

21 October 2022

Energy Ministers Secretariat  
C/O Department of Climate Change, Energy, the Environment and Water  
GPO Box 2013  
Canberra ACT 2601

Via: [gas@industry.gov.au](mailto:gas@industry.gov.au)

## Energy Networks Australia's response to Consultation – Extension of AEMO Functions and Powers – Regulations and Rules

Dear Secretariat

Energy Networks Australia welcomes the opportunity to provide a response to the Consultation Paper titled "Extension of AEMO functions and powers to manage supply adequacy in the east coast gas market." This submission focusses on the proposed rules and regulations.

Energy Networks Australia is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

ENA supports measures to improve energy security and reliability and notes that these measures should be cost-effective and proportionate. Similarly, ENA supports measures to reduce emissions from the energy sector as noted in our Energy Vision<sup>1</sup>. Energy networks are key to delivering a net zero emissions energy system. Our gas network members are working on renewable gas solutions that can support Australia's decarbonisation efforts. Progress on projects and detailed actions to increase the level of renewable gas in Australia's gas networks are outlined in Gas Vision 2050<sup>2</sup>.

ENA would welcome additional clarification and consultation on some of the proposed rules and regulations.

### Summary

- » The extent of the proposed powers of direction to gas distribution network are unclear.
- » If they do apply for gas networks, further consultation is proposed to determine whether the current information collection and maintenance plans by networks comply with the information disclosure requirements.
- » Further consultation is also proposed on cost-recovery mechanisms arising from complying with the requirements of the new power of direction, and whether the benefits for customers outweigh the costs of compliance, which will ultimately increase customer bills.

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<sup>1</sup> <https://www.energynetworks.com.au/energy-vision-networks-delivering-net-zero/>

<sup>2</sup> <https://www.energynetworks.com.au/projects/gas-vision-2050/>

## Clarification of proposed power of direction

The purpose of the current consultation is to extend AEMO's function and powers to avoid a potential shortfall of gas supply during the winter of 2023, with ongoing consultation to finetune AEMO's function and powers beyond that timeframe.

As noted in the proposed amendments to Section 91AF of the Bill, the extension of powers is to maintain or improve the reliability and/or adequacy of the supply of natural gas. This is in part delivered by the proposed new directions to relevant entities, shown in the excerpt below.

### **91AF AEMO's power of direction—east coast gas system reliability and supply adequacy**

- (1) AEMO may give written directions to a relevant entity for one or more of the following purposes:
  - (a) to maintain or improve the reliability of the supply of natural gas within the east coast gas system;
  - (b) to maintain or improve the adequacy of the supply of natural gas within the east coast gas system.

The section continues to outline the power of directions, which includes:

- » *“the operation, maintenance or use of any equipment or installations”, or*
- » *“the control of the flow of natural gas,” or*
- » *“any other matter...”.*

These proposed powers of direction are broad and can have effect on different parts of the natural gas supply chain.

The section also states that a *“person who provides pipeline, transport, compression or other related services in, into or out of the east coast gas systems”* as a *“relevant entity”* but excludes *“small customers”* as *“relevant entities”*.

Gas distribution networks service both *“small customers”* (i.e., residential customers) as well as larger industrial customers. It is unclear to what extent the powers of direction will apply to gas distribution networks and/or whether they will apply to the whole gas distribution network, or only parts thereof.

The proposed powers of direction do not clearly articulate the potential role of gas distribution networks. Gas pipelines and network businesses do not have title to the gas they are shipping and any direction from AEMO to change natural gas flows may impact gas supply to residential, commercial or industrial customers and may require breaking, or otherwise give rise to additional costs under, commercial contracts.

ENA recommends that AEMO develops a guideline in consultation with industry on these powers of direction, and clarify when and where they will be exercised, and whether different directions may be warranted for different entities in the natural gas supply industry. This guideline may also clarify information disclosure, maintenance notification and cost recovery issues as outlined below.

## Information reporting requirements

Part 27 of the regulations details disclosure requirements. The general requirements in section 683 states that relevant entities **must** prepare and submit the information required.

It is unclear whether gas distribution networks are covered by Section 686 BB large user facilities, or Section 687 BB reporting entities or Section 688 Natural gas industry facilities. The information requirements for those different entities differ.

The proposed information requirements are broad and require clarification. Additional investment may be required to provide real-time or hourly supply data on pressures, flows and heating values at the gas transmission and distribution networks. There may be material costs involved in providing this information, and particularly for distribution networks the value of this information should be weighed against the additional costs.

Indeed, it is unclear whether this additional information disclosure from gas distribution networks will assist AEMO to maintain or improve the reliability and/or adequacy of the supply of natural gas at a jurisdictional or regional level, which is the appropriate focus of a market operator.

ENA would welcome further consultation on the information disclosure requirements for gas distribution networks.

## Notification of 24 months of maintenance

If gas distribution networks are covered by Section 688 Natural Gas industry facilities, then there is a requirement to provide details of maintenance work expected over a period of 24 months.

While gas distribution businesses include long term maintenance plans as part of their 5 yearly regulatory access arrangements, the details are high level. The major program of maintenance and replacements of networks is via the gas mains replacement programs being undertaken to replace the old cast iron pipes with modern plastic materials. Additional major works are generally expansions of the gas network into new suburbs.

It is unclear whether the current level of planning would comply with the requirement of the detail to be provided to AMEO on a 24 month horizon. Furthermore, any planned maintenance on gas distribution networks will only have a localised impact on natural gas flows.

It is unclear how the requests for maintenance details for a 24 month horizon under broad definitions such as a 'Natural Gas Industry Facility' would apply to gas distribution networks. Planning details for maintenance work is not currently available for a 24 month horizon.

## Proposed cost recovery

There may be cost implications for gas distribution networks as a result of the new powers of direction. This includes:

- » ongoing and investment costs to comply with the additional disclosure requirements,
- » cost associated with rephasing maintenance costs, if required,
- » opportunity costs from complying with directions, and
- » legal and compliance costs potentially associated with redirecting gas as per the powers of direction.


The proposed rules and regulations do not identify how incurred costs or lost revenue can be recovered to comply with these rules and regulations, nor how costs can be recovered should a power of direction result in breaking or incurring additional costs under a commercial contract to deliver natural gas.

It is also unclear whether these additional costs would impact customer bills and whether those additional costs provide a long term benefit to gas customers.

ENA and its gas distribution members would welcome additional consultation opportunities to clarify how the rules and regulations would apply to gas distribution networks. We would welcome a meeting with the relevant stakeholders to discuss these issues.

Should you have any queries or wish to discuss this further, please contact ENA's Head of Renewable Gas, Dr Dennis Van Puyvelde, [dvanpuyvelde@energynetworks.com.au](mailto:dvanpuyvelde@energynetworks.com.au).

Yours sincerely,



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