

Attachment A: Stakeholder feedback template

Submission from ENGIE Australia and New Zealand (“ENGIE”)

The template below has been developed to enable stakeholders to provide feedback on Stage 2 of the development of the reliability and supply adequacy framework for the east coast gas market.

As noted in the consultation paper, Officials have not yet formed a view on whether a reliability standard, additional monitoring and communication tools or reliability and supply adequacy tools should be included in the framework. Officials are therefore interested in stakeholders’ views on whether they think there is merit in including one or more of these additional elements in the framework and, if so, how they should be designed and implemented (e.g. as a package or sequenced in a particular way). There may of course be other options that are not identified in this consultation paper, which Officials would welcome feedback on.

Officials strongly encourage stakeholders to use this template, so that it can have due regard to the views expressed by stakeholders on each issue. If you wish to provide additional feedback outside the template, wherever possible please reference the relevant question to which your feedback relates.

Chapter 2: Reliability Standard

No.	Questions	Feedback
Section 2.2: Questions on the potential need for and role a reliability standard could play		
1	Do you think there is value in including a gas market reliability standard in the reliability and supply adequacy framework? Please explain your response.	To the extent a gas market reliability standard is effective in: a) improving visibility of shortfalls in supply and b) providing clarity of the terms on which AEMO intervenes in the market then it could provide value to the market.
2	What, if any, impact(s) do you think the introduction of a gas market reliability standard could have on market participants and the market more generally?	See answer to question 1

No.	Questions	Feedback
3	<p>Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing a gas market reliability standard?</p>	<p>As set out in section 2.3.1 of the paper, several different types of reliability standard are under consideration. These would have quite different impacts, risks, costs and benefits. For example, one type is aimed at monitoring the resilience of supply infrastructure while another is aimed at targeting a minimal level of unserved gas due to demand exceeding supply. Additionally, the costs and benefits would vary depending at what level of reliability was targeted</p> <p>Generically, the implementation of a reliability standard will entail costs. Nothing is for free, and at a minimum there will be administrative and system costs. There may also be more significant costs to participants if the standard triggers additional investment in infrastructure for example.</p>
4	<p>Do you think a reliability standard is the appropriate solution to address the potential problems set out in section 2.2.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and explain why you think they are more appropriate.</p>	<p>Fundamentally the problems identified stem from uncertainty caused by inconsistent and incomplete government policies. Depending on the weight put on the benefits of rapid decarbonisation and the availability of cost-effective zero carbon alternatives, one of two approaches could have avoided the threat of supply shortfalls. Either an effective suite of policies that drove substantial and predictable declines in gas demand faster than declines in supply, or a more supportive environment for developing new supply to ensure sufficient gas is available until the market is able to deliver lower emission alternatives. Instead we have had constraints on new supply without an effective suite of policies to drive fuel switching.</p> <p>None of the proposed gas market reforms in the Paper solve for this conundrum. In the interim, greater visibility of shortfalls in supply and greater clarity about the terms on which AEMO intervenes in the market could be useful.</p>

