

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

Submission from Jemena in relation to NGR, Regulations and future reforms, 21 October 2022

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?		Jemena responded to this question in its 7 October submission.
2	Does the definition of east coast gas system exclude anything that should come within scope of the new function?		n/a
3	Do stakeholders consider any additional requirements should be specified in the		If the amendments Jemena proposed to section 91AF of the NGL in its 7 October submission are not adopted, then the NGR should be amended to include equivalent requirements on AEMO to only

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?		exercise its directions powers in connection with an actual or potential threat, and to use best endeavours to consult with a relevant entity before it issues a direction.
4	Do stakeholders consider that AEMO should develop any specific procedures or guidelines for its new functions?		We consider there would be value in guidelines being published to provide stakeholders with an indication of how it may exercise its directions powers. These guidelines should reflect the principle that directions issued by AEMO relating to the supply of gas at a location should be primarily focussed on parties who own gas, rather than those who simply own or manage infrastructure to transport or store gas owned by other parties.
5	Do you think a review of this regulatory package after three years is appropriate?		Jemena responded to this question in its 7 October 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?		As explained below, we are concerned that pipeline operators may not be able to comply with some of the proposed linepack reporting obligations to the degree of accuracy which may be useful to AEMO in monitoring and signalling potential threats. Jemena estimates that it may, at best, be able to forecast such values within a $\pm 40\%$ range of accuracy, and that AEMO's reliance on this information could therefore pose a substantial risk to the effective exercise of its powers.
7	Do stakeholders have any comments about the proposed additional information reporting and disclosure arrangements, and related transitional timeframes?		Jemena provided feedback in its 7 October submission on the proposed relaxation of consultation requirements for AEMO when issuing information orders or notices under the NGL. We have provided specific feedback in section C on: <ul style="list-style-type: none"> - The forecast linepack reporting under Rule 687(3), including concerns about forecast accuracy, forecast update requirements and linepack zone definition, and a suggested alternative reporting approach - The need for more time to be provided under the transitional provisions for entities to implement changes necessary to comply with the new reporting obligations.
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		We have provided specific feedback on the proposed reporting obligations in Rules 687 and 688 in section C, covering: <ul style="list-style-type: none"> - The need for reporting frequency and time horizons of the Rule 687(1) obligations to be specified in the NGR - Areas of duplication between proposed reporting requirements and existing reporting requirements

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
	definitions, or links to other regulatory reporting requirements?		<ul style="list-style-type: none"> - Issues relating to the proposed BB production facility forecasts under Rule 687(1)(d) - Changes to the scope of and facilities covered by maintenance reporting obligations under Rule 688.
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>Any consideration of further information disclosure requirements must first involve a comprehensive and detailed assessment of all existing and new disclosure requirements facing market participants, including the extensive new reporting obligations contained in:</p> <ul style="list-style-type: none"> - the <i>Gas transparency measures</i> reform package - the <i>Pipeline regulation</i> reform package - the <i>Extending the regulatory frameworks to hydrogen and renewable gases</i> reform package - this reform package (including the ability of AEMO to require participants to provide specific information of any kind to support its east coast functions). <p>We note that the consultation paper makes no attempt to quantify the costs or net benefits to consumers associated with the new disclosure obligations contained in this package (or indeed any measure contained in this package), contrary to the principles for best practice regulation set out by the Office of Best Practice Regulation.¹ Additional reporting obligations must only be considered after the costs and benefits of the requirements contained in the preceding four packages is assessed—which will necessarily require these obligations to be in place for a period of time to allow their effectiveness at addressing the original issues to be observed.</p> <p>Any further consideration would also require the use case and potential benefits of new information disclosure requirements to be clearly articulated. For example, from the material presented in the consultation paper, it is not clear how AEMO would interpret and intend to use information about real time pipeline pressures. This is particularly pertinent given AEMO is not the system operator outside of the DWGM and accordingly does not have the expertise or knowledge of these assets, their operating conditions or customer needs. For instance, the characteristics and time horizons of operating many transmission pipelines may differ substantially to those associated with the Victorian Transmission System, and that this may allow emergencies to be effectively addressed over longer timeframes than those in the DWGM or the NEM. For example, gas takes approximately 3-5 days to travel the length of the Eastern Gas Pipeline from Longford to Sydney. The incremental usefulness of real time (as opposed to daily) information in this context should therefore be subject to proper examination.</p>

¹ Office of Best Practice Regulation, *Regulatory impact analysis guide for Ministers' meetings and national standard setting bodies*, May 2021.

