

APGA Submission

**Extension of AEMO Functions and
Powers – Rules and Regulations**

21 October 2022

Contents

Executive Summary	3
1 Introduction	5
2 Feedback relating to General Concepts	6
2.1 Priority of Directed Parties.....	6
2.2 Interaction between Gas Adequacy Conferences and competition law	9
2.3 Appropriateness of transport facility market participants to fund the trading fund	10
3 Feedback with direct relation to Rules	11
3.1 Rule 694 matters for consideration when determining to give a direction	11
3.2 Rule 687(3) pertaining to reporting of linepack information.....	13
3.3 Rules relating to section 91AF(3) of the Act	15
3.4 Rule 698 test for compensation	16
3.5 Rule 687(1) overlap and exemptions with Gas Bulletin Board Rules	17
3.6 Rule 696(1) clarity around parties able to claim compensation	17
3.7 Period for making a claim for compensation.....	18

List of Appendices

Appendix 1: Technical clarification of Linepack and Linepack Services.....	19
Appendix 2: Submission Response Template	23

Executive Summary

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors, and service providers of Australia's pipeline infrastructure, connecting natural and renewable gas production to demand centres in cities and other locations across Australia. Offering a wide range of services to gas users, retailers and producers, APGA members ensure the safe and reliable delivery of 28 per cent of the end-use energy consumed in Australia and are at the forefront of Australia's renewable gas industry, helping achieve net-zero as quickly and affordably as possible.

APGA welcomes the opportunity to contribute to the Federal Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) consultation on rules and regulations relating to the extension of AEMO powers (the **Consultation**).

APGA reemphasises the matters raised within its original submission. In particular, the value of preferencing market led solutions when supply adequacy is at risk, the risk of impeding market forces through these reforms, and the need for oversight of AEMO in how it enacts its new powers are all critical matters which are yet to be fully resolved through this consultation.

This submission focuses on practical implications of proposed changes to the National Gas Rules. APGA identifies aspects which risks AEMO's ability to act effectively in a gas supply adequacy event, open to greater than necessary compensation claims as a result of AEMO directions, and even risks the exacerbation or creation of a further gas supply adequacy event. These risks have the potential to lead to worse customer outcomes both during a gas supply adequacy event and in the period following.

The most impactful of these risks relate to the following aspects of the reforms:

Priority of Directed Parties

Gas supply adequacy events are resolved by addressing an imbalance in gas market supply and demand. The most effective ability to do so lays in the hands of market participants which own gas, hence direction of gas owners should be prioritised over direction of infrastructure. Gas infrastructure owners do not own commercially available gas, and direction of infrastructure before owners of gas could lead to ineffective or unnecessary direction.

APGA recommends drafting for the introduction of a Rule which would help mitigate this risk, while not impeding AEMO's ability to freely direct all gas market participants in a gas supply adequacy event in Section 2.1.4 of this submission.

Rule 694 matters for consideration when determining to give a direction

Rule 694 allows AEMO to choose not to consider each of the matters identified within the rule. However, not considering any matter under the rule is inconsistent with the purpose of these reforms. Discussion around Rule 694 to date has highlighted the conflict between a need for AEMO to consider the matters addressed in the Rule but not be impeded to act in a prompt manner when a gas supply adequacy event arises.

APGA recommends revised drafting of the rule in order to resolve this conflict by combining the existing “may” drafting with a new “and must if advised by a relative entity” drafting in Section 3.1.1 of this consultation.

Rule 687(3) pertaining to reporting of linepack information

Linepack is a complex subject, and it is difficult to enshrine linepack related reporting obligations in rule and law which will provide useful information to assist AEMO in performing its functions. Current drafting of Rule 687(3) risks AEMO’s assessments of threats and directions being based upon low accuracy forecasts of linepack data. This could potentially lead to either ineffective or unnecessary actions being taken, or could even result in the undermining of a pipeline’s throughput capacity by directing gas from linepack which only appears to be available due to the reporting of inaccurate data.

Alternately, pipeline service providers already track the total quantity of commercially stored gas on a pipeline. This gas is far more likely to be able to be used without impeding pipeline operation. APGA recommends amendments to drafting of Rule 687(3) in Section 3.2.3 which seeks to mitigate this risk and other risks relating to the misinterpretation of reported linepack data due to how Rule 687 is currently drafted.

APGA looks forward to further engagement with the Department and Ministers on these key points alongside all topics highlighted within this submission.

To discuss any of the details within this submission further, please contact APGA’s National Policy Manager, Jordan McCollum, on +61 422 057 856 or jmccollum@apga.org.au.

1 Introduction

The consultation paper and draft legislative package set out market transparency measures and extended powers to a market body, continuing the trend of gas market reform delivering market transparency and increased powers to market bodies in an attempt to address gas supply issues over the last decade.

Despite extensive and continuous reform commencing prior to the ACCC's East Coast Gas Inquiry in 2015/16, 2022 has seen the highest gas prices and greatest challenges in the East Coast gas market. APGA understands the need to extend powers to AEMO to act at times of crisis. Unfortunately, times of crisis are more likely due to ineffectiveness of previous reforms.

Great care needs to be taken in extended such powers that is does not further damage the investment environment. More investment, in natural gas and increasingly in renewable gas, is critical to addressing the fundamental issues in the East Coast gas market, high prices and a challenging market for supply of gas. This reform, while important, must be progressed in the manner that preserves the greatest confidence in the investment environment and incentives for market participants to underpin investments over the long-term.

2 Feedback relating to General Concepts

The following feedback is provided in order of APGA's view of greatest potential negative impact or poor outcome.

2.1 Priority of Directed Parties

It would make greater procedural, compensation, and risk mitigation sense for AEMO to direct market participants that own gas prior to directing gas infrastructure. This is because:

- The owners of gas have more levers available to them with which to address supply adequacy events including:
 - Access to commercially available quantities of gas;
 - Access to firm and non-firm gas haulage and storage services;
 - Access to commercially available gas stored via gas storage services; and
 - The ability to use a combination of these to redirect supply to locations across the East Coast Gas System.
- Directing gas infrastructure service providers prior to gas owners introduces additional risk including:
 - A larger number of directions are required to address the gas supply adequacy event;
 - Gas infrastructure service providers may have to decide which gas owners to disadvantage in order to comply with the direction;
 - Direction impacts more market participants than necessary; or
 - Direction was unnecessary in the first place.

The consequence of the above risks could lead to a greater volume or value of compensation being sought relating to directions, exacerbation of gas supply adequacy events, or potentially creating new gas supply adequacy events as detailed in the remainder of this section.

Alternately, directing gas owners prior to gas infrastructure service providers reduces the number of market participants being directed. This holds true up until the point where a lack of access to gas transport services starts to impede directions issued to gas owners.

APGA recommends the Rules be amended to reflect the principle of AEMO direction of gas owners prior to direction of gas infrastructure service providers, while not restricting AEMO's ability to direct gas infrastructure service providers if necessary.

2.1.1 Risk of directing gas infrastructure service providers

Direction of gas infrastructure service providers to change receipt or delivery point volumes across gas infrastructure, in particular in the absence of aligned gas owner direction, will require the service provider to choose between undermining its ability to operate or remove gas from the accounts of one of its gas owner customers.

Increasing or decreasing the overall balance of supply and demand across gas infrastructure risks driving pipeline pressures above or below safe operating limits. If this

occurs, the service provider will have to stop providing some or all contracted services. This risks exacerbating the gas supply adequacy event.

