

Attachment A: Stakeholder feedback template

Submission from Epic Energy

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
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.	Yes, fundamentally Epic sees value in implementing a reliability standard. It could assist in identifying potential issues.
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?	A reliability standard could enable decisions to be made based on available information earlier than might otherwise be the case and assist supply and infrastructure providers to meet demand.
3	Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing a gas market reliability standard?	COSTS: Regardless of the "level" at which a reliability standard is set, it will result in increased costs to market participants to meet the standard in all circumstances where it is set above their current operating parameters. These costs are likely to be passed onto "end users" including in some circumstances household customers. BENEFITS: If set appropriately, a reliability standard would provide greater market certainty across a wide array of events affecting both infrastructure and supply. RISKS: If a reliability standard is set at an inappropriate level, there is a risk that the cost to meet it becomes financially unviable for market participants, who instead make the commercial decision to exit the market and thereby reducing competition in the market.

No.	Questions	Feedback
4	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>Yes, however it is impractical to remove all risk without significant cost to the end user. For example, building two lateral pipelines would potentially prevent the incidents as set out on page 19 of the paper, however the costs associated with doing so would be prohibitive and disproportionate to the associated risk, and would make the project and pipeline unviable.</p> <p>Epic supports APGA's proposals surrounding the reliability standard and alternatives, particularly agreeing with APGA that an N-1 redundancy standard would not be appropriate for gas supply infrastructure.</p>

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)? 	<p>While further detail on the options would need to be considered, our preliminary view is that option 5a appears to be the most appropriate. This option seemsto provide the most amount of information and therefore would offer a holistic view of the system. Significant modelling would need to be undertaken to determine the appropriate level of measures.</p> <p>Any assessment of outage should be on parts of key infrastructure which would be consistent with actual market operations, as rarely would an entire asset have an outage.</p>
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No.	Questions	Feedback
	<p>ii. different standards for northern and southern jurisdictions (Option 5b)?</p> <p>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> <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>	
8	<p>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?</p>	<p>Sub-components of the infrastructure as this will align with actual operations and align the risk levels to possible outcomes.</p>
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>	<p>The existing governance framework is appropriate.</p>
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? 	<p>Yes, absolutely. To be undertaken by the AEMC in consultation with other bodies and participants.</p>

No.	Questions	Feedback
14	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.</p> <p>There would be little benefit to establishing an additional panel outside of the existing AEMC frameworks.</p>
		<p>b. If you think those benefits are likely to outweigh the costs and risks of establishing and maintaining such a panel.</p> <p>No</p>

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.	A PASA would be a useful centralised information point for information collected from market participants, provided it is required to be published.
		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?	
		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.	Much of the information discussed in the consultation paper is already collected by different federal departments and regulators. These stage two reforms should be an opportunity to streamline and centralise the existing information reported to allow for more effective use, and reduce the compliance burden on, and administration costs to, market participants.

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>b. ACIL Allen study on demand response set out in section 4.2.3.2? If not, please explain your view.</p>	<p>Epic considers that the current primary reason we see a lack of investment is uncertainty in future gas demand and the risk of stranded assets, which reduces the term of commitment to an unviable level. In addition the risk of free riding adds to this behaviour.</p> <p>Agree.</p>	
32	RSA contracting obligation	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>Yes, there is value in an RSA contracting obligation. An RSA contracting obligation has the potential to overcome any reluctance market participants may have to contract and/or underwrite new investment however consideration must be given to the potential costs of this.</p> <p>New investments are typically long-term commitments given the capital intensity of the investments and should therefore be considered over a longer term rather than to meet short term requirements.</p> <p>As mentioned in section 4.2.3.1 there are many factors that contribute to a lack of investment with uncertainty of future demand and free rider risks being significant concerns .</p> <p>An RSA obligation may be relevant where capacity currently exists however market participants are unwilling to contract this on a firm basis. This behaviour results in the withdrawal of existing capacity as the cost to maintain it becomes too high without firm revenue and when withdrawn the cost to replace becomes prohibitive.</p> <p>An alternative approach may be increased transparency and monitoring around demand and supply, similar to the Retailer Reliability Obligation.</p>
		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?	
		c. Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing an RSA contracting obligation?	
		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.	
Section 4.3.1: Questions on RSA contracting obligation			
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)? 	<p>The detail of this will need to be better understood but Epic's preliminary views are that, to ensure an integrated approach which is flexible enough to meet the changing market requirements, we believe an east coast wide approach is most appropriate.</p>	

No.	Questions	Feedback	
	<p>– 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>		
37	If an RSA contracting obligation was to be implemented:	<p>a. Do you think the obligations should apply to:</p> <ul style="list-style-type: none"> i. Retailers and GPGs? ii. GPGs only? iii. Retailers only? <p>Please explain your response.</p>	Retailers and GPGs as coincident demand from GPGs and retailers tends to be a key driver of market shortfall where insufficient capacity exists to meet both retail and GPG demand, while retail demand is often contracted with GPGs more reliant on short term and non-firm capacity arrangements.
		<p>b. In the case of GPGs:</p> <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? 	
		<p>c. Do you think a size threshold should be adopted for liable entities? If so, what do you think is an appropriate size threshold?</p>	
		<p>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.</p>	Regulation currently exists (both through the National Gas Rules and through the <i>Corporations Act 2001</i>) which obliges entities to contract on reasonable terms, therefore we do not believe that additional regulation is required.
		<p>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?</p>	Project dependent, it is up to 18 to 24 months to implement a material project from enquiry to commissioning.
		<p>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?</p>	
		<p>g. Do you think the contracting obligation should allow liable entities to procure other covered gases that are</p>	

No.	Questions	Feedback
	<p data-bbox="416 153 1081 212">suitable for consumption as natural gas (e.g. biomethane and low hydrogen blends)?</p> <p data-bbox="376 236 539 432">h. Do you think it would be necessary to provide for:</p> <p data-bbox="562 236 1081 336">i. A liquidity obligation? If so, please explain how you envisage this obligation would work.</p> <p data-bbox="562 352 1081 549">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 data-bbox="376 572 1081 705">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>	