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
			<p>If, following this detailed assessment of existing obligations, there appears to be benefits in requiring real time information disclosure by infrastructure providers, consideration would need to be given to:</p> <ul style="list-style-type: none"> - the significant costs and operational complexity involved in potentially installing new measurement and communications equipment in the field and in modifying SCADA systems to allow reporting of real time information to AEMO - the cyber security risks associated with providing SCADA system data to AEMO - the customer confidentiality and potential competition concerns associated with publishing real time data, particularly in relation to gas powered generation. <p>Conversely, if this detailed assessment finds that some reporting obligations are imposing a net cost on market participants, these obligations should be removed.</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?		Further to the information provided in Jemena’s 7 October submission, an additional requirement for the issuing of conference notices under Rule 690 should be specified in the NGR. As explained further in section B, AEMO should be required to give a copy of a notice issued under Rule 690 to each relevant entity it requires attend a conference, and non-attendance at a conference should only be a civil penalty provision where an entity fails to attend despite having previously been given a notice by AEMO.
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?		Further to the information provided in Jemena’s 7 October submission, and as noted above, directions issued by AEMO relating to the supply of gas at a location should be primarily focussed on parties who own gas, rather than those who simply transport or store gas owned by other parties. It should be clear to participants how gas will be prioritised and these prioritisation principles should inform any direction by AEMO. We have also suggested amendments to Rule 694 in section C to require AEMO to consider some matters in certain circumstances.
12	Are there any other approaches that could be undertaken to elicit market responses ahead of directions powers?		n/a
13	How should AEMO work with stakeholders in giving directions?		Jemena responded to this question in its 7 October submission.

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
14	Are there technical matters that should be considered in the issuing of directions powers?		Jemena responded to this question in its 7 October submission.
15	Are there any entities that should not be subject to directions or certain types of directions?		Consistent with the views put forward by the Australian Pipelines and Gas Association, directions should be primarily focussed on the parties who own gas, rather than the parties who transport or store gas.
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?		<p>We have provided the commentary below further to the information contained in our 7 October submission.</p> <p>We have also included commentary in section C regarding inclusion of a new rule to ensure that transportation service providers have the ability to recover additional costs imposed on them by AEMO.</p>
17	What costs should parties who must comply with directions be able to seek compensation for? (e.g. direct costs, opportunity costs)		<p>Parties should be able to seek compensation for direct costs and opportunity costs. Restricting the ability to provide compensation for opportunity costs risks significantly undermining incentives for participants to efficiently allocate resources in energy markets—for example, an operator of a gas fired generator which could park gas on a pipeline in order to respond to an anticipated period of peak electricity demand in the coming days may be discouraged from doing this if it thought there was a risk that it could be subject to an AEMO direction to relinquish or redirect that parked gas, thus depriving it of the ability to generate during a period of high NEM prices.</p> <p>Furthermore, as set out in section C, Rule 696(1) should be clarified by removing the word 'direct', to avoid potentially restricting the circumstances in which an entity would be eligible for compensation.</p>
18	How should the costs of compensation be apportioned and recovered from the market?		<p>It must be recognised that ultimately, end users of gas will bear the costs of all measures contained in the package. It is therefore critical that the minimisation of costs over the long term be a key consideration for AEMO in exercising these functions. To minimise the additional administrative costs and burdens associated with the multiple handling and passing through of AEMO costs by different parties within the gas supply chain, consideration should be given to apportioning the costs of compensation (and of the other costs AEMO incurs in connection with its east coast gas system reliability and supply adequacy functions) to the classes of relevant entities which are closest to the end users of gas.</p> <p>Although we acknowledge the intention set out in the consultation paper to provide flexibility for how cost recovery can be apportioned across the market, we believe that the procedures should set out</p>

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			principles to provide market participants with an indication of how cost recovery allocation will be undertaken.
19	Should there be financial limits on individual claims, or on claims overall within a financial year?		We acknowledge that it may be appropriate to apply a minimum threshold of \$20K to claims given the likely administrative costs involved in the claim process. ² However, there is no basis for imposing upper limits on the amounts of individual or cumulative compensation claims. The proposed package would provide AEMO with extensive powers to issue directions which could cause entities to suffer material financial detriment, while also providing no ability for those entities to control or limit AEMO's actions which cause such detriment. It would therefore be highly inappropriate to limit the ability of participants to claim compensation for detriment relating to AEMO directions.
20	Is the proposed \$35m initial trading allocation appropriate?		n/a
21	How should the trading function be funded?		The initial establishment of the \$35M fund to support AEMO's trading function should be provided through debt arrangements (potentially backed by government) or direct grants from government as recovering such a substantial amount to be ready for winter 2023 will lead to large price increases flowing through to gas customers across the east coast gas system.
22	What principles, if any, should guide AEMO's trading functions?		<p>Consistent with Jemena's feedback in its 7 October submission in relation to the principles which should guide the exercise of AEMO's directions powers, these trading functions should be used only in exceptional circumstances where it is clearly evident that a market response will not address an issue.</p> <p>In circumstances where it is necessary for AEMO to exercise these powers, it should be guided by the National Gas Objective, and the principles of minimising costs to market participants and customers over the long-term, and minimising the distortionary impacts of its actions on the incentives faced by market participants, including for efficient risk management and investment.</p> <p>This will require AEMO to balance short and long term considerations. While we recognise that the focus of AEMO's trading functions may tend to be on addressing short term issues, it would be inconsistent with the National Gas Objective for AEMO to take actions to address a short term issue without first having regard to the long term consequences of those actions on investment, incentives and, ultimately, prices paid by customers.</p> <p>AEMO's approach to trading should also be flexible and 'infrastructure-neutral'. For example, in seeking to address a forecast peak day supply shortfall in a particular region, AEMO should consider all types of</p>