In order to avoid this, gas infrastructure service providers will need to attribute the directed change in supply or demand to one or more of its customers and require the customer(s) comply with its contractual requirements to maintain a balanced supply and demand or pipeline storage limit provisions. This would almost certainly result in costs being incurred by the customer(s) chosen by the service provider, and therefore result in compensation claims, the costs of which will ultimately flow to gas consumers.

In this circumstance, AEMO would not have control over which or how many customers the service provider attributed the change in supply or demand to. The fairest approach may be to attribute it to all customers equally or on a pro-rated basis if more than one customer is impacted. Note that some custody transfer points can service upwards of 70 customers. Alternately, the service provider may unknowingly attribute the change to a customer which incurs higher costs due to the direction. In either case, AEMO risks larger or more numerous compensation claims through this approach to direction and gas infrastructure service providers risk contractual disputes from misalignment with existing contracts

This description begins to describe the complexity created by directing gas infrastructure service providers. Additionally, different service providers will have different procedural and contractual regimes which risk creating differences between how certain owners of gas are impacted. How directions are managed by service providers risks impacting market outcomes, in particular as shippers approach recontracting dates. The cost of impacting one gas owner over another is also often obscured from gas infrastructure service providers. The potential for unintended consequences through directing gas infrastructure service providers is broader than can be articulated, giving even greater weight to the need to avoid directing gas infrastructure service providers if possible.

2.1.1.1 Recommended form of gas infrastructure directions

To avoid the above risks, APGA recommends that directions to gas infrastructure service providers would best come in the form of providing firm transport or storage capacity to a shipper referencing specific receipt and delivery points. An owner of gas can then utilise the firm transport or storage capacity to transport and store gas. This would avoid the need for a service provider to determine which customer / gas owner will be negatively impacted by the directions required of its infrastructure.

2.1.2 Advantage of directing gas owners

Gas market participants that own gas have access to the most important gas adequacy lever – ownership of gas. Whether at the production source, in transit, in shipper linepack storage, or in Underground Gas Storage, the owners of gas have the greatest access to owned gas to solve a supply adequacy event. Gas owners will typically also hold rights to the second most important lever – access to firm and non-firm transport on gas infrastructure. With both ownership and transport at their disposal, AEMO direction of gas owners will be able to deliver the greatest level of impact in a supply adequacy event for the least amount of costs.

AEMO direction of gas infrastructure service providers may therefore only be necessary in cases where the owners of gas are *unable* to access firm or non-firm transport on gas infrastructure or don't have an existing agreement with a gas infrastructure service provider. Until access to transport becomes an impediment during a gas adequacy event, AEMO directions to gas owners is able to occur while gas infrastructure service providers operate without direction.

2.1.2.1 Impact of AEMO preferencing direction of gas owners

By preferencing the direction of gas owners, AEMO reduces its procedural burden and compensation burden by directing less participants. AEMO also increases the likelihood of successfully addressing the supply adequacy issue by mitigating the coordination risk of directing a larger number of market participants, or directing market participants with less levers available to address the supply issue at hand.

If access to transport does become an issue, AEMO could then direct gas infrastructure service providers to curtail supply or demand. This could occur either in line with contractual curtailment policies or at lower priority receipt and delivery points as directed by AEMO.

2.1.2.2 Directing pipeline storage products

The difference between operational linepack and commercially stored gas available within linepack is detailed in Section 3.2.1. Just like transport services, the capacity to store or loan gas from linepack is contracted on a commercial bases to gas owners, and the gas stored in or available for loan from linepack is owned by these gas owners. Gas infrastructure service providers do not own the title of this gas. A direction can therefore most easily access this gas by directing gas owners.

For the avoidance of doubt, directing gas infrastructure service providers to deliver gas to customers from operational linepack will result in a reduction in the pipeline's ability to provide contracted gas transport services until and potentially beyond the point that operational linepack is restored. This risks exacerbating gas supply adequacy events or introducing new gas supply adequacy events in the period following the initial issue.

2.1.2.3 Recommended form of directions

To avoid the above risks, APGA recommends that directions to gas infrastructure service providers would best come in the form of providing firm transport or storage capacity to a shipper referencing specific receipt and delivery points. An owner of gas can then utilise the firm transport or storage capacity to move and store gas. This would avoid the need for a service provider to determine which customer / gas owner will be negatively impacted by the directions required of its infrastructure.

2.1.3 Risk of directing infrastructure first or early

Beyond adhering to the recommendation in 2.1.1.1 , AEMO risks increased compensation volume and expense by directing infrastructure to provide transport or storage services either before directing gas owners or before a directed gas owner has the opportunity to

exhaust its available transport and storage options. This is because gas owners may not need gas infrastructure to be directed in order to adhere to AEMO directions, and direction of gas infrastructure can have compensation consequences.

2.1.4 Recommendation

Despite the complexity of the above risks and opportunities, APGA recommends a simple solution to guide AEMO towards directions that simplifies the task of direction while minimising the risk of ineffective direction and high compensation volumes or costs.

APGA recommends that the Rules provide that AEMO, when giving a direction which rations or allocates gas supply, must ensure (or endeavour to ensure) the direction is given to the owners of the relevant gas (without limiting the other persons to whom directions may be given as part of the same process). This could be achieved with a Rule drafted in the following manner:

If AEMO proposes to give directions requiring the allocation or rationing of gas supplies, AEMO must seek to ensure:

(a) that (without limiting any other relevant entities to whom a direction may be given) it gives such a direction to the persons who currently own that gas and the persons who have the right to buy that gas; and

(b) that any direction given to a pipeline owner or operator in respect of the allocation of gas within that pipeline is consistent with any direction given to the owners of that gas

Such an inclusion would help to resolve all risks highlighted within 2.1 without reducing the ability for AEMO to issue directions in the event of a gas supply adequacy event.

2.2 Interaction between Gas Adequacy Conferences and competition law

APGA is strongly supportive of conference provisions, as an effective conference process should increase the likelihood that more efficient market solutions can be used to address a problem, reducing the likelihood of reliance on AEMO directions or contracting.

Gas reliability and supply adequacy conferences introduced under Division 3 of the draft Rules contemplates conferences between competing parties in range of different markets (wholesale gas, retail gas, gas infrastructure, wholesale electricity, retail electricity, and manufacturing to name a few). The conversations sought within Gas reliability and supply adequacy conferences may risk market participants breaching the Competition and Consumer Act 2010 (CCA).

The CCA prohibits anticompetitive behaviour and contains various provisions relating to competitors in a market discussing commercially sensitive information or engaging in cartel conduct. Conversations within gas reliability and supply adequacy conferences may involve the disclosure of commercially sensitive information which creates risks that participants

could be considered to have breached the CCA. These risks could extend to all parties involved in a gas reliability and supply adequacy conference, regardless of their relationship to the conversation at the time. APGA strongly recommends that AEMO proactively take necessary measures to protect all participants from breaching the CCA.

2.3 Appropriateness of transport facility market participants to fund the trading fund

APGA reinforces its position raised in its previous submission that it is inappropriate to require transportation facilities to contribute to the AEMO trading fund. The current issues in the market are due to shortages in the commodity not in haulage capacity.