No.	Questions	Feedback
Section 2.3.1: Questions on reliability standard design options		
5	<p>If a decision is made to implement a gas market reliability standard, what form do you think it should take:</p> <ul style="list-style-type: none"> a. A USG standard with either: <ul style="list-style-type: none"> i. a common standard that applies across the east coast (Option 1a)? ii. different standards for northern and southern jurisdictions (Option 1b)? b. A peak demand standard with either: <ul style="list-style-type: none"> i. a common standard that applies across the east coast (Option 2a)? ii. different standards for northern and southern jurisdictions (Option 2b)? c. A deterministic N-1 redundancy standard that focuses on the resilience of the supply infrastructure (i.e. production, storage or transportation infrastructure) in the east coast or on a northern and southern jurisdictional basis to either: <ul style="list-style-type: none"> i. an outage of the largest supply infrastructure in the east coast or on a regional basis (i.e. in northern jurisdictions and southern jurisdiction basis (Option 3a)? ii. an outage of individual components of key infrastructure (Option 3b)? d. A combination of options 1 and 2 (i.e. a dual annual USG and a peak demand reliability measure), with either: <ul style="list-style-type: none"> i. common standards that apply across the east coast (Option 4a)? ii. different standards for northern and southern jurisdictions (Option 4b)? e. A combination of options 1, 2 and 3 (i.e. a tripartite annual USG, peak demand and N-1 redundancy measure), with either: <ul style="list-style-type: none"> i. common standards that apply across the east coast (Option 5a)? ii. different standards for northern and southern jurisdictions (Option 5b)? f. Another option not identified in the consultation paper? If you think another option should be considered, please explain what the standard is and why you think it would be more appropriate than the options listed above. <p>Please explain your responses to these questions and any views you may have on the levels at which these standards should be set.</p>	<p>In the electricity sector, there are separate governance arrangements around wholesale market reliability (a USE-based standard) and network reliability. The latter has historically been determined jurisdictionally and has included both N-1 and probabilistic standards.</p> <p>If there is a desire to have new governance arrangements for both reliability of the commodity market and reliability of infrastructure, it would be preferable to frame them as distinct standards with application to separate elements of the gas system. While the paper does this to some extent, this question implies a single standard with multiple components.</p> <p>In terms of the specific standards canvassed, it is worth further consideration of what their purpose will be in the gas market. In the case of the USE standard in the electricity market, it serves to inform the level of the key reliability settings, e.g. price caps and to inform the circumstances in which AEMO will activate the Reliability and emergency reserve trader (RERT). In the gas market, a review of price caps across the different markets has just been undertaken and there is no direct equivalent of RERT, although AEMO is being granted new trading powers and the Paper canvases the idea of an out-of-market demand response mechanism. As AEMO is awarded more and more tools under the rules to enable it to intervene, it becomes more important to have some form of standard for it to base its decision-making on. Given that this will be the main benefit of a standard, it should be oriented to capture those circumstances under which AEMO is most likely to be impelled to intervene.</p> <p>In the case of a deterministic redundancy standard for infrastructure, these have been used to justify regulated network investments. But most transmission and storage assets in the gas market are not subject to building block regulation, and augmentations are driven by market demand and willingness to pay. Notably, large increases in network costs in NSW and Queensland in the 2010s were attributable in large part to poorly specified deterministic redundancy standards, resulting in so-called “gold-plating”. This outcome is to be avoided at all costs in the gas market. Accordingly, greater clarity is needed on how such a standard would be applied, what investment it is expected to elicit and how that investment would be paid for.</p> <p>Generally speaking, the more standards are applied, the more intervention is likely and the higher the costs to meet all of the standards. Officials should be cognisant of this in making their recommendations to energy ministers.</p>
6	<p>If you think a USG standard (Option 1) should be implemented, do you think it will be capable of identifying potential shortfalls in peak day deliverability?</p>	<p>It may be dependent on the way in which AEMO evaluates USG levels in its forecasting. However, if this is the primary concern that the standard is intended to address, then the standard should directly address that, i.e. a peak demand standard would be more appropriate.</p>

No.	Questions		Feedback
7	If a peak demand standard was to be used under either Options 2 or 3:	a. Do you think a 1-in-2 year, 1-in-10 year or 1-in-20 year standard should be adopted? Please explain your response.	A 1-in-10 year standard would be consistent with the targeted level of reliability in many other energy markets. In principle, the optimal level of the standard would be discoverable with reference to the VCR of gas versus the cost to achieve progressively tighter standards. In practice, it may not be possible to adopt the required level of accuracy to derive the standard this way, but it should at least serve as a sense check.
		b. Do you think a different peak demand standard should apply to GPG? Please explain your response.	Reliability standards are typically assessed on a market-wide basis (or at least a region within a market). No case has been made to adopt a different standard for different user types. There is scope for user-level differentiation through for example, definitions of protected customers or emergency or intervention procedures,
8	If an N-1 redundancy standard was to be used, do you think it should assume an outage of the largest supply infrastructure or sub-components of that infrastructure?		See answer to question 5. Detailed analysis of the likely outcomes of applying a redundancy standard need to be carried out before further development of this option to avoid “gold-plating” the gas network. Gas pipelines for example experience much lower levels of outages than electricity networks, because they are usually located underground and so are far less susceptible to weather damage or encroachment by vegetation. An N-1 standard is thus likely to represent a far more conservative standard for gas than for electricity.
9	Are there any specific matters you think need to be considered when estimating a gas VCR?	a. Do you think widespread and long duration outages likely to be more relevant in gas than they are in electricity and should be factored into the gas VCR?	It's not clear that they are considered irrelevant by electricity customers who experience such outages – they have simply not been fully integrated into the VCR framework to date.
		b. Do you think an east coast wide VCR should be estimated, or do you think separate VCRs should be estimated for: i. each region (i.e. for southern jurisdictions and northern jurisdictions)? ii. each jurisdiction?	Given there are different types of markets, it would be logical to collect VCRs on a market by market basis (or jurisdictionally as a proxy). The AER publishes VCR calculations by customer type and by NEM region for electricity VCR, so this appears eminently feasible for gas.
10	Do you think the reliability standard should apply to natural gas only or could it apply to other covered gases that are suitable for consumption as natural gas (e.g. biomethane)? If it were to apply to other covered gases that are suitable for consumption as natural gas, what, if any effect, do you think this could have on the development of renewable gases?		The markets for other covered gases are immature and there could be unanticipated consequences in applying a standard to such markets. It may be appropriate to specify the standard as applying to the east coast interconnected market as a whole. This would allow the supply of, say, biomethane, or blended hydrogen to contribute to the meeting of the standard, without imposing particular requirements on the supply of individual gases.
11	Are there any specific matters that you think need to be considered when determining the level of a gas market reliability standard?		Modelling should be carried out to understand the costs and consequences of particular levels of a standard.