² We note, however, that should an entity suffer detriment exceeding \$20K, the entity should be entitled to compensation for the entire value of that detriment. Refer to section C for proposed clarifications to r 696(1).

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			gas infrastructure (including pipeline transportation, LNG import capacity and new sources of supply), rather than just focussing on storage.

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
National Gas Regulations, Schedule 3, Part 1 National Gas Rules, rules 690 & 691	The package proposes to classify Rule 691 of the NGR (attendance and participation in a gas reliability and supply adequacy conference) as a tier 1 civil penalty provision. While we support the policy intent of maximising industry participation in the conference process (noting that an effective conference process may reduce the likelihood that AEMO needs to resort to issuing directions), we do not consider it proportionate that the non-attendance at a conference by a relevant entity be classified as a tier 1 civil penalty provision. It may be appropriate for Rule 691 to be a lower tier civil penalty provision, but only if a relevant entity fails to attend after being given a conference notice by AEMO containing a requirement to attend – consistent with our feedback on Rules 690 and 691 in section C.

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	
	Jemena provided feedback on the National Gas Law amendments in its 7 October submission.
Feedback on proposed changes to the National Gas Regulations	
	n/a
Feedback on proposed changes to the National Gas Rules	

Question /Section	Feedback
Rule 687	<p>Assuming that monthly reporting would be required, the proposed reporting requirements contained in Rule 687 would overlap with or duplicate a number of existing obligations for BB reporting entities and other market participants, as set out below:</p> <ul style="list-style-type: none"> - The forecast total monthly capacity for the next 6 months (r 687(1)(a) & (b)) is already covered by two existing obligations: <ul style="list-style-type: none"> o The medium term capacity outlook (12 months) reported for BB facilities under Rule 181 o The 12 month outlook of matters expected to affect the capacity of the pipeline, currently reported for non-scheme pipelines under Rule 553(5)(b), with this requirement to also be extended to scheme pipelines under the Pipeline Regulation reform package. - The forecast total capacity for a BB production facility and the proportion of <i>production facility capacity</i>³ that is uncontracted (r 687 (1)(d)) is covered by amendments to Rule 175 contained in the <i>National Gas Amendment (Market Transparency) Rule 2022</i>, which requires BB production facilities to report a 36 month outlook of uncontracted primary firm capacity. - The forecast aggregate capacity of a BB transmission pipeline, including the proportion which is uncontracted (r 687 (1)(f)) is already covered by two existing obligations: <ul style="list-style-type: none"> o The 36 month outlook of uncontracted primary pipeline capacity reported for BB facilities under Rule 175 o The 36 month outlook of firm capacity available for sale reported for pipelines under Rule 553(5)(a). - The maintenance work expected to be carried out on a natural gas industry facility over the next 24 months is partly covered (for a 12 month period) by the BB facility medium term capacity outlook, the non-scheme pipeline maintenance outlook and (for a 6 month period) the proposed new obligations for BB facilities under Rule 687(1)(a) and (b). Refer to our comments in the section below for further discussion on this proposed obligation. <p>For completeness, in addition to the above, we also note that AEMO already collects monthly forecasts of facility capacities, gas flows and expected maintenance for the GSOO and VGPR which overlap with a range of existing obligations.</p> <p>The NGR should specify that where a person already reports information to AEMO under an existing reporting obligation other than those relating to the GSOO or VGPR, the Part 27 reporting obligation is taken not to apply to that person. We note that similar provisions for duplicated reporting obligations have been made in previous gas regulatory reform packages.⁴</p>
Rule 687(1)	<p>The proposed reforms require BB reporting entities to provide information to AEMO such as forecast capacity under draft Rule 687. As some gas distribution networks, such as the Jemena Gas Network (JGN) are not currently BB reporting entities, this rule will not initially apply to those gas distribution networks.</p> <p>This is appropriate. Applying the BB reporting entity reporting requirements would not result in useful information being provided to AEMO to inform the exercise of these East Coast Gas System powers. For instance, unlike other facilities, gas distribution networks cannot provide a meaningful measure of capacity. This is because gas distribution networks are made of discrete and interconnected systems of pipes with varying capacities servicing a range of customers – from large industrial customers to small residential customers.</p>

³ Refer to further comments below in relation to the requirements of r 687(1)(d).

