

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

Submission from Peter Dobney, Energy and Sustainability Consultant

A. Proposed initial reforms

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
Overarching functions			
[Insert question number]		Reference	
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>The ADGSM and Heads of Agreement with east coast LNG exporters only covers averting east coast gas shortages in future years; they do not have a mechanism in place to cope with sudden potential gas shortages which could be created by a sudden loss of gas production or a sudden requirement for additional gas for gas powered generators due to an outage of a coal fired generator.</p> <p>This is likely to become a more frequent event over the next decade as coal fire generators become less reliable and/or are withdrawn from the electricity market.</p> <p>Hence the need for AEMO to be able to balance the east coast gas supplies on a daily basis.</p>
2	Does the definition of east coast gas system exclude anything that should come within scope of the new function?	NGL 1 Section 2 – Definitions (e)	<p>Include this definition in the National Gas Laws - East coast LNG exports means the Liquefied Natural Gas export facilities at Curtis Island.</p> <p>(This should be included as these 3 facilities between them export significantly more gas (> 2x) from the east coast gas system than the total of all other east coast gas consumers).</p>
3	Do stakeholders consider any additional requirements should be specified in the rules in relation to the manner in which AEMO exercises its functions?	NGL Division 1A 91 AF	<p>Include this function for AEMO in the National Gas Laws - AEMO has the power to curtail LNG exports from the east coast gas supply on days where there would otherwise be a gas shortage.</p> <p>(The amount of LNG curtailed would be a very small percentage of annual LNG exports and would only be for a very short term).</p> <p>(Curtailling large gas consuming businesses instead of curtailing LNG exports is not a reasonable solution to averting a gas shortage. It could lead to them exiting Australia.)</p>
4	Do stakeholders consider that AEMO should develop any specific procedures or guidelines for its new functions?		AEMO should develop procedures to determine if there will be a gas shortage each day and take the necessary steps to avert a shortage, firstly by curtailing LNG exports rather than curtailing domestic gas users.

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
5	Do you think a review of this regulatory package after three years is appropriate?		Yes
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?		No. AEMO should include an amount of contingency gas (say 10% of daily east coast gas consumption) to ensure that there is sufficient gas in the system to cope with a sudden increase in demand due to a coal fired generator outage of gas supply outage unless there is sufficient gas in storage to meet this need.
7	Do stakeholders have any comments about the proposed additional information reporting and disclosure arrangements, and related transitional timeframes?		
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?		
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		

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
	collection of the categories of information listed in the interests of minimising costs and ensuring efficient data transfer?		
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?		These conferences are a good idea to avert gas shortages in coming years but their outcome won’t happen quickly enough to avert a sudden gas shortage on a particular day.
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?		
12	Are there any other approaches that could be undertaken to elicit market responses ahead of directions powers?		
13	How should AEMO work with stakeholders in giving directions?		AEMO should be empowered to curtail LNG exports ahead of curtailing large industrial gas consumption as this will not affect such a large number of employees or put manufacturing equipment such as steel and aluminium smelters and glass furnaces at risk of failure.
14	Are there technical matters that should be considered in the issuing of directions powers?		
15	Are there any entities that should not be subject to directions or certain types of directions?		AEMO should be empowered to curtail LNG exports ahead of curtailing large industrial gas consumption as this will not affect such a large number of employees or put manufacturing equipment such as steel and aluminium smelters and glass furnaces at risk of failure.
Cost recovery and compensation			

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
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?		What is proposed will be extremely expensive and far more than the cost of the gas. That's why it would make more economic sense to curtail LNG exports rather than gas consumers.
17	What costs should parties who must comply with directions be able to seek compensation for? (e.g. direct costs, opportunity costs)		LNG exporters should be compensated for the gas that they had to curtail and put into the market at a reasonable price (suggest \$20/GJ)
18	How should the costs of compensation be apportioned and recovered from the market?		Uncontracted gas users such as gas powered generators should have to pay this price for the uncontracted gas that they take.
19	Should there be financial limits on individual claims, or on claims overall within a financial year?		
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	
NGL 91 AF	See above requirement for AEMOs powers in the NGL to include curtailment of east coast LNG exports if there is a need to avert a sudden gas shortage on a particular day
[Insert section and subsection reference]	
[Insert section and subsection reference] [insert extra rows if necessary]	
Feedback on proposed changes to the National Gas Regulations	
NGR Schedule 1 (12a) – ie before current (13)	AEMO to draft rules for determining if there is a sudden potential gas shortage on any given day and to advise east coast LNG exporters that they will have to curtail some of their exports on that day to avert the gas shortage.
[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?	Once there is sufficient gas storage in place to cover a short term gas security issue then the curtailment of LNG will be greatly reduced but AEMO should still have to power for curtailment of LNG exports. This is the most important mechanism to allow AEMO to address the gas reliability issue and so it must remain in place.
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