No.	Questions	Feedback
Section 2.3.2: Questions on governance arrangements for a reliability standard		
12	<p>Do you think that the governance arrangements for the reliability standard should be based on the standard NGR governance arrangements with:</p> <ul style="list-style-type: none"> – the AER responsible for estimating a gas VCR; and – the reliability standard specified in the NGR and the AEMC responsible for considering any rule changes related to the reliability standard and facilitated market parameters? <p>If not, please explain why.</p>	This appears a reasonable working assumption at this stage of consultation.
13	<p>Do you think there is a need to provide for periodic reviews of the reliability standard and facilitated market parameters? If so, who do you think should undertake these periodic reviews:</p> <ul style="list-style-type: none"> a. the AEMC in consultation with market participants and market bodies? b. a gas market reliability panel? 	A periodic review is a reasonable approach, given the dynamic nature of the energy transition means that the market could change significantly over a four-five year period. There is no obvious benefit in setting up new governance arrangements such as a gas reliability panel, so the AEMC is best placed to conduct such reviews with appropriate stakeholder consultation.
14	<p>If you think a gas market reliability panel should undertake the reviews, please set out:</p>	a. What you think the benefits would be of establishing such a panel relative to the AEMC undertaking the reviews in consultation with market participants and market bodies.
	b. If you think those benefits are likely to outweigh the costs and risks of establishing and maintaining such a panel.	See answer to question 13
15	Are there any other governance options that you think should be considered?	See answer to question 13
Other feedback		
Please set out any other feedback you may have on a gas reliability standard here.		n/a

Chapter 3: Monitoring and communication tools

No.	Questions	Feedback	
Section 3.2: Questions on the need for and role of additional monitoring and communication tools?			
16	Gas PASA	a. Do you think there is value in providing for a gas PASA in the reliability and supply adequacy framework? Please explain your response.	In principle yes, and this would be a preferable tool for providing the market with advance notice of expected closures of supply fields and infrastructure than a binding notice of closure requirement. However, several new information requirements have recently been introduced to the gas Rules and there may be value in evaluating the effectiveness of these changes before introducing a further wave of information requirements.
		b. What, if any, impact(s) do you think the introduction of a gas PASA could have on market participants and the market more generally?	It will assist in providing a shared forward view of the market and availability of supply.
		c. Do you think a gas PASA is the appropriate solution to address the potential problems set out in section 3.2.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.	The implementation of either option 1 or option 2 is a no-regrets option in the first instance pending consideration of whether the benefits of option 3 exceed the additional cost burdens.
17	Objective threat signalling mechanism	a. Do you think there is value in providing for an objective threat signalling mechanism in the reliability and supply adequacy framework? Please explain your response.	This mechanism could provide some clarity to the market regarding risks to supply adequacy. However, a balance is required to avoid excessive issuing of notices which would undermine the utility of the mechanism.
		b. What, if any, impact(s) do you think the introduction of such a signalling mechanism could have on market participants and the market more generally?	See response to Q17a above.
		c. Do you think an objective threat signalling mechanism is the appropriate solution to address the potential problems set out in section 3.2.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.	See response to Q17a above.
18	Advance notice of closure for supply infrastructure	a. Do you think there is value in requiring an advance notice of closure for supply infrastructure mechanism in the reliability and supply adequacy framework? Please explain your response.	This is an area where electricity and gas are not obvious analogues. Advance notice of closure in electricity is focussed on ageing coal plants, whose lifespan is impacted by decarbonisation processes. Since it was introduced, announced closures have often given more notice than the regulatory requirements (for example, Liddell, Eraring), indicating it may not be contributing a great deal to supporting adequacy. To the extent the viability of gas infrastructure and supply is impacted by decarbonisation, it is likely to be on a system-wide basis. Existing reporting on supply sources, such as the GSOO, provides a reasonable indication of when individual fields will see production cease. Transport and storage infrastructure is unlikely to

