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Consultation – Extension of AEMO Functions and Powers
Attention: Energy Ministers Secretariat
Via Email gas@industry.gov.au

21 October 2022

Dear Minister

Re: Extension of AEMO Functions and Powers

The Australian Aluminium Council (the Council) represents Australia's bauxite mining, alumina refining, aluminium smelting and downstream processing industries. The Council welcomes the recognition by Energy Ministers of the need to take a range of comprehensive actions aimed at supporting a more secure, resilient and flexible east coast gas market and recognises that the measures outlined in the Extension of the AEMO Functions and Powers to Manage Supply Adequacy in the East Coast Gas Market Consultation Paper (the Paper) are part of a suite of measures aiming to address this. However, the Council recognises that these powers will not, ultimately address the root cause of the problem. The construction of the three LNG export facilities in Gladstone as well as moratoria on gas exploration in some states, has fundamentally changed the gas market with the east coast increasingly reliant on Queensland gas. Only when there is increased supply of gas, which requires an increased diversity of sellers, new sources of gas that meet/exceed current domestic requirements and current LNG export capacity, and removal of physical congestion, will there be an internationally competitive outcome for consumers. A market with inadequate gas supply cannot achieve the Government's policy aims.

The Council makes this submission, in addition to its submission of 7 October on the Extension of AEMO Functions and Powers. Background on the industry and its gas usage, as outlined in that submission has not been repeated. The Council supports the Energy Users Association of Australia's detailed submission in response to the stakeholder questions posed in the Paper.

Even for large, sophisticated industrial users, the procurement of energy including gas is primarily an input into production; rather than being the core process for the business itself. Accordingly, directions which risk process interruption must be designed with the physical and economic realities of users' businesses fully understood and need to be adequately compensated.

The Paper notes that the draft regulatory framework envisages that AEMO may need to develop and publish procedures and guidelines, as appropriate, in relation to its new role, but that as the initial framework is intended to be implemented by winter 2023, there is insufficient time to undertake the standard consultation processes. The Council believes that AEMO needs not only guidelines but also detailed procedures and these must be consulted on ahead of winter 2023. This consultation must include clarification on the extraordinary circumstances which would trigger these reforms and the cost recovery and compensation processes which

will need to accompany it. The breadth of this reform is already inconsistent with the current two / four week consultation and to implement it without some consultation on detailed procedures ahead of commencement would be reckless for Australian industry.

Domestic customers with firm supply contracts should not be treated any differently to international customers with LNG export contracts. Under the Heads of Agreement¹ (HoA) international customers are guaranteed no interruption to their contracted supply; it would be totally unacceptable if international customers of LNG are treated more favourably than domestic customers

The Council notes that as large gas users, with nameplate capacity equal to or more than 10 TJ of natural gas per day, many of the Council's members will have obligations under the proposed reforms to forecast their future gas demand and usage will be subjected to AEMO's ability to direct Member's gas supplier to re-direct that gas (even if it is under contract). Not only do the proposed reporting reforms, as presented, result in a substantial administrative burden on industry, but it is unclear what consequences would apply to any variations arising from this new disclosure. The Council believes that industrial reporting should be on a best endeavours basis only and that if any penalties are to apply, they should apply equally to all gas market participants including generators and the LNG industry.

Given the importance of a functioning gas market to the industry, the Council is happy to provide further information on any of the issues raised in this submission and looks forward to continuing to work with the Government on the development of gas policy.

Kind regards,



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¹ https://www.industry.gov.au/sites/default/files/2022-09/heads_of_agreement_the_australian_east_coast_domestic_gas_supply_commitment.pdf