⁴ For example, see r 552(3)(b) in relation to Part 23.

Question /Section	Feedback
	<p>Under the draft renewable gas reform rules (which do not contemplate these East Coast Gas System reforms), networks such as JGN may become a BB reporting entity as a BB blended gas distribution system. Without amendment, this will mean that draft Rule 687 will also apply to blended gas distribution systems.</p> <p>The draft renewable gas reforms require blended gas distribution systems to become BB reporting entities to impose limited reporting obligations on historical (rather than forecast) gas blend information. Blended gas distribution systems will not be required to provide short term and medium term capacity outlooks, nominated and forecast delivery information etc (see renewable gas reform draft Rule 144A). The only potentially material information gas distribution networks possess is already picked up by Rule 688 which applies to Natural gas industry facilities.</p> <p>To avoid this unintended consequence, we propose the following rule is added as part of either the renewable gas reforms or east coast gas system reforms (depending on the order in which the reforms are enacted):</p> <p>Rule 687(1) should therefore be amended as follows:</p> <p>(1) Each BB reporting entity (excluding a BB blended gas distribution system) must provide a forecast of the following to AEMO: ...</p>
Rule 687(1)(d) and (f)	<p>We note that the proposed reporting obligations for BB reporting entities contained in Rule 687(1) do not specify (with the exception of r 687(1)(a) and (b)) the frequency of information to be reported or the time horizons over which the forecasts must cover. For transparency and consistency with the approach taken to reporting obligations in other parts of the NGR, such as Part 18, the reporting frequency and relevant time horizons should be specified in the NGR, rather than being determined by AEMO in a Procedure.</p> <p>The specification of these matters in the NGR should not represent a barrier to AEMO obtaining different information in the unlikely event a significant gap in reporting became apparent following commencement of these new obligations. We note that this package already contains several provisions that could be relied upon to address any information gaps, including the ability of the SA Minister to amend the NGR during the first 6 months and the ability for AEMO to issue specific information orders/notices.</p> <p>Additionally, Rule 687(d), should be amended to recognise that some BB production facilities are operated on an open-access basis and provide gas processing services to third parties, for example, Jemena's Atlas and Roma North gas processing facilities. As the owner of such facilities, Jemena does not have any information about the future aggregate production (as this is dependent on the amounts of gas supplied to the facility by the user (i.e. the gas field owner) who controls the upstream wells and other production infrastructure). Any such reporting obligation under the NGR would need to rest on BB field owners, similar to new obligations introduced as part of the Gas Transparency Measures package.</p> <p>Similarly, as the processing facility operator, Jemena does not have any information about whether the proportion of gas produced may be contracted or uncontracted to another party, as we are not involved in the buying or selling of gas at any point in this process. Again, information about the sale of gas to other parties would need to be reported by the field owner who owns the gas. As set out below, Rule 687(1)(d) should therefore be clarified to relate to <i>production facility capacity</i>.</p> <p>Rule 687(1)(d) and (f) should be amended as follows:</p> <p>(d) each month, in relation to the total capacity for a BB production facility, the aggregate production facility capacity, including the proportion that is uncontracted for each of the next 36 months;</p> <p>...</p> <p>(f) each month, in relation to the total capacity of a BB transmission pipeline, the aggregate capacity, including the proportion that is uncontracted for each of the next 36 months.</p>
Rule 687(3)	Linepack forecast accuracy