No.	Questions		Feedback
			close abruptly and unexpectedly. If it remains economic it will be repaired or replaced. If it is becoming uneconomic, there is likely to be some signal in the market that this is occurring, and - logically – if it is becoming uneconomic then this reflects its declining utility to the system. So closure should not be a material problem. If there is evidence that such assets are becoming uneconomic while still being highly useful to the system, then the first response should be to address the underlying market failure that is driving this outcome.
		b. What, if any, impact(s) do you think the introduction of such a notice could have on market participants and the market more generally?	It is unlikely to have material positive impact. This is not a low cost reform, as it places considerable burden on participants to require them to run an asset to the end of its notice period even if it has become uneconomic. Officials should not assume that participants are able to determine the point at which an asset will become uneconomic several years in advance.
		c. Do you think an advance notice of closure requirement for supply infrastructure is the appropriate solution to address the potential problems set out in section 3.2.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.	No, see answer to 18a above.
Section 3.3.1.1: Questions on gas PASA regional boundaries			
19	If a gas PASA was to be implemented:	a. What approach to determining regional boundaries do you think would be of greatest use to market participants in terms of effectively conveying information on the nature of any reliability or supply adequacy threats?	Boundaries driven by relevant pricing constraints (i.e pipeline or market or hub related).
		b. Do you think the regional boundaries should be the same as between an ST and MT gas PASA, or is there value in using smaller regions for an ST PASA? If you think there is value in using smaller regions for the ST gas PASA, please set out some examples of what the breakdown could be.	They should likely differ given short term and medium term choices facing gas transport and supply vary.
Section 3.3.1.2: Questions on gas PASA timeframes			
20	If a decision was made to implement a gas PASA, do you think there would be value in requiring AEMO to publish: a. an ST gas PASA? b. an MT gas PASA? Please explain your response		Subject to AEMO's assessment of its implementation costs, there would be value in both a ST and an MT PASA in order to provide the market with a common forward view of supply adequacy. The utility of the MT PASA would be limited by the quality of AEMO's modelling. However, even if participants were required to provide additional information over the timeframe selected for the PASA, this would not necessarily make the PASA more accurate, since participants themselves would be making assumptions about the future in providing this information.

No.	Questions	Feedback	
21	In relation to the information available to AEMO to prepare a gas PASA set out in Table 3.1:	a. Is there any additional information that you think AEMO would require to prepare an ST or MT gas PASA that has not been included in this table?	No
		b. What approach do you think should be used to forecast GPG demand for the purposes of an MT gas PASA? Please explain what this would involve.	AEMO should be able to form a view based on its modelling of the NEM.
22	If an ST gas PASA was to be implemented:	a. Do you think that a rolling 7-day outlook with a daily resolution updated daily (or more frequently if there is a material intra-day change) should be adopted? If not, please explain why and what timeframes you think would be more appropriate.	This seems a reasonable approach.
		b. Do you think there would be value in providing for intra-day resolution for the DWGM? If so, is it likely to result in any additional reporting obligations?	ENGIE suggests that if implemented, the ST PASA should start at daily resolution. Once in place, informed consideration can be given to the costs and benefits of further granularity.
		c. Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing an ST gas PASA?	n/a
23	If an MT gas PASA was to be implemented:	a. What outlook period do you think should be adopted and why: <ul style="list-style-type: none"> i. a rolling 6 month outlook period? ii. a rolling 12 month outlook period? iii. a rolling 24 month outlook period? 	Either 12 or 24 months would be reasonable. If AEMO considers it can model out to 24 months without a material degradation in the robustness of its forecasts, then this would provide a longer forward view to the market.
		b. What do you think the main costs and benefits to market participants would be of the outlook period you think should be adopted?	n/a
		c. If a 12 or 24 month outlook period was to be adopted, which of the following options do you think should be used to extend the 6 month outlook period currently provided for by the disclosure obligations in Part 27 of the NGR and why: <ul style="list-style-type: none"> i. Supplement the existing disclosure requirements with AEMO modelling of forecast demand and supply (Option 2)? ii. Amend the existing disclosure obligations in Part 27 of the NGR by either: <ul style="list-style-type: none"> (1) Extending the disclosure obligations to 12 or 24 months (Option 3A)? (2) Replacing the disclosure obligations with a principles based approach (similar to what the AEMC has implemented for the NEM ST PASA), which would allow AEMO, in consultation with industry, to determine what 	Option 2 in the first instance. As noted above, asking participants to make their own forecasting assumptions in order to report additional information may not materially improve the accuracy of the MT PASA, especially since participants may work off differing assumptions. Of the other options, Option 3B is the next best.

No.	Questions		Feedback
		<p>information should be reported and when it should be reported (Option 3B)?</p> <p>iii. Targeted additional information requirements with regular reporting (Option 4)?</p> <p>iv. Another option not identified in the consultation paper? If you think another option should be considered, please explain what it is and why you think it should be adopted.</p>	
		<p>d. Do you think the MT gas PASA should have a daily resolution and be updated monthly (or more frequently if there is a material change)? If not, please explain why and what timeframes you think would be more appropriate.</p>	<p>This appears a reasonable approach.</p>
		<p>e. Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing an MT gas PASA?</p>	<p>n/a</p>
Section 3.3.1.3: Questions on seasonal PASA reporting			
24	<p>Do you think there is value in requiring AEMO to publish a quarterly seasonal PASA report that would draw on information from the gas PASA, Bulletin Board, GSOO and VGPR modelling and include an assessment of things such as the adequacy of gas held in storage and emerging threats help inform the market participants' seasonal readiness plans?</p>		<p>It's not clear that this would add greatly to the proposed monthly updates. Nonetheless if AEMO considers it can publish such a report at low cost and without increasing participants' reporting burden then there is no harm in doing so.</p>
25	<p>If a quarterly seasonal PASA report was to be developed, what would you like to see included in the report?</p>		<p>n/a</p>
26	<p>Qualitatively, what do you think the main costs, benefits and/or risks would be of introducing this report?</p>		<p>n/a</p>
Section 3.3.2: Questions on threat signalling mechanism			
27	<p>If a decision was made to implement an objective threat signalling mechanism:</p>	<p>a. Do you think the threat levels described in section 3.3.2 (i.e. early warning, alert or emergency) should be employed, or are there more appropriate threat levels that you think should be employed?</p> <p>b. Do you think there should be an automatic link between the NEM and gas market threat signalling mechanisms? Or are other changes required to these two signalling mechanisms to recognise the increasing interrelationship between the markets?</p>	<p>These levels appear reasonable for initial implementation</p> <p>No, as the Paper notes, this could drive a high volume of notices of limited value, which would undermine the overall purpose of the mechanism.</p>
28	<p>Qualitatively, what do you think the benefits, costs and risks would be of implementing a more objective threat signalling mechanism?</p>		<p>n/a</p>
Section 3.3.3: Questions on advance notice of closure for supply infrastructure			