3 Feedback with direct relation to Rules

The following feedback with direct relation to the Rules is provided in order of greatest potential negative impact to AEMO acting effectively during a gas supply adequacy event or creating greater than necessary compensation obligations.

3.1 Rule 694 matters for consideration when determining to give a direction

Rule 694 lists a range of matters which AEMO may consider when determining to give a direction. In its current form, Rule 694 would allow the following to occur:

- AEMO may choose to not consider the reasonable ability of a relevant entity to whom a direction is given to comply with a direction;
- AEMO may choose to not consider safety or technical requirements under jurisdictional law;
- AEMO may choose to not consider the operation or use of emergency powers within each affected jurisdiction;
- AEMO may choose to not consider the impact of the giving of a direction on customers, market participants and other entities;
- And so on for all items covered under Rule 694.

Wherever at all possible, AEMO should consider each item identified under Rule 694. This remains true in full consideration of the need to provide AEMO maximum reasonable flexibility in determining to give a direction. However, the simple replacement of “may” with “must” risks AEMO being subject to procedural burden when attempting to enact its powers to address an urgent supply adequacy emergency where only immediate action would represent an effective response.

3.1.1 Recommendation

Considering both need to consider these aspects and the need for procedural efficiency, APGA proposes Rule 694 be amended such that AEMO must consider the elements contained within the Rule if identified by a relevant entity. APGA proposes the drafting below:

For the purposes of section 91AF of the NGL and without limiting the matters AEMO may consider, AEMO may consider the following matters in determining whether to give a direction, and must consider the following matters if advised by a relevant entity:

It is anticipated that such drafting would allow for AEMO freedom in direction via the “may” statement, while allowing for a party which is to be subject to the direction to identify a genuine matter with the certainty that the matter must be considered by AEMO. This change in drafting would moderate the abovementioned allowance of consequences created by the “may” drafting by resolving that:

- AEMO must consider the reasonable ability of a relevant entity to whom a direction is given to comply with a direction if the relevant entity advises AEMO that it is unable to comply with the direction;
- AEMO must consider safety or technical requirements under jurisdictional law if a relevant party advises safety or technical requirements will be breached as a result of a direction;
- AEMO must consider the operation or use of emergency powers within each affected jurisdiction if a relevant entity advises directions have been issued;
- AEMO must consider the impact of the giving of a direction on customers, market participants and other entities if a relevant party advises significant detrimental impacts to customers, market participants or other entities;
- And so on for all items covered under Rule 694.

The above approach reduces the risk of ineffective directions while avoiding the risk of slowing AEMO's ability to direct during a supply adequacy event by only requiring mandatory consideration when a matter is raised.

3.1.2 Specific matters under Rule 694

While it is more or less clear why each of the matters flagged under Rule 694 should be a mandatory consideration of AEMO when issuing a direction, the nuance of the following matters requires additional consideration.

Ability to comply

AEMO providing direction to a relevant entity for which it has not considered the entity's ability to comply would pose a risk to the effectiveness of AEMO directions and ability to address a supply adequacy event.

Jurisdictional orders

AEMO providing direction without consideration for, or in potential conflict with, any directions made under jurisdictional instruments would pose a risk to the effectiveness of AEMO directions and ability to address a supply adequacy event.

In lieu of applying the above recommendation to the entirety of Rule 694, APGA recommends each of the above be the subject of specific Rules to avoid unintended consequences. Additionally, APGA recommends the following be elevated above Rule 694 as the subject of specific Rule regardless of changes made to Rule 694.

Impact of the giving of a direction on customers, market participants and other entities

APGA maintains that AEMO should be required to undertake best endeavours to consider the impact of the giving of a direction on customers, market participants and other entities separate to and above the requirements under Rule 694. Further, such consideration should be specified to extend to medium term outcomes as to avoid the possibility of a direction resulting in additional gas supply adequacy events in the medium term.

3.2 Rule 687(3) pertaining to reporting of linepack information

Rule 687(3) requires daily forecasts of BB Pipeline linepack related information. APGA is concerned that the way in which this information is requested risks misinterpretation of information.

In short, Rule 686(3) requires reporting of:

- a) *Total daily pressurised volume of gas stored in a linepack zone;*
- b) *Total daily pressurised volume of gas stored in a linepack zone of the BB pipeline in excess of the volume of gas required to deliver the pipeline schedule; and*
- c) *Forecast of the expected injections into and withdrawals from the linepack zone and the maximum flow that the zone could achieve for the day ahead.*

This section references background theory about linepack and pipeline storage services prior to highlighting problematic aspects of the current drafting of Rule 687(3) and recommending simple amendments to address problems while maintaining and improving AEMO ability to effectively utilise gas stored in linepack during a gas supply adequacy event.

3.2.1 Background Theory: Linepack and pipeline storage services

Aspects of the Act, Rules and Regulations risk oversimplifying requirements around linepack adequacy and pipeline storage services. This simple view of a complex topic risks impeding the effectiveness of an AEMO direction during a supply adequacy event, or worse, AEMO direction which creates or worsens a supply adequacy event. Appendix 1 of this submission includes greater detail relating to key linepack concepts which are required prior knowledge to avoid causing or exacerbating a gas supply adequacy event through direction of gas stored in linepack.

- **Linepack calculations and forecasting**
Linepack calculations are physics calculations which reduce in accuracy beyond static operating conditions (ie almost always). As a result, some pipeline service providers have indicated that forecasts of minimum and total linepack quantities can be inaccurate by as much as 30% - 40%. Forecasting future linepack positions relies upon forecast shipper nominations (day to day) or metered flows (intraday) which increase error through availability and accuracy of information at any point in time and are subject to customer intervention – particularly in a dynamic market.
- **Operational linepack range**
In an ideal static world, there would be one operational linepack number to support the throughput capacity of a pipeline. Due to physical transient conditions as well as the difference between contracted Maximum Daily Quantity (MDQ) and Maximum Hourly Quantity (MHQ), each pipeline has an operational linepack range which must be maintained to facilitate its throughput capacity. Linepack outside of this range prevents a pipeline from being able to operate at capacity until linepack is returned to within the operational linepack range. However, the estimation of this operational linepack range can be subject to significant degrees of error.
- **Commercially available linepack range**

Commercial linepack storage products are facilitated by reducing the maximum throughput of a pipeline in order to create storage capacity, increasing the difference between maximum and minimum operational linepack. Importantly, this is the only *capacity* available for gas to be stored during a supply adequacy event – it does not represent the gas available to respond to a supply adequacy event. Storing more than the commercially available linepack range risks impeding the ability for the pipeline to operate at flow capacity.

- **Commercially stored gas**

When a customer use purchased linepack storage capacity, a quantity of gas is stored within the commercially available linepack range. This is recorded on the gas owner's account within the pipeline service provider's hydrocarbon accounting system. Importantly, these commercially recorded stored gas volumes are the only volumes of gas available to be depleted from a pipeline's linepack during a supply adequacy event without risking impeding the ability for the pipeline to operate at flow capacity on the following days.

3.2.2 Problematic aspects of 687(3)

The proposed reporting obligations are problematic for a range of reasons:

- They risk misleading AEMO when attempting to issue a direction relating to linepack;
- They risk decreased forecasting accuracy by basing forecasts on highly variable estimates of information which involves significant judgement to prepare; and
- They risk decreased accuracy if a large number of zones are defined on a pipeline.

