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17 July 2023

Energy Ministers' Secretariat  
Department of Climate Change, Energy, the Environment and Water  
GPO Box 858, Canberra ACT 2601

Submitted via email: [gas@industry.gov.au](mailto:gas@industry.gov.au)

Dear Energy Ministers' Secretariat

Lochard Energy (**Lochard**) welcomes the opportunity to provide feedback on the Consultation Paper for the Reliability and Supply Adequacy Framework for the East Coast Gas Market (Stage 2 Framework Development).

Lochard is the owner and operator of the Iona Gas Storage Facility (**Iona**) in Victoria. Iona is a critical component of the east coast's energy infrastructure, playing a key role by providing at-call supply of gas and capacity (swing capacity) to meet demand for gas and power generation, particularly during winter. Lochard expects Iona to play an ever-increasing role in supporting security and reliability in the energy supply chain as Australia transitions to a net zero future.

Lochard supports the design and development of a fit-for-purpose reliability standard framework and associated monitoring and communication tools for the east coast gas market, with the objective of helping to identify and respond to reliability and/or supply adequacy threats and better manage periods of volatility. Lochard would like to acknowledge the extensive consideration that DCEEW has already undertaken in preparing the Consultation Paper, which highlights the complex nature of the matters being considered. Lochard considers it imperative to have in-depth review, debate and constructive feedback on these significant reforms.

In providing its response, Lochard would like to highlight the structural issues that the east coast gas market is facing (i.e. the uncertain outlook for both gas supply and demand, which have already been highlighted by AEMO in successive VGPRs and GSOOs), in particular:

1. The significant uncertainty with demand for gas from gas powered generators, as the interrelationship between the east coast gas market and the National Electricity Market continues to grow. Investment in gas infrastructure is further complicated by the timing of exit for the coal fired power stations, the pace of renewable resource buildout, and the extent of residential electrification.
2. Infrastructure investment relies on the market to underwrite the projects and takes at least two years or longer to build, considering the post pandemic supply chain issues, labour shortages, community and other stakeholder engagement, and extended timeframes for regulatory approvals.



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Lochard notes that Stage 2 of the Framework focuses on those elements that are required to guide and frame how AEMO approaches its new functions and facilitate efficient responses by market participants. Having regard to the structural issues outlined above, Lochard wishes to highlight the following key factors to be taken into consideration as development of the Stage 2 Framework proceeds:

1. **Objective of the framework:** one of the key objectives of establishing the reliability standard is to provide clearer signals that incentivise the gas industry to continue to invest in new gas infrastructure and new gas supplies. In Lochard's view, AEMO should only intervene in the market in extreme circumstances, as a last resort when all other options have been exhausted and this position should be clearly communicated to industry to foster confidence for investment.
2. **A fit-for-purpose reliability standard:** the standard needs to look at dual Unserved Gas and peak demand measures for east coast gas, considering the interconnected nature of the infrastructure, supply optionality and taking into account the existing planning standards already applied in the VGPR and GSOO.
3. **Lessen the reporting burden:** In designing the ST Gas PASA and MT Gas PASA, it is crucial to take into consideration and utilise the current information already provided by industry participants to AEMO and various other agencies, rather than adding additional reporting burdens and costs to industry. The reliability standard then sets the foundation for the development of ST Gas PASA and MT Gas PASA.
4. **Consistent assessment between ECG and NEM.** Gas PASA could bridge the gap between the short-term market operation and the long-term nature of the GSOO and VGPR. As the interrelationship between the east coast gas market (ECG) and the NEM grow, alignment with the NEM's forecasting and planning tools, as well as having regard to the reliability standard in GSOO and VGPR, are all possible improvements to be carefully considered in stages.
5. **The value of ADR:** An administered demand response mechanism has not been fully considered in the past. Demand-side participation could potentially be an effective tool in managing near-term critical system demand days. Lochard suggests that this be considered as a priority.

Lochard appreciates the opportunity to provide feedback on the Consultation Paper. If you wish to discuss any aspect of this letter, please contact Ee Siew Ong, Senior Commercial Operations Advisor at [eesiew.ong@lochardenergy.com.au](mailto:eesiew.ong@lochardenergy.com.au).

Yours sincerely,

DocuSigned by:  
*Becky Nguyen*

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