No.	Questions	Feedback
29	If a decision was made to implement an advance notice of closure requirement:	a. Do you think it should be restricted to supply infrastructure (e.g. production, pipeline, compression and storage facilities), or are there other facilities you think it should apply to?
	b. What advance notice period do you think would be appropriate?	As per answer to Q18 above, ENGIE does not consider this to be a useful reform, and thus if it is implemented would prefer the obligation to be minimised.
	c. Do you think penalties should apply to facility operators that fail to provide sufficient notice in the same way that they do in the NEM?	See answer to Q29a
30	Qualitatively, what do you think the benefits, costs and/or risks would be of implementing an advance notice of closure requirement?	See answer to Q29a
Other feedback		
	Please set out any other feedback you may have on additional monitoring and communication tools here.	n/a

Chapter 4: Reliability and supply adequacy management tools

No.	Questions	Feedback
Section 4.2: Questions on the potential need for and role of additional management tools		
31	Do you agree with the findings from the:	<p>a. MJA study on contracting behaviour set out in section 4.2.3.1? If not, please explain your view.</p> <p>It's essentially a partial analysis of supply constraints on the east coast to look only at contracting outcomes. It's well documented that governments in the southern states have not only failed to facilitate new sources of supply, but they have also actively stymied many potential sources of new supply through moratoria and delayed approval processes. Unless and until these governments shift policy to facilitate new gas supply and infrastructure that meets appropriate and proportionate planning requirements, it's unlikely that contracting obligations will make any difference.</p> <p>Notably the major existing suppliers who have access to the export market are happy to make additional supplies available to the LNG spot market when prices are favourable. So, there is evidently some incremental supply that can be made available without the significant new investment that might require long term purchasing commitments.</p> <p>b. ACIL Allen study on demand response set out in section 4.2.3.2? If not, please explain your view.</p> <p>Desktop analyses of the potential for demand response are not always a reliable guide to the volume of demand response that can be elicited in practice.</p>
32	RSA contracting obligation	<p>a. Do you think there is value in providing for an RSA contracting obligation in the reliability and supply adequacy framework? Please explain your response.</p> <p>Not as proposed. Retailers and GPG are both in the middle of a contracting chain. Retailers' contracting for supply will be informed by their customers' contract terms and length. Retailers may be confident enough that they can manage their mass market gas load over time that they can contract longer term for volumes to supply these customers even though an individual small customer can defect at any time. Even this may no longer hold now that there is an emerging risk of systematic decline in small customer load due to electrification policies. But it is very risky to contract out long-term for volumes for commercial and industrial (C&I) customers if those customers are not prepared to sign a long-term retail contract.</p> <p>GPG contracting for supply will be informed by the length of their electricity hedging contracts, which they need to be able to defend. Exchange traded contracts are for a quarter or at most a year in length, although over the counter (OTC) contracts may be for longer periods. But many GPG plants operate as peakers with a focus on cap contracts rather than swaps, and there is likely to be less interest from contract buyers in committing to long-term cap contracts, especially while prices remain volatile. As with retailers, the commercial risks for GPG entailed in buying gas long term but only being able to sell electricity short term may be excessive.</p> <p>Additionally, the energy transition is exposing GPG to greater risks. Project Energy Connect – the NSW-South Australia interconnector currently under construction is based on a business case that it will successfully displace GPG in South Australia by delivering cheaper power from NSW. In this context, why would GPG operators in South Australia be confident in contracting gas supplies beyond the commissioning date of this interconnector?</p>