Question /Section	Feedback
	<p>We are concerned that the proposed forecast linepack reporting requirements for BB pipelines set out in Rule 687(3) are likely to pose a significant challenge for participants to comply with. From our preliminary assessment, we estimate that Jemena would only be able to provide forecast values within a $\pm 40\%$ range at best, subject to the definition of zones.</p> <p>Jemena does not have the tools, processes and data required to undertake sophisticated dynamic pipeline capacity modelling on a daily basis. To date, Jemena has only deployed one dynamic modelling tool for use on a limited basis on one of our pipelines, and this deployment involved significant errors with the testing work taking over a year. Any forecasts of linepack would therefore necessarily need to be high-level estimates and involve significant judgement and estimation.</p> <p>The parameter which would be subject to the highest degree of estimation error in a simplified methodology would be the minimum 'operational linepack' required to estimate the volume of linepack in excess of what is required to deliver the schedule for the next 7 days (r 687(3)(b)).</p> <p>The minimum operational linepack of a pipeline is not a static parameter, as it varies significantly according to a number of factors including temperature, pressure, gas composition (particularly on pipelines with multiple gas fields connected) and most notably, gas flows. Jemena has previously developed engineering estimates of these minimum operational linepack based on ranges of normal gas flows for most of its pipelines, however these estimates are only within a $\pm 40\%$ accuracy range. Furthermore, we do not have estimates of this parameter for any pipeline under abnormal system operating conditions, such as where a compressor is subject to an unplanned outage. Jemena would therefore not be in a position to provide any linepack forecasts under these outage conditions prior to undertaking further engineering analysis, which we would be unable to complete before winter 2023.</p> <p>We also note that estimation of forecast linepack values (and the forecast pipeline schedule referred to under (3)(b)) is dependent on shippers' own forecast nominations for receipts and deliveries, and that these forecast nominations can change significantly day-to-day, particularly where a shipper is using their service to trade in a facilitated market (e.g. STTM), is a gas powered generator or where there is a technical fault impacting an manufacturing or industrial customer.</p> <p>We therefore request that AEMO engage with pipelines during the procedure development process to ensure that it is aware of the inherent limitations of this information and that it can reflect these limitations in any information standard the procedures imposed in relation to the Rule 687(3) obligations.</p> <p>Forecast update requirements</p> <p>We also note that the proposed NGR allows the AEMO procedures to specify any requirements relating to the updating of information. Any requirement for intra-day updates to linepack forecast information to be made in response to changes in shipper nominations (or forecast receipts/deliveries) would likely be challenging within the current processing capabilities of Jemena's IT systems, as even a simplified linepack estimation method will require the processing of a significant amount of forecast flow data. We note that the package already provides AEMO with extensive powers to require any relevant entity to provide specific information, and that these powers could be used to request intra-day information on an ad-hoc basis if necessary in the event of a particular emergency involving an asset. For Jemena this may require the temporary re-deployment of specialist personnel to support intra-day updates.</p> <p>Definition of linepack zones</p> <p>We expect that AEMO will be required to engage with pipeline operators to define the linepack zones to be specified in the procedures, as the availability and location of physical measurement equipment on a pipeline will limit how granular a linepack zone can be. For this reason, we note that on Jemena's pipelines, it is unlikely to be possible to define linepack zones the same way as Day Ahead Auction zones.</p>

Question /Section	Feedback
	<p>Our commentary on forecast accuracy and necessary implementation timeframes is also based on an assumption that linepack zones are defined as being no less granular than the distance between compressor stations on a pipeline. For example, on the Eastern Gas Pipeline there would be four zones, and on the Northern Gas Pipeline there would only be a single zone (as this pipeline has no mid-line compressors). If linepack zones were to be defined differently to this, we would be unable to rely on our existing high-level engineering estimates of minimum operational linepack parameters, and would therefore need to undertake this analysis for new zones. Jemena would not be able to complete this work prior to winter 2023, and would therefore be unable to comply with the obligation.</p> <p>Alternative reporting obligations may provide more useful information to AEMO about ‘usable’ linepack</p> <p>Based on the framework set out in the consultation paper, Jemena understands that the intent behind these reporting obligations may be to provide AEMO with a ‘basic’ set of data available to allow it to assess and form views on potential system reliability or supply adequacy threats. Should AEMO identify potential threats, we understand that, time and circumstances permitting, AEMO would seek to engage with market participants to better understand and assess options to address the threat.</p> <p>As outlined above, there are a number of challenges and risks that would be associated with providing the information as set out in the proposed Rule 687(3). We therefore suggest adopting an alternative reporting requirement focussed on the total volume of gas commercially stored on a pipeline under pipeline storage services (e.g. ‘gas parking’). This could provide a simpler, clearer and less subjective indication to AEMO of how much gas market participants (shippers) have stored on a pipeline as what is effectively ‘commercial’ or ‘usable’ linepack.</p> <p>This may represent a more useful starting point for AEMO’s analysis of potential threats, which can then be supplemented through direct engagement with the pipeline operator (and potentially the shippers who own this linepack), or if required, the use of AEMO’s broad powers to issue information notices on specific matters. For example, direct engagement with the pipeline operator in respect of an identified threat might allow the pipeline operator to undertake detailed capacity modelling specific to that scenario and share this with AEMO, helping ensure AEMO is better informed about potential options to address the threat.</p> <p>We understand that officials are open to further engagement on potential linepack forecast reporting requirements following receipt of this submission and Jemena looks forward to collaborating further to ensure AEMO has access to appropriate information.</p>
Rule 688	<p>Maintenance reporting requirements should be subject to some materiality thresholds</p> <p>We recognise the intent of Rule 688 is to ensure AEMO is aware of the potential for facility maintenance to cause, exacerbate or impede a response to a supply threat. Gas distribution networks, including JGN which operates a complex gas distribution system with over 25,000 km of pipelines and 1.4 million customers, undertake continuous maintenance activities. However, these activities rarely affect capacity of the network and are generally undertaken in a manner to avoid affecting supply to customers (for instance, through the use of redundant runs at pressure reduction facilities). Without amendment the Rules will require onerous and meaningless information being reported (and continuously being updated), which may actually make it more difficult for AEMO to identify the key pieces of information it needs to identify to effectively exercise these powers.</p> <p>To ensure that the reporting obligations do not create unnecessary administrative burden for AEMO or industry we propose that ‘maintenance’ is defined and a reporting threshold is applied.</p> <p>Facilities with a nameplate capacity of less than 10TJ per day should also be excluded from Rule 688. A range of BB reporting obligations already recognise that facilities sized below this threshold have a limited ability to influence market outcomes, and that they would face a proportionally higher cost burden in complying with the same reporting obligations applicable to much larger facilities. This issue was also recently considered by the AEMC in its <i>Review into extending the regulatory frameworks to hydrogen and renewable gases</i> final report.</p> <p>The outlook period should be amended to 12 months</p>