3.2.2.1 Risk of misleading information

As detailed above, the only volumes of gas stored in linepack which, if used, would risk not compromising the ability of the pipeline to flow at capacity is the volume recorded as being stored under commercial gas storage contracts. Noting this, and the requested data in Rule 687(3), it is important to note that the volume of gas stored under commercial gas storage contracts is not equal to daily pressurised volume of gas stored in a linepack zone of the BB pipeline in excess of the volume of gas required to deliver the pipeline schedule.

AEMO directions which rely upon (i.e. seek to draw down) the total daily pressurised volume of gas stored in a linepack zone of the BB pipeline in excess of the volume of gas required to deliver the pipeline schedule risks exacerbating a gas supply adequacy event or creating a new gas supply adequacy event both on the day and in the days following the event (until linepack is returned to within the operational linepack range).

3.2.2.2 Forecasting accuracy

Forecasts based upon the information required under 687(3) also risks inaccurate forecasting due to forecasting the wrong information as detailed in 3.2.2. Further, forecasted changes in linepack are only as accurate as the ability for customers to flow to nomination and inform service providers of change in nominations. Both of these aspects generally add a greater level of error than the linepack calculations themselves.

3.2.2.3 Linepack Zone Resolution

Linepack can only be confirmed to be accurate by comparing changes in linepack to the difference in metered supply and demand. This means that any linepack zone smaller than a section of pipeline with all supply and demand points measured through custody transfer metering cannot deliver accurate linepack information. This includes the use of process metering which is not maintained to the same level of veracity in comparison to custody transfer metering.

AEMO risks its directions causing or exacerbating a gas supply adequacy event if directions of gas stored in linepack are based upon inaccurate linepack calculations. Should linepack zones remain a feature of these reporting obligations, AEMO will need to engage with each pipeline operator in detail to determine the potential infrastructure and equipment limitations which may affect the definition of zones.

3.2.3 Recommendation

APGA recommends that the above three risks be mitigated by redrafting Rule 687(3) in its entirety in the following manner:

The BB reporting entity for a BB pipeline must provide a forecast to AEMO no later than the start of each gas day of the total commercially stored volume of gas in the BB Pipeline in PJ, and for the next 6 consecutive days.

These changes to drafting would mitigate all risks highlighted above while still providing AEMO with an indication of the volume of stored gas which could potentially be able to be used in a supply adequacy event, and without impeding the ability for AEMO to engage directly with and even compel facility operators to provide more specific information in relation to a specific supply adequacy event if needed.

3.3 Rules relating to section 91AF(3) of the Act

Some aspects of Section 91AF(3) have not been addressed in the Rules. This results in a lack of certainty around AEMO directions as well as a risk directions occurring across extended periods of time due to a lack of temporal constraint within the Act or Rules.

3.3.1 Aspects of Section 91AF(3) of the Act not addressed in the Rules

Section 91AF(3) of the Act includes aspects which may be addressed in the Rules, however aspects covered under 91AF(3)(a) and 91AF(3)(b) do not appear to have been addressed under the Rules. It had been expected that these aspects would have been addressed in the associated drafting of the Rules considering their significance. APGA queries the ability for AEMO to garner participant confidence and minimise costs without aspects under Section 91AF(3) being addressed within the Rules.

Note that 91AF(3)(c) appears to have been able to be addressed under Rule 694.

3.3.2 Temporal implications of Section 91AF(3)(c) of the Act and resultant Rule 694

Current drafting of Section 91AF(3)(c) and resultant Rule 694 do not constrain AEMO from using its powers of direction at any time or for any period of time. As a result, AEMO could choose to use its powers:

- Without there being an actual or potential threat to the reliability and adequacy of the supply of natural gas within the east coast gas system; or
- To provide a direction which exceeds the duration of an actual or potential threat to the reliability and adequacy of the supply of natural gas within the east coast gas system.

This does not appear to align with the intent of the reforms. APGA recommends an addition to the NGR along the lines of the following:

For the purposes of section 91AF(3)(c) of the NGL, before giving a direction AEMO must be satisfied [or reasonably satisfied] based upon the information reasonably available to it that there is an actual or potential threat to the reliability and adequacy of the supply of natural gas within the east coast gas system [and that such threat will not be adequately addressed by the operation of market mechanisms]

APGA welcomes further discussion with the department on how to best address this concern.

3.4 Rule 698 test for compensation

The test for compensation in rule 698 is *whether it is appropriate in all the circumstances for compensation to be paid to a relevant entity*. This is a vague test, and it is not clear what *appropriate* means in the context of this test.

It would be preferable if the reference to appropriate were replaced by a clearer statement of the principle. For example, that an entity is required to be paid its direct costs arising from compliance with or issue of a direction and to be reimbursed its opportunity costs arising from compliance with or issue of the direction.

For example, clause 3.14.6 of the National Electricity Rules (which deals with compensation for administered price caps) provides:

The amount of compensation payable in respect of a claim under this clause 3.14.6 must be based on direct costs and opportunity costs

This language is much more direct than Rule 698(1). This could be made clearer by instead stating that the amount of compensation must equal the direct costs and opportunity costs incurred by the relevant entity.

3.4.1 Making of compensation procedures

The compensation determination is also to be made in accordance with the Procedures which are to be made by AEMO. The Procedures should provide for a process whereby compensation determinations are not subject to any undue influence of the body which made the direction which gave rise to the compensation.

APGA queries whether AEMO is the appropriate body to be making the Procedures to determine the compensation payable for compliance with AEMO directions. In line with this query, APGA recommends that an alternate body independent from the direction making power, such as the AEMC, should make procedures relative to the determination of compensation.

3.5 Rule 687(1) overlap and exemptions with Gas Bulletin Board Rules

The information requested under Rule 687(1)(f) is already required under Part 18 and Part 23 of the NGR. Rule 687(1)(f) risks duplication of reporting requirements, and any subtle differences in how this information is requested risks conflation of information which may undermine AEMO's ability to act in a gas supply adequacy event. Additionally, Rule 687(1)(a) &(b) would also overlap with the current 12 month BB medium term capacity outlook (rule 181) and also the 12 month maintenance outlook required for non-scheme pipelines (rule 553(5)). We anticipate other overlapping rules as well which should be considered.

Additionally, some pipelines have an exemption from providing such information. APGA contests that such exemptions should be upheld with relation to Rule 687 as well.

APGA recommends that amendment of reporting requirements which already exist within the NGR be preference over duplication of such requirements within the new drafting. This would avoid unintended consequences relating to duplication of reporting requirements, slight differences in how reporting requirements are drafted, and well-founded exemptions existing for some instances of a reporting requirement and not for others.

This would include the removal of Rule 687(1)(f) and any other Rule which duplicates a reporting requirement, and instead amending the original reporting requirement to reflect the intent of this reform process.

3.6 Rule 696(1) clarity around parties able to claim compensation

It is not entirely clear if the only entity who may claim compensation in respect of a direction is the entity to whom the direction is issued. Section 696(1) does not state this explicitly so it seems any relevant entity affected by a direction may make a claim. It would be preferable if section 696 were clear on this point, expressly stating that any relevant entity affected by a direction may make a claim. This would avoid doubt around whether the entity who received the direction is the only entity able to claim compensation.