No.	Questions	Feedback
		Gas supply in the east coast is dominated by a small number of large suppliers who have access to export markets as well as domestic markets. It is clear where the balance of power in contract negotiations for new supply lies and any contracting obligation that does not also apply to gas suppliers will only exacerbate this imbalance.
	b. What, if any, impact(s) do you think the introduction of an RSA contracting obligation could have on market participants and the market more generally?	See answer to Q32a above.
	c. Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing an RSA contracting obligation?	As set out in the response to Q32a, the main risks will be that the obligated parties will be caught between the obligation to buy long term whilst only being able to sell short term. This will expose those parties to commercial risks that some of them are unable to manage sin turn is likely to result in market exit which would undermine
	d. Do you think an RSA contracting obligation is the appropriate solution to address the potential problems identified in sections 4.2.2 and 4.2.3.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.	See answers to Q31, Q32a.
33	Administered demand response mechanism	<p>a. Do you think there is value in providing for an administered demand response mechanism in the reliability and supply adequacy framework? Please explain your response.</p> <p>b. What, if any, impact(s) do you think the introduction of an administered demand response mechanism could have on market participants and the market more generally?</p> <p>c. Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing an administered demand response mechanism?</p> <p>d. Do you think an administered demand response mechanism is the appropriate solution to address the potential problems identified in sections 4.2.2 and 4.2.3.2, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered,</p>
		Providing the development of this mechanism does not impose material costs on market participants who do not wish to participate, then it could be a low regrets approach to mitigating peak demand constraints (with the caveat as set out below that it has the potential to expose participants to costs with no risk management tools available to hedge against these costs).
		If such a mechanism were introduced alongside an RSA, then the interactions between these two schemes would need careful consideration.
		The benefit is that a could avert supply shortfalls if sufficient participation can be elicited. The risks to participants who will presumably bear the costs of activating the mechanism is that they have no way of hedging against these costs, which have the potential to be material (other than via participating themselves, which may not be an option for all participants).
		Of the RSA management tools canvassed in the Paper, it is the most appropriate in that it carries the least risk of adverse consequences.

No.	Questions	Feedback
	<p>please outline what they are and why you think they are more appropriate.</p>	
34	<p>Supplier of last resort mechanism</p> <p>a. Do you think there is value in building on the trading function by providing for a supplier of last resort mechanism in the reliability and supply adequacy framework? Please explain your response.</p> <p>b. What, if any, impact(s) do you think building on the trading function by providing for a supplier of last resort mechanism could have on market participants and the market more generally?</p> <p>c. Qualitatively, what do you think the main costs, benefits and/or risks would be of building on the trading function by providing for a supplier of last resort mechanism?</p> <p>d. Do you think a supplier of last resort mechanism is the appropriate solution to address the potential problems identified in sections 4.2.2 and 4.2.3.1, or are there other alternatives that you think should be considered by Officials?</p> <p>If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.</p>	<p>The proposed supplier of last resort mechanism (SOLR) differs from the NEM's RERT in that it is proposing to procure from in-market resources, whereas the RERT is aimed at out-of-market resources (on the premise that there are some resources that could be made available to balance demand and supply for whom participation in the energy market is not sufficiently attractive). Inevitably the SOLR will cannibalise the market to some degree and is thus unlikely to contribute materially to reliability and adequacy goals. The only way it can elicit additional supply is if the price is capped above existing market price caps, but that then calls in to question whether those caps are set at the right level.</p> <p>See answer to Q34a above.</p> <p>See answer to Q29a above.</p> <p>See answer to Q29a above. The proposed demand response mechanism would be a less intrusive way to test if there are additional potential resources that can be utilised when reliability is under threat.</p>
35	<p>Are there any other reliability and supply adequacy management tools that you think should be considered by Officials? If so, please explain why you think they are required.</p>	<p>No.</p>
<p>Section 4.3.1: Questions on RSA contracting obligation</p>		
36	<p>If a decision was made to implement an RSA contracting obligation, which of the following design options do you think should be implemented and why:</p> <ul style="list-style-type: none"> - A southern jurisdiction winter deliverability contracting obligation (Option 1)? - An east coast wide firm contracting obligation (Option 2)? - Another design option? If you think another option should be considered, please explain what it is and why you think it should be adopted. 	<p>As outlined above, ENGIE is not supportive of the introduction of an RSA. Accordingly, if one was implemented, the minimum obligation of a southern winter deliverability obligation would be the least bad option.</p>
37	<p>a. Do you think the obligations should apply to:</p>	<p>See answer to Q32a above.</p>

