry. We do not believe the benefits outweigh the significant costs of real-time or hourly data provision.

Given there is potential for significant direct and indirect costs to be incurred by throughout the market, including distribution networks, a specific provision for a cost pass through that is available to distribution networks, akin to what is included under the National Retail Law for Retailer of Last Resort events, is a worthwhile consideration.

Addressing the principal reason for these reforms, being future reliability and supply adequacy, AGIG is keenly interested to explore the potential for renewable gas solutions as part of the proposed demand management framework. Consideration of the role of renewable gas in providing flexible gas resources and demand response should not be underestimated given there is considerable scope for innovative cost-effective solutions to emerge that also deliver ongoing emissions reduction benefits. AGIG is well placed to advise on the scope and applicability for the flexible applications of green hydrogen through its leadership of recent innovation projects completed and under development.

Finally, AGIG has engaged with Energy Networks Australia and the Australian Pipelines and Gas Association on their respective submissions, and provides support to those positions.

Thank you for the opportunity to contribute to this consultation process. Should you have any queries about the information provided, please contact Rachel Cameron, Head of Corporate Affairs (Rachel.Cameron@agig.com.au or 0425 199 184).

Yours sincerely,

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About AGIG

AGIG is the largest gas distribution business in Australia, serving more than two million customers through our networks in Victoria, Queensland, South Australia, and several regional networks in New South Wales and the Northern Territory. Our transmission pipelines and storage facility serve a range of industrial, mining and power generation customers.

At AGIG, we are committed to sustainable gas delivery today, and tomorrow. Our Low Carbon Vision, targets 10% renewable gas in networks by no later than 2030, with full decarbonisation of our networks by 2040 as a stretch target and by no later than 2050.

We are now delivering on our vision by deploying low carbon gas projects. Our projects include:

- Hydrogen Park South Australia – A 1.25MW electrolyser to demonstrate the production of renewable hydrogen for blending with natural gas (up to 5%) and supply to more than 700 existing homes in metropolitan Adelaide. HyP SA is now operational, with plans to expand customer reach to more than 3,000 customers by e.
- Hydrogen Park Gladstone – A 175kW electrolyser to demonstrate the production of renewable hydrogen for blending with natural gas (up to 10%) and supply to the entire network of Gladstone, including industry.
- Hydrogen Park Murray Valley (HyP Murray Valley) proposal – A 10MW electrolyser to produce renewable hydrogen for blending with natural gas (up to 10%) and supply the twin cities of Albury (New South Wales) and Wodonga (Victoria), with the potential to supply industry and transport sectors.