3.7 Period for making a claim for compensation

The 10 business day period in section 696(3)(a) for making a claim is quite short. It may not be practical for an entity to be able to quantify its claim within this time period. This is because:

- Without temporal limitations, direction events could last more than 10 business days;
- The impact of a direction may last longer than 10 business days;
- Gas transmission infrastructure within the east coast gas system (excluding the Victorian Transmission System (VTS)) operates on a contract carriage basis, resulting in difficulties in determining the full extent of direction related costs within the 10-day period; and
- Gas customers may be unable to determine the full cost of a direction within a 10 day windows depending on their use gas case.

APGA recommends that the above could be resolved in part by redrafting 696(3)(a) to reference 10 days following the last day of suffering detriment due to a direction. Additionally, lengthening the 10-day notice period would be warranted. This proposal is warranted considering the east coast gas system predominantly operates under a contract carriage commercial framework, leading to increased direction cost determination challenges compared to the VTS which operates under a market carriage commercial framework.

Appendix 1: Technical clarification of Linepack and Linepack Services

The following sections provide information relating to linepack and linepack services, including:

- Linepack Calculations and Accuracy; including
 - Linepack Forecasting; and
 - High fidelity linepack monitoring; and
- Differences between Operational Linepack, Operational Linepack Ranges and Commercial Linepack; including
 - Operational linepack ranges; and
 - Operational linepack vs commercial linepack.

Through these sections, the following concepts are derived:

Linepack calculations and forecasting

Linepack calculations are physics calculations which reduce in accuracy beyond static operating conditions (ie almost always). Forecasting future linepack positions relies upon shipper nominations (day to day) or metered flows (intraday) which increase error through availability and accuracy of information at any point in time, both of which are subject to customer intervention.

Operational linepack range

In an ideal static world, there would be one operational linepack number to support the throughput capacity of a pipeline. Due to physical transient conditions as well as the difference between contracted Maximum Daily Quantity (MDQ) and Maximum Hourly Quantity (MHQ), each pipeline has an operational linepack range which must be maintained to facilitate its throughput capacity. Linepack outside of this range prevents a pipeline from being able to operate at capacity.

Commercially available linepack range

Commercial linepack storage products are facilitated by reducing the maximum throughput of a pipeline in order to create storage capacity, increasing the difference between maximum and minimum operational linepack. Importantly, this is the only capacity available for gas to be stored within during a supply adequacy event. Storing more than the commercially available linepack range risks impeding the ability for the pipeline to operate at flow capacity.

Commercially stored gas

When a customer uses purchased linepack storage capacity, a quantity of gas is stored within the commercially available linepack range. This is recorded on the gas owners account within the pipeline service providers hydrocarbon accounting system. Importantly, these commercially recorded stored gas volumes the only volumes of gas available to be depleted from a pipeline's linepack during a supply adequacy event. Depleting more than the commercially stored gas risks impeding the ability for the pipeline to operate at flow capacity.

Linepack calculations and accuracy

Linepack is a measure of the quantity of gas within a pipeline. It is calculated by considering the volume of the pipe, volume profile, its pressure profile, temperature profile, and its composition profile. If pipelines operated in a static manner (ie always flowing at the same rate with no variations in temperature or composition), the accuracy of such calculations would be reasonably sound. This is because operators would be able to accurately extrapolate each variable from measurement locations to sections of pipeline.

However, the constant transient operating conditions experienced by a typical operational pipeline reduces the accuracy of linepack calculations overall and for individual segment of pipeline. For the level of accuracy required to facilitate gas delivery on daily volume commercial basis, most pipelines can rely upon daily linepack calculations occurring at the start of the gas day and comparing these to the previous days linepack plus the difference in contracted storage positions to confirm accuracy within a range of plus or minus 2%.

Linepack forecasting

Linepack forecasting may occur on a day to day and intraday basis. Most operational pipelines rely upon nominated gas volumes to forecast linepack positions across time, and metered gas quantities to extrapolating from the start of day linepack to an estimate of linepack at a given point of time. Both of these approaches are only indicative, with accepted worked-in error influencing forecasts.

Being reliant on nominations, day to day linepack forecasting changes with every change in nomination and is subject to the difference between nominations and actual flows. Some APGA members anticipate that the estimate of minimum operational linepack alone could be as much as 30% to 40% out based on these factors, upon which any 6-day forecast would be based.

Intraday linepack positions can be extrapolated by considering instantaneous flow rates relative to the start of day linepack position. However, this extrapolation is subject to metering system error at each custody transfer point (generally +/-1%), faults in any metering system equipment (in the order of dozens of components per metering system), or communication faults. As a result, such extrapolation is generally used as guidance for pipeline operators.

High fidelity linepack monitoring

It is possible to undertake high fidelity linepack monitoring through the implementation of live, dynamic hydraulic modelling systems which can increase the accuracy of linepack calculations. Most operational pipelines do not implement live, dynamic hydraulic modelling systems due to their high cost to value ratio. Such systems generally cost in the order of millions of dollars per pipeline to develop, generally require vendor engagement where changes to pipeline configuration occur, as well as dedicated resources to maintain system effectiveness. Such systems still tend to reduce in accuracy during periods of significant transient conditions.

Operational linepack, operational linepack ranges, and commercial linepack

The ability for a pipeline to flow gas at a certain rate is directly proportional to the quantity of linepack in the pipeline at any given point in time. A pipeline that states a nameplate capacity will have a maximum and minimum operational linepack, or operational linepack range. Exceeding the operational linepack range will prevent the pipeline from flowing at capacity until linepack is brought back into the operational linepack range.

As a rule, APGA strongly recommends that AEMO do not direct pipeline service providers to take actions which will cause operational linepack limits to be exceeded. This is not currently contemplated under the Act, Rules or Regulations.

Operational linepack ranges

If there were not variations in operational conditions across a gas day, there would be one linepack figure relative to one throughput capacity on a pipeline. This is not the case. Every variation in pressure, temperature and composition, creates a different maximum flow profile for a different linepack quantity. Furthermore, these calculations relate to physical assets which can be many hundreds of kilometres in length.

Beyond the physics of pipeline operation, typical contracting of gas haulage products also creates a requirement for a broader operational linepack range. This is because typical haulage contracts have a difference between Maximum Daily Quantity (MDQ) and Maximum Hourly Quantity (MHQ) which equates to approximately 4 hours of gas storage or gas loan services provided complimentary as part of haulage service contracting. As such, operational linepack ranges need to be sufficiently wide to accommodate such variations in instantaneous and nominated customer flows.

This has the potential to create an apparent instantaneous stored volume of gas above the minimum operational linepack limit. If AEMO were to direct a pipeline in such a way that gas stored due to differences in instantaneous and nominated volumes, such a direction could undermine the ability for the pipeline to deliver nominated quantities of gas later in the gas day and result in the creation of a new gas supply adequacy event.

As a rule, APGA strongly recommends that AEMO do not direct pipeline service providers to take actions which will deplete linepack stored as part of variations between instantaneous flows and nominated flows. This is not currently contemplated under the Act, Rules or Regulations.

Operational linepack vs commercial linepack

Description of linepack to this point has not contemplated commercially contracted linepack storage or loan services. Capacity for commercially contractable linepack storage or loan services is created by reducing the throughput capacity of a pipeline by the rate necessary to increase the difference between maximum and minimum linepack sufficiently to provide the contractable storage quantity. The ratio between flow rate reduction from maximum to storage capacity is non-linear and different for each pipeline.