No.	Questions	Feedback	
If an RSA contracting obligation was to be implemented:	<ul style="list-style-type: none"> i. Retailers and GPGs? ii. GPGs only? iii. Retailers only? Please explain your response.		
	b. In the case of GPGs: <ul style="list-style-type: none"> i. Do you think it would be financially viable for GPGs to be subject to an RSA contracting obligation? If not, are there any other simpler or more direct ways to address the reliability and supply adequacy threats posed by GPG demand? ii. What, if any effect, a contracting obligation or alternative approach could have on competition in the NEM? 	ENGIE considers it is unhelpful to characterise GPG demand as a “threat to reliability and supply adequacy”. No justification has been provided for singling out GPG demand over other sources of demand or supply as the reason that supply and demand may not balance. As explained above, long-term contracting to underwrite new supply may not be a commercially appropriate option for GPG.	
	c. Do you think a size threshold should be adopted for liable entities? If so, what do you think is an appropriate size threshold?	n/a	
	d. Do you think any other reforms would be required to enable liable entities to contract on reasonable terms? If so, please explain what additional reforms you think are necessary.	Contracting obligations would need to be placed on supply sources for RSAs to be anything other than a source of further market dysfunction given negotiating power already lies with suppliers.	
	e. How far in advance of a forecast reliability gap do you think the RSA contracting instrument would need to be triggered to provide liable entities sufficient time to contract and for any investment that may be required?	n/a	
	f. How should the geological, land access, regulatory, commercial and other investment challenges that may be associated with the development of new supply infrastructure be recognised in the contracting obligations and/or penalty regime?	n/a	
	g. Do you think the contracting obligation should allow liable entities to procure other covered gases that are suitable for consumption as natural gas (e.g. biomethane and low hydrogen blends)?	Yes	
	h. Do you think it would be necessary	i. A liquidity obligation? If so, please explain how you envisage this obligation would work.	If retailers/GPG are required to buy contracts, then suppliers should be required to offer contracts on reasonable terms. This is a greater issue in gas than in the electricity equivalent, the RRO, as the large east coast gas suppliers have more market power than generators in the NEM. ENGIE recognises that designing a liquidity obligation for the gas market will be challenging, given that the largest suppliers are already heavily contracted to overseas LNG buyers. The additional

No.	Questions	Feedback
	<p>to provide for:</p> <p>ii. A voluntary book build mechanism administered by AEMO to facilitate the development of any new supply and/or capacity that may be required? If so, please explain how you envisage this would work.</p> <p>i. Do you think the contracting obligation would incentivise retailers to help transition customers to alternative fuels (where feasible), or would a separate tool be required to achieve this?</p>	<p>complication in gas is that transmission is primarily via contract carriage so it may also be necessary for pipeliners to be included in the obligation.</p> <p>A voluntary book build is unlikely to do any harm, however it is not clear that it will resolve any of the barriers to contracting that may exist.</p> <p>No. Retailers will undoubtedly do their best to respond to consumer demand for alternative fuels where feasible, but they do not have the capability to address barriers to take up or barriers to cost-effective supply. That is in the purview of governments and agencies such as ARENA/CEFC to the extent it lies within their mandate.</p>
38	<p>If a southern jurisdiction winter deliverability contracting obligation (Option 1) was to be implemented:</p> <p>a. Are there any additional design features that you think need to be considered (see Table 4.2)?</p> <p>b. Are there any design features that have been proposed that you think would not work in the east coast gas market (see Table 4.2)?</p> <p>c. Are there any material costs, risks or benefits associated with this option that you think should be considered?</p>	<p>n/a</p> <p>n/a</p> <p>The east coast gas market is interconnected, and the Northern Gas Pipeline has further increased its geographical coverage. The gas supply is concentrated in the north. So, this option would need to be designed to ensure that any obligations on suppliers or pipeliners to participate covered the entire east coast gas market.</p>
39	<p>If an east coast wide firm contracting obligation (Option 2) was to be implemented:</p> <p>a. Are there any additional design features that you think need to be considered (see Table 4.2)?</p> <p>b. Are there any design features that have been proposed that you think would not work in the east coast gas market (see Table 4.2)?</p> <p>c. Are there any material costs, risks or benefits associated with this option that you think should be considered?</p>	<p>n/a</p> <p>n/a</p> <p>n/a</p>
Section 4.3.2: Questions on a potential administered demand response mechanism		
40	<p>If a decision was made to implement an administered demand response mechanism, do you think the design option described in section 4.3.2 should be implemented, or is there another option that you think could unlock demand response in a more cost effective way?</p>	
41	<p>If the administered demand</p> <p>a. Do you think it should only be open to large gas users to participate in, or should retailers and/or demand response aggregators also be able to participate?</p>	<p>The widest possible participation would minimise the costs of the mechanism.</p>