Question /Section	Feedback
	<p>To reduce reporting burdens and costs for market participants and reduce the risk of AEMO receiving large amounts of information which does not accurately inform its threat assessments and response planning (and in some cases, could even hinder AEMO), Rule 688 should require a 12 month outlook, aligned with existing reporting obligations for many market participants.</p> <p>The consultation paper provides no explanation as to why the 12 month outlooks which are currently provided for a range of BB facility types are insufficient for AEMO to understand supply risks for winter 2023—noting that as of October 2022, AEMO already has BB facility outlooks which cover the winter 2023 period. Furthermore, Jemena does not undertake detailed rolling maintenance planning on a 24 month basis for our transmission pipelines or processing facilities, meaning that information beyond a 12 month period will be subject to greater uncertainty and change, and may not be useful to AEMO.</p> <p>If not changed to 12 months, the rule should make it clear that only maintenance which forms part of a facility operator’s approved maintenance plans must be reported.</p> <p>Drafting amendments</p> <p>‘Maintenance’ should be defined consistent with Part 19 of the NGR. We propose a definition below which reflects AEMO’s role in the east coast system and functions to monitor, signal and manage reliability and supply adequacy threats (which differ from AEMO’s system operator role for the DWGM):</p> <p><u>maintenance means work carried out that, in AEMO's reasonable opinion, may materially affect the supply or reliability of the east coast gas system but does not include maintenance required to avert or reduce the impact of an emergency.</u></p> <p>A materiality threshold consistent with AEMO’s recently updated GSOO and VGPR reporting templates should also be included:</p> <p><u>materially means an event which reduces a natural gas industry facilities throughput or delivery capacity by 20% or more.</u></p> <p>Rule 688 should be amended as set out below:</p> <p style="padding-left: 40px;">Each owner, operator or controller of a natural gas industry facility <u>that meets the applicable reporting threshold</u> must provide to AEMO details of maintenance work expected to be carried out in relation to the facility over a period of <u>24 12</u> months, including the following: ...</p> <p>Part 27 of the NGR should include a definition of ‘reporting threshold’ consistent with the Part 18 definition contained in Rule 141.</p>
Rules 690 & 691	<p>Rule 690 should require AEMO to give a copy of a notice to each relevant entity it requires to attend a gas reliability and supply adequacy conference.</p> <p>We note that the current proposed drafting of Rule 690 only appears to require AEMO to publish a notice, rather than explicitly requiring AEMO to give this notice to or otherwise contact each relevant entity it requires to attend. We also note that Rule 690 allows a notice to require a class of relevant entities to attend, increasing the likelihood that a relevant entity may not be aware that AEMO requires it to attend. Should AEMO require a class of relevant entities to attend, Rule 690 should require it to name each relevant entity it considers to be a member of that class, and to give each of those relevant entities a copy of the notice.</p> <p>A requirement for AEMO to give a notice to each entity it requires to attend a conference should be contained in the NGR (as it should represent an obligation AEMO must comply with when issuing a notice), rather than these arrangements being left to AEMO to specify in a procedure.</p> <p>It would be appropriate for AEMO’s giving of a notice to a relevant entity to use the contact details AEMO will maintain under Rule 692. We note that Rule 692 would require that a relevant entity must keep its contact information up to date with AEMO and that this would be a tier 1 civil penalty provision.</p>