Within the commercially available linepack capacity, linepack quantities actually stored under commercial gas contracts would be in addition to the operational minimum linepack quantity. In the event of a loan service, the minimum operational linepack quantity is increased so that the linepack quantity still allows for the commercially available throughput capacity to flow if all loan products are utilised.

In a supply adequacy event, APGA recommends that the only direction to utilise quantities of linepack are framed to target commercially stored quantities within park products.

Appendix 2: Submission Response Template

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

Submission from Australian Pipelines and Gas Association

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]	Note: Feedback provided by APGA in the previous round of consultation has been retained in grey font, with additions provided in black font.
1	Do stakeholders have any comments on the scope of AEMO's new reliability and supply adequacy functions and the related rule-making powers as outlined in the draft Bill?		<p>AEMO's powers are understandably broad. Although we understand It appears the intent is for AEMO to be able to direct market participants as required in times of crisis, yet there are no thresholds as to when the powers can be used. There are a number of issues with drafting that may make the power to direct broader than in needs to be, including:</p> <ul style="list-style-type: none"> 91AF(1) has no requirement for there to be a connection between an actual or potential threat and AEMO giving written directions. <ul style="list-style-type: none"> APGA acknowledges it has been indicated that this was an unintentional consequence of drafting and has been marked as an issue to be addressed through revision of current drafting. APGA requested engagement with redrafting to address this matter. 91AF(1) provides AEMO the power to act to 'maintain OR improve' reliability and adequacy of supply. The equivalent power for the DWGM in 91BC provides the power to act to 'maintain AND improve'. It is not clear why the 'and' requirement has become an 'or'. In changing, AEMO will have the power to issue written directions to improve reliability and adequacy in the

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
			<p>absence of an issue or threat which appears beyond the intent of the powers. APGA would like to understand if the change is deliberate and what the drafters consider the difference between the two phrasings to be.</p> <p>Both of these issues could potentially be addressed by requiring AEMO to only issue directions when it considers there is an actual or potential threat to reliability and adequacy of supply, which appears to be in line with the intent of the legislation.</p> <p>Section 91AF(2)b states that directions MAY</p> <p>'be given to prevent, reduce or mitigate an actual or potential threat to reliability.....'</p> <p>If this phrase is redrafted to be a limit of 91AF(1), a low but material threshold for use of the power to direct would be introduced.</p> <p>While APGA appreciates the need for broad powers, it is inappropriate to fail to constrain AEMO's behaviour in any way in the interest of flexibility and speed. As the legislation provides AEMO flexibility, it should equally protect market participants from worst case outcomes, which could involve major financial damage, failure to meet contractual obligations or suffering consequences in other markets. All of this will have consequences for consumers of natural gas whom will ultimately bear the cost of these impacts. A minimum threshold for direction is appropriate.</p> <ul style="list-style-type: none"> • In light of the focus on ensuring balance between AEMO flexibility in making directions and appropriate constraint of those directions, APGA propose a hybrid approach and alternate drafting within Section 3.1 of its submission. <p>A further requirement to engage on a 'best endeavours' basis prior to issuing a direction would provide greater confidence to market participants and enhance the likely effectiveness of any AEMO directions, and is covered at the answer to Q3 and 11.</p> <p>APGA would like to understand better the potential for AEMO's new functions to interact with each other. For example, 91AD(e) sets out the function of AEMO to direct relevant entities to maintain or improve reliability or adequacy of gas supply. 91AD(f) sets out the function of AEMO to trade in natural gas or pipeline and storage services for the same purpose. Can AEMO direct a relevant entity to provide it with gas or commodity at specific price or at the expense of an existing customer? This is particularly relevant as the current drafting of 91AF(1) allows AEMO to direct relevant parties in the absence of an actual or potential threat.</p>

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
2	Does the definition of east coast gas system exclude anything that should come within scope of the new function?		
3	Do stakeholders consider any additional requirements should be specified in the rules in relation to the manner in which AEMO exercises its functions?		<p>Yes and it is preferable some of the requirements are prescribed in law rather than rules. In particular:</p> <ul style="list-style-type: none"> • The NGL should include a requirement that AEMO publish a notice that it considers directions are or will be necessary to manage reliability and supply adequacy. The details of what is to be included in the notice can be covered by rules, but the requirement should be in the NGL. • AEMO should have to publish some information about all directions it gives in close to real time. As directions are to be provided in writing, it should be relatively straight forward to publish directly. Some directions will cause market participants to be in breach of contracts and some market participants may not understand why they are being impacted by directions on other market participants. Having directions on the public record very quickly will help resolve legal issues and confusion amongst market participants. • The NGL should include a requirement to conduct a post-incident review and publish a report (subject to participant confidentiality considerations) whenever powers to direct or contract are used. A requirement to conduct the review will ensure continuous improvement in market outcomes over time. • AEMO should have to undertake 'best endeavours' to engage with market participants before issuing directions. It is clear the intent and expectation is that AEMO will engage where possible. It is understandable AEMO cannot engage in every circumstance. That inability to engage in all circumstances should not limit a requirement to engage where possible being enshrined in the NGL to emphasise its importance and provide confidence to market participants. <p>Embedding these requirements in the law demonstrates the seriousness of directions and recognition of the importance of using them as a last resort. Placing them in the rules is a clear lowering of their priority and importance which does not deliver the best outcomes for market confidence and certainty over the long-term.</p>
4	Do stakeholders consider that AEMO should develop any specific procedures or guidelines for its new functions?		Procedures and guidelines will be required for many aspects of the new powers.

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
5	Do you think a review of this regulatory package after three years is appropriate?		Reviews are always appropriate over time.
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?		<p>Reported data rarely tells the full story, its value in monitoring for potential threats is largely in its interpretation. AEMO should regularly engage with data providers to ensure it has the best possible understanding of the data and what it means. This is especially relevant if it is contemplating issuing directions. It is very likely market participants and infrastructure operators will be able to identify solutions that are not apparent from the data. This is particularly true for pipeline linepack data and will be covered in detail during the NGR phase of the consultation process.</p> <p>APGA highlights the specific risks related to how linepack data is referenced within Rule 687 which risks misinterpretation which could ultimately contribute to new or exacerbated gas supply adequacy events. This is addressed in greater detail within Section 3.2 of APGA's submission.</p>
7	Do stakeholders have any comments about the proposed additional information reporting and disclosure arrangements, and related transitional timeframes?		<p>APGA will explore this during the NGR phase of the consultation process.</p> <p>Please see reference to Rule 687(1) and Rule 687(3) in Section C below.</p>
8	Should there be any specific limits on who should be captured by disclosure obligations or ways to minimise compliance obligations such as thresholds, reporting party definitions, or links to other regulatory reporting requirements?		
Transparency – regarding the further more granular information set out in the consultation paper (subject to further consultation in 2023):			
9	What are your views on:		Noting that the gas market moves a different pace to the electricity market, it is important to consider the reduced value of real-time or hourly data for gas markets and the significant costs which would be