No.	Questions	Feedback
	<p>response mechanism described in section 4.3.2 was to be implemented:</p> <p>b. Do you think it would be necessary to make availability payments to panel members to encourage them to participate, or could they just be paid a pre-activation or activation payment?</p> <p>c. Are there any additional design features that you think need to be considered?</p>	<p>Availability payments are likely to assist in stimulating supply of demand response as they will assist to cover set-up costs. However, if the mechanism is rarely activated, such payments can make the scheme appear very poor value-for-money.</p> <p>The different rules of the different gas markets may mean that there needs to be a mechanism for each market with detailed design aligned to the characteristics of that market.</p>
Section 4.3.3: Questions on supplier of last resort mechanism		
42	<p>If a decision was made to implement a supplier of last resort mechanism, which of the following design options do you think should be implemented and why:</p> <ul style="list-style-type: none"> – a southern jurisdiction winter deliverability supplier of last resort mechanism (Option 1)? – an east coast wide RERT-style supplier of last resort mechanism (Option 2)? – another design option? If you think another option should be considered, please explain what it is and why you think it should be adopted. 	<p>ENGIE does not support the SOLR proposal as explained in Q34 above</p>
43	<p>In relation to the risk of crowding out market participants:</p> <p>a. Do you think it feasible to AEMO to procure 'out of market' gas (i.e. gas that would not otherwise be available to the market) or other services (e.g. transportation and storage services)? If so, how would this occur and are there any risks associated with doing so?</p> <p>b. If it is not feasible to procure 'out of market' gas or other services, is there any other way that you think the risk of AEMO crowding out market participants could be addressed?</p>	<p>The proposed demand response mechanism is a less intrusive reform that may elicit some resources that would not otherwise participate in the market. In this respect it is closer to the RERT than the SOLR is.</p> <p>No. If the SOLR price is capped above market price caps it will inevitably displace existing resources from the gas markets and if it is not, then it is unlikely to have any impact.</p>
44	<p>Do you think:</p> <p>a. The supplier of last resort mechanism should only focus on natural gas, or should it also allow AEMO to procure other covered gases that are suitable for consumption as natural gas (e.g. biomethane and low hydrogen blends)?</p> <p>b. Any additional measures (over and above a causer pays approach to cost allocation) are required to counter the impact that AEMO acting as supplier of last resort may have on market participants' incentives to take their own actions to address the threats?</p>	<p>To the extent that other covered gases can contribute to meeting reliability and adequacy goals they should be included in all the relevant tools that are implemented.</p>
45	<p>If a southern jurisdiction winter deliverability</p> <p>a. Do you think AEMO should only be able to contract and/or hold a storage reserve for the winter period, or should it be able to contract for a longer period?</p>	<p>n/a</p>

No.	Questions	Feedback
	supplier of last resort mechanism (Option 1) was to be implemented:	
	b. Are there any additional constraints that you think should apply to this mechanism that have not been identified in Table 4.3?	n/a
	c. Are there any additional design features that you think need to be considered for this option (see Table 4.3)?	n/a
	d. Are there any design features that have been proposed that you think would not work in the east coast gas market (see Table 4.3)?	n/a
	e. Are there any material costs, risks or benefits associated with this option that you think should be considered?	n/a
46	If an east coast wide RERT-style supplier of last resort mechanism (Option 2) was to be implemented:	
	a. Are there any additional constraints that you think should apply to this mechanism that have not been identified in Table 4.3?	n/a
	b. Are there any additional design features that you think need to be considered (see Table 4.3)?	n/a
	c. Are there any design features that have been proposed that you think would not work in the east coast gas market (see Table 4.3)?	n/a
	d. Are there any material costs, risks or benefits associated with this option that you think should be considered?	n/a
Other feedback		
	Please set out any other feedback you may have on reliability and supply adequacy management tools here.	n/a

Chapter 5: Potential changes to the GSOO and VGPR

No.	Questions	Feedback
47	<p>Do you think there is value in aligning the GSOO and VGPR with the reliability and supply adequacy framework?</p> <ul style="list-style-type: none"> – If so, are there any changes contemplated in section 5.1 that you think are unnecessary, or are there other changes that you think should be considered? – If not, please explain why. – Are there any material costs, risks or benefits that you think should be considered when deciding whether or not to align the GSOO and VGPR with the framework? 	<p>Alignment appears sensible and presumably would be necessary for the implementation of a contracting obligation for example. It would also seem relevant to the implementation of a reliability standard for these planning documents to integrate the standard into their presentation.</p>
48	<p>Do you think there is value in trying to achieve greater alignment between the GSOO, VGPR and NEM forecasting tools?</p> <ul style="list-style-type: none"> – If so, are there any changes contemplated in section 5.2 that you think are unnecessary, or are there other changes that you think should be considered? – If not, please explain why. – Are there any material costs, risks or benefits that you think should be considered when deciding whether to align the GSOO and VGPR with the NEM forecasting tools? 	<p>Consistency of assumptions appears sensible, given various links between gas and electricity markets, such as potential fuel switching by consumers and gas demand by GPGs.</p>
	<p>Please set out any other feedback you have on the potential alignment of the GSOO and VGPR here.</p>	<p>n/a</p>

Implementation and other questions

No.	Questions	Feedback
49	<p>If any of the additional elements outlined in the consultation paper were to be implemented, do you think they should be implemented as a package or sequenced in a particular way?</p>	<p>In totality they represent a large set of reforms, and several reforms are proposed that are intended to have similar effects. So there are risks to attempting to implement everything all at once. In terms of how to sequence, it is hard to provide guidance until it's clear which subset of the proposals are actually going to be implemented.</p>
50	<p>Are there any other problems, impacts or matters that you think Officials should take into account when considering whether to include any of the additional elements outlined in the consultation paper?</p>	<p>n/a</p>