Question /Section	Feedback
	As explained in section B, Rule 691 should be modified to only be a civil penalty provision if a relevant entity fails to attend a conference in accordance with the notice after AEMO has given a notice to the relevant entity using the contact details maintained under Rule 692.
Rule 694	<p>Rule 694 should require AEMO to consider a matter when determining to give a direction under NGL section 91AF if the participant to which AEMO intends to give a direction advises AEMO of the need to consider that matter. This requirement would function alongside the NGL section 91AF requirement proposed in Jemena's 7 October submission for AEMO to use best endeavours to engage with an entity prior to issuing a direction to them, and would allow a relevant entity to raise any critical safety, compliance, technical or other risks for AEMO's consideration prior to any direction being issued.</p> <p>Rule 694 should be amended as follows:</p> <p>For the purposes of section 91AF of the <i>NGL</i> and without limiting the matters AEMO may consider, AEMO may consider the following matters in determining whether to give a direction, <u>and must consider any matter if advised by a relevant entity for which AEMO is determining whether to give a direction:</u> ...</p>
Rule 696(1)	<p>Rule 696(1) should be amended by removing the word 'direct', to avoid potentially restricting the circumstances in which an entity would be eligible for compensation. The drafting should also clarify that should an entity suffer detriment exceeding \$20K, the entity should be entitled to compensation for the entire value of that detriment.</p> <p>We suggest the amendments to Rule 696(1) below:</p> <p>(1) A relevant entity may make a claim for compensation under this rule for which has suffered financial detriment exceeding \$20,000 suffered by the relevant entity as a direct result of AEMO issuing a direction under section 91AF of the <i>NGL</i> <u>may make a claim for compensation under this rule.</u></p>
Rule 696(3)	<p>Rule 696(3)(a) should be amended as follows to reflect the potential that an entity may suffer detriment over a period of more than one day, and that it would require time following this period to prepare information to be contained in a notice.</p> <p>(3) The notice must:</p> <p>(a) be given to AEMO within 10 business days after the <u>last</u> day on which the relevant entity suffers the detriment; and ...</p> <p>Consideration should also be given to mechanisms that allow for extensions of time for participants to prepare detailed information in complex matters.</p>
New Rule 707	<p>The NGR should include specific provisions to ensure that the owners of infrastructure facilities, and particularly non-scheme pipelines where prices are set under long-term access contracts, are provided with a right to recover these costs from its customers, consistent with the intent of the revenue and pricing principles set out in the NGL.</p> <p>Infrastructure facility owners cannot and should not be asked to absorb the additional costs of compensation—particularly where it is likely to be more appropriate that directions are given to, and compensation is more likely to be claimed by and payable to the owners of gas. As explained in our submission on 7 October, this package and the accompanying costs represent a change to the regulatory framework which existed when contracts executed with customers, and service providers may not have rights under these contracts to recover costs incurred as a result of these regulatory changes.</p> <p>To give effect to this, an additional rule should be included in Part 27:</p>