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
	a) The categories of information, and are they appropriate for real-time or hourly reporting? 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?		incurred by market participants (and ultimately, consumers) in providing such data. APGA will explore this during the NGR phase of the consultation process and in 2023.
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?		Given the broad powers to be granted to AEMO, APGA supports a formalised and extended ability to hold Gas Supply Adequacy and Reliability Conferences. Engagement and discussion with market participants is far more preferable to direction and the conferences provide increased likelihood that direction will not be used.
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?		There are a number of principles that should guide AEMO’s expanded powers of direction: <ul style="list-style-type: none"> • The importance of engagement should be enshrined in the NGL. From an asset operator perspective, asset operators will understand the capability of an asset, contractual positions and medium to long-term implications of a direction far better than AEMO. Direction without consultation and engagement should be an absolute last resort and a ‘best endeavours’ requirement to engage should be included in the NGL. This is entirely consistent with the intent of the legislation and expectation of AEMO’s actual processes as described in the consultation paper and in discussions with officials. • Powers of direction should recognise that some market participants have contracts to cover positions and some do not. Powers of direction should recognise the preeminence of contracted positions where possible. Failure to do so may encourage some market

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
			participants to not contract for extreme circumstances if they are confident AEMO will preference their gas supply needs over others.
12	Are there any other approaches that could be undertaken to elicit market responses ahead of directions powers?		Engagement with market participants will identify specific solutions in each circumstance.
13	How should AEMO work with stakeholders in giving directions?		<p>AEMO should work as closely as possible with stakeholders and should engage as early and as much as possible. Asset operators have the deepest level of understanding of their assets and capability and will be able to advise AEMO on the best way to achieve desired outcomes.</p> <p>Importantly, it is unlikely AEMO will have the time to engage with all stakeholders on all occasions, emphasising the importance of real-time public notifications of directions to give all market participants the same level of information in what are likely to be challenging market circumstances.</p>
14	Are there technical matters that should be considered in the issuing of directions powers?		<p>Yes. For pipelines, a particular technical matter of major significance is the medium-term implications of using gas stored in linepack to solve short-term issues. If linepack is depleted too far, a pipeline's capacity to deliver gas will be reduced or removed for days. Engagement will address this issue and allow AEMO to gather specific information in the context of a proposed direction, to better inform AEMO's decision making. APGA will explore this during the NGR phase of the consultation process.</p> <p>Not all custody transfer points or pipeline facilities operate on flow control.</p> <ul style="list-style-type: none"> - Some operate on pressure control; - Facilities operating under pressure control are unable to modulate flow to comply with an order outside of shutting down and restarting flow through the facility; and - Once shut down, operational conditions and safety requirements can prevent a pressure control facility from restarting. <p>Consideration needs to be given to the mode of control available at each individual custody transfer point, as well as the bespoke operational conditions which each point operates under. This is a clear role for supply adequacy conferences, and a circumstance in which AEMO must consider advice of the relevant entity under Rule 694.</p>
15	Are there any entities that should not be subject to directions or certain types of directions?		There is value in considering the nascent renewable gas industry when developing the framework for directions. APGA considers that there could be many flow-on safety and technical impacts if renewable gas is redirected away from the infrastructure and users it is contracted to, as not all infrastructure, plant and equipment in the East Coast Gas System will tolerate some types of renewable gas. If facilities using renewable gas blends were excluded from certain types of direction, any risks arising

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
			from their unplanned introduction to facilities would be mitigated. This issue could also be addressed through engagement prior to direction.
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>It is important that the NGL not only to consider the recovery of costs by AEMO. There are many market participants that will incur costs due to AEMO's exercising its extended powers and functions. Pipeline service providers have long-term contracts that can make cost recovery of some additional costs incurred, including regulatory costs over which it has no control, difficult. Consistent with the intent of the Revenue and Pricing Principles set out at NGL s 24(2)b that:</p> <p><i>A service provider should be provided with a reasonable opportunity to recover at least the efficient costs the service provider incurs in—</i></p> <p><i>(a) providing reference services; and</i></p> <p><i>(b) complying with a regulatory obligation or requirement or making a regulatory payment.</i></p> <p>It is critical that cost recovery for service providers, and perhaps other market participants, is considered in the proposed amendments to the NGL and/or NGR.</p>
17	What costs should parties who must comply with directions be able to seek compensation for? (e.g. direct costs, opportunity costs)		<p>As a first point, APGA considers it appropriate for market confidence that the requirement to compensate parties affected by a direction be enshrined in the NGL. This would be better embody the principle of compensation in the head instrument and leave the details to the NGR.</p> <p>While APGA will explore this during the NGR phase of the consultation process, it is important to flag as early as possible that there are very likely to be unintended consequences and market distortions if opportunity costs are not compensated. Some market participants dedicate significant resources to having gas supply in challenging market environments (for example, the operator of a gas powered generator which expects a period of heightened electricity demand in the coming days) and the opportunity cost of not having this supply available due to a direction should be considered to avoid undermining incentives and signals for market participants to efficiently manage risk.</p>
18	How should the costs of compensation be apportioned and recovered from the market?		<p>As a general principle, attributing cost to cause where possible is desirable. Cost recover should consider whether market participants have contracted positions to cover a requirement.</p> <p>APGA considers it appropriate that a additional heads of power be drafted into schedule 1 to provide the ability to make rules that ensure the efficient allocation of costs to market participants and cost recovery for market participants. There are some market participants that are best placed to recover</p>

Number	Question	Reference to section in the draft bill/regulations/rules (if applicable)	Feedback
			<p>costs from consumers and double handing of costs during cost recovery should be avoided where possible.</p> <p>It is also foreseeable that a cost hierarchy will need to be established to minimise the number of parties seeking compensation due to direction. It will be more efficient for a single party to seek compensation where possible. With regard to infrastructure services, there is potential for a direction to require a gas shipper to use multiple assets to comply with the direction. It is more efficient to require that shipper to pay the normal fees to service providers and then seek compensation rather than have each service provider and the shipper individually seek compensation.</p>
19	Should there be financial limits on individual claims, or on claims overall within a financial year?		
20	Is the proposed \$35m initial trading allocation appropriate?		
21	How should the trading function be funded?		APGA consider a trading fund has little value to infrastructure service providers and should not be part funded by these market participants.
22	What principles, if any, should guide AEMO's trading functions?		

B. Proposed civil penalty provisions

Section 3 of the consultation paper sets out the proposed sections of the draft Bill or Rules that will be subject to civil penalty provisions and what level of penalty would apply. Please reference the specific sections of the draft Bill or Rules if you would like to provide feedback.

Section or rule	Feedback on proposed tiers
Rule 683	Application of Tier 2 Civil Penalty to provision of information ties this penalty to provision of information which inherently contains error. In particular, linepack data accuracy is highly susceptible to transient conditions out of control of gas infrastructure service providers. Consideration needs to be considered of the ability for an entity to provide data to a reasonable level of accuracy, rather than absolute accuracy. In the case of linepack data, this conflict could be avoided through the proposed changes to drafting in Section 3.2 of the APGA submission. This section also provides greater context around linepack calculation accuracy.

Rule 691	Application of Tier 1 Civil Penalty to the attendance and participation in a conference would be inappropriate to apply to a specific individual considering the myriad of potential circumstances in which a specific individual would be unable to attend a specific event at a specific point in time. APGA proposes that Rule 691 be clarified as referring to market participant entities rather than specific individuals, and even then be clarified to consider extenuating circumstances in which no individual is available to represent a specific entity.
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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	
General NGL Feedback	Feedback contained in Section A and the previous APGA submission.
Feedback on proposed changes to the National Gas Regulations	
Feedback on proposed changes to the National Gas Rules	
Priority of Directed Parties	<p>It would make greater procedural, compensation, and risk mitigation sense for AEMO to direct market participants that own gas prior to directing gas infrastructure. This is because:</p> <ul style="list-style-type: none"> • The owners of gas have more levers available to them with which to address supply adequacy events including: <ul style="list-style-type: none"> ○ Access to commercially available quantities of gas; ○ Access to firm and non-firm gas haulage and storage services; ○ Access to commercially available gas stored via gas storage services; and ○ The ability to use a combination of these to redirect supply to locations across the East Coast Gas System. • Directing gas infrastructure service providers prior to gas owners introduces additional risk including: <ul style="list-style-type: none"> ○ A larger number of directions are required to address the gas supply adequacy event; ○ Gas infrastructure service providers may have to decide which gas owners to disadvantage in order to comply with the direction; ○ Direction impacts more market participants than necessary; or ○ Direction was unnecessary in the first place. <p>The consequence of the above risks could lead to a greater volume or value of compensation being sought relating to directions, exacerbation of gas supply adequacy events, or potentially creating new gas supply adequacy events as detailed in the remainder of this section.</p> <p>Alternately, directing gas owners prior to gas infrastructure service providers reduces the number of market participants being directed. This holds true up until the point where a lack of access to gas transport services starts to impede directions issued to gas owners.</p> <p>APGA recommends the Rules be amended to reflect the principle of AEMO direction of gas owners prior to direction of gas infrastructure service providers, while not restricting AEMO's ability to direct gas infrastructure service providers if necessary.</p>

Risk of directing gas infrastructure service providers

Direction of gas infrastructure service providers to change receipt or delivery point volumes across gas infrastructure, in particular in the absence of aligned gas owner direction, will require the service provider to choose between undermining its ability to operate or remove gas from the accounts of one of its gas owner customers.

Increasing or decreasing the overall balance of supply and demand across gas infrastructure risks driving pipeline pressures above or below safe operating limits. If this occurs, the service provider will have to stop providing some or all contracted services. This risks exacerbating the gas supply adequacy event.

In order to avoid this, gas infrastructure service providers will need to attribute the directed change in supply or demand to one or more of its customers and require the customer(s) comply with its contractual requirements to maintain a balanced supply and demand or pipeline storage limit provisions. This would almost certainly result in costs being incurred by the customer(s) chosen by the service provider, and therefore result in compensation claims, the costs of which will ultimately flow to gas consumers.

In this circumstance, AEMO would not have control over which or how many customers the service provider attributed the change in supply or demand to. The fairest approach may be to attribute it to all customers equally or on a pro-rated basis if more than one customer is impacted. Note that some custody transfer points can service upwards of 70 customers. Alternately, the service provider may unknowingly attribute the change to a customer which incurs higher costs due to the direction. In either case, AEMO risks larger or more numerous compensation claims through this approach to direction and gas infrastructure service providers risk contractual disputes from misalignment with existing contracts

This description begins to describe the complexity created by directing gas infrastructure service providers. Additionally, different service providers will have different procedural and contractual regimes which risk creating differences between how certain owners of gas are impacted. How directions are managed by service providers risks impacting market outcomes, in particular as shippers approach recontracting dates. The cost of impacting one gas owner over another is also often obscured from gas infrastructure service providers. The potential for unintended consequences through directing gas infrastructure service providers is broader than can be articulated, giving even greater weight to the need to avoid directing gas infrastructure service providers if possible.

Recommended form of gas infrastructure directions

To avoid the above risks, APGA recommends that directions to gas infrastructure service providers would best come in the form of providing firm transport or storage capacity to a shipper referencing specific receipt and delivery points. An owner of gas can then utilise the firm transport or storage capacity to transport and store gas. This would avoid the need for a service provider to determine which customer / gas owner will be negatively impacted by the directions required of its infrastructure.

Advantage of directing gas owners

Gas market participants that own gas have access to the most important gas adequacy lever – ownership of gas. Whether at the production source, in transit, in shipper linepack storage, or in Underground Gas Storage, the owners of gas have the greatest access to owned gas to solve a supply adequacy event. Gas owners will typically also hold rights to the second most important lever – access to firm and non-firm transport on gas infrastructure. With both ownership and transport at their disposal, AEMO direction of gas owners will be able to deliver the greatest level of impact in a supply adequacy event for the least amount of costs.

Question /Section	Feedback
	<p>AEMO direction of gas infrastructure service providers may therefore only be necessary in cases where the owners of gas are <i>unable</i> to access firm or non-firm transport on gas infrastructure or don't have an existing agreement with a gas infrastructure service provider. Until access to transport becomes an impediment during a gas adequacy event, AEMO directions to gas owners is able to occur while gas infrastructure service providers operate without direction.</p> <p style="text-align: center;"><i>Impact of AEMO preferencing direction of gas owners</i></p> <p>By preferencing the direction of gas owners, AEMO reduces its procedural burden and compensation burden by directing less participants. AEMO also increases the likelihood of successfully addressing the supply adequacy issue by mitigating the coordination risk of directing a larger number of market participants, or directing market participants with less levers available to address the supply issue at hand.</p> <p>If access to transport does become an issue, AEMO could then direct gas infrastructure service providers to curtail supply or demand. This could occur either in line with contractual curtailment policies or at lower priority receipt and delivery points as directed by AEMO.</p> <p style="text-align: center;"><i>Directing pipeline storage products</i></p> <p>The difference between operational linepack and commercially stored gas available within linepack is detailed in Section 0. Just like transport services, the capacity to store or loan gas from linepack is contracted on a commercial bases to gas owners, and the gas stored in or available for loan from linepack is owned by these gas owners. Gas infrastructure service providers do not own the title of this gas. A direction can therefore most easily access this gas by directing gas owners.</p> <p>For the avoidance of doubt, directing gas infrastructure service providers to deliver gas to customers from operational linepack will result in a reduction in the pipeline's ability to provide contracted gas transport services until and potentially beyond the point that operational linepack is restored. This risks exacerbating gas supply adequacy events or introducing new gas supply adequacy events in the period following the initial issue.</p> <p style="text-align: center;"><i>Recommended form of directions</i></p> <p>To avoid the above risks, APGA recommends that directions to gas infrastructure service providers would best come in the form of providing firm transport or storage capacity to a shipper referencing specific receipt and delivery points. An owner of gas can then utilise the firm transport or storage capacity to move and store gas. This would avoid the need for a service provider to determine which customer / gas owner will be negatively impacted by the directions required of its infrastructure.</p> <p style="text-align: center;"><i>Risk of directing infrastructure first or early</i></p> <p>Beyond adhering to the recommendation in 0 , AEMO risks increased compensation volume and expense by directing infrastructure to provide transport or storage services either before directing gas owners or before a directed gas owner has the opportunity to exhaust its available transport and storage options. This is because gas owners may not need gas infrastructure to be directed in order to adhere to AEMO directions, and direction of gas infrastructure can have compensation consequences.</p>

Question /Section	Feedback
	<p style="text-align: center;">Recommendation</p> <p>Despite the complexity of the above risks and opportunities, APGA recommends a simple solution to guide AEMO towards directions that simplifies the task of direction while minimising the risk of ineffective direction and high compensation volumes or costs.</p> <p>APGA recommends that the Rules provide that AEMO, when giving a direction which rations or allocates gas supply, must ensure (or endeavour to ensure) the direction is given to the owners of the relevant gas (without