Question /Section	Feedback
	<p><u>Rule 707</u></p> <p><u>Any transportation service provider that is required to make payments to AEMO in respect of any of:</u></p> <p><u>(1) Recovery of compensation pursuant to Rule 698(4);</u></p> <p><u>(2) Contribution to the trading fund pursuant to Rule 700; or</u></p> <p><u>(3) participant fees for the purpose of recovering east coast gas system reliability costs</u></p> <p><u>may recover such payments plus reasonable related administration costs from transportation facility users by the application of charges in addition to the service charges which would otherwise apply.</u></p>
<p>Schedule 1 Transitional provisions – Disclosure obligations</p>	<p>Jemena provided comments in its 7 October submission on the need for Ministers to evaluate the interdependencies and overlaps between the large number of forthcoming or recently changed reporting requirements.</p> <p>Market participants are currently working on the consultation processes or implementation projects for four gas market reform packages which each contain new disclosure obligations. These recent reforms to introduce new reporting obligations have been subject to implementation delays, have involved suboptimal coordination (including overlaps between packages and proposed changes to Rules which have yet to commence) and have caused significant uncertainty for market participants.</p> <p>The 1 month transitional period proposed in the package is insufficient, particularly for the complex changes which will be required to IT systems to enable the reporting of forecast linepack information under Rule 687(3). We note that pipelines were provided with a very short period of time to make complex IT system changes to report Day Ahead Auction data to AEMO in 2018-19, but that the AER has highlighted that it continues to observe data reporting errors and compliance challenges with a range of market participants in relation to these obligations, even several years after they commenced. Providing insufficient time for market participants to implement these changes risks further detriment to the quality of the information reported, which in turn creates risks for AEMO in seeking to identify and respond to threats.</p> <p>All Part 27 Division 2 disclosure obligations should not come into effect until 2 months after publication of the final Rules or the final AEMO procedures (whichever occurs later), except for the pipeline linepack forecast reporting which should not come into effect until at least 3 months after the final Rules or procedures.</p> <p>It is important that these transition periods do not start until after participants have a full understanding of all requirements, which will require the Rules, procedures and accompanying AEMO artefacts (data model, procedure submission guides etc.) to be finalised.</p> <p>To further reduce the risk of delayed implementation, non-compliance by participants or data quality issues, consideration should also be given to the publication of the final Rules to be made by the SA Minister as soon as these are agreed to by Energy Ministers—rather than waiting until the NGL amendment Act comes into force (which has been prior experience). Early visibility of the final Rules will assist participants in planning their implementation activities and increase the likelihood that successful implementation could be achieved prior to winter 2023, noting the concurrent work on the Gas Transparency Measures and Pipeline Regulation reform packages which will create risks errors due to compounded system changes and internal and IT vendor resource constraints.</p> <p>The Schedule 1 transitional provisions for disclosure obligations should be amended as follows:</p> <p>Disclosure obligations</p> <p><u>(X)</u> A relevant entity is not required to provide information to AEMO under a provision amended or inserted by the amending Act, including a Rule made under the amending Act, until <u>1 2</u> calendar months after the commencement of the amending Act <u>publication of a notice of the</u></p>

Question /Section	Feedback
	<p><u>making of the Rules in the South Australian Government Gazette under Section 294H(4)(a) of the NGL or the publication by AEMO of initial procedures made under Rule 683(5), whichever occurs later.</u></p> <p><u>(X1) Despite section (X), a relevant entity is not required to provide information to AEMO under Rule 687(3) until 3 calendar months after the publication of a notice of the making of the Rules in the South Australian Government Gazette under Section 294H(4)(a) of the NGL or the publication by AEMO of initial procedures made under Rule 683(5), whichever occurs later.</u></p>

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
<p>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.</p>		
23	In your opinion, are any of these proposals more or less important to address reliability and supply adequacy concerns?	<p>Jemena looks forward to the formal consultation processes on these matters next year, however we have provided some preliminary feedback within the time constraints of the current process.</p> <p>The development and assessment of the stage 2 reliability and supply adequacy reforms should ultimately be guided by the long-term interests of consumers as set out in the National Gas Objective. Underpinning this, we consider the following principles should be used to design and assess specific schemes/options:</p>
24	<p>Are there any practical issues arising from any of these proposals?</p> <ul style="list-style-type: none"> If so, please elaborate on your concerns. 	<ul style="list-style-type: none"> - Providing technology neutrality and flexibility - Providing incentives for participants to efficiently manage risk - Providing signals for future investment over appropriate time horizons - Minimising costs to market participants and customers over the long-term.
25	Are there any other reliability and supply adequacy proposals that should be considered as part of this work?	<p>Consistent with the above principles, a broader range of options should be evaluated when considering the 'contracting of unused storage capacity', including the contracting of pipeline transportation or storage capacity and the contracting of LNG import terminal capacity. Mechanisms and contracting obligations should also be flexible and 'infrastructure-neutral', to allow all types of gas infrastructure (including LNG import terminal capacity, pipeline transportation capacity and capacity of facilities yet to be developed) to be considered, rather than just focussing on the east coast's existing storage infrastructure. Excluding other types of facilities from consideration under such policies risks resulting in suboptimal price and reliability outcomes for gas customers over the short and long term.</p> <p>We also consider there may be particular merit in exploring mechanisms which could provide effective signals for new investment by requiring retailers and other users to achieve certain levels of supply contracting over a forward period. This is particularly relevant in the context of the commentary around forward investment in critical facilities set out in section 6.4 of AEMO's July 2022 <i>Gas Supply</i></p>

Number	Question	Feedback
		<p><i>and System Adequacy Risks</i> report. Mechanisms which incentivise participants to make early commitments towards securing part of the supply needed to meet their future needs can help provide stronger signals for new investment and can help investors in such projects achieve the necessary levels of underwriting to commit to such projects in time to meet the market's needs.</p>

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
<p>Implementation timing and coordination of multiple reform packages</p>	<p>As set out above, the impact of concurrent consultation on and implementation of regulatory reforms creates uncertainty for market participants, creates a significant impost on market participants and heightens the risk that participants will be unable to comply with new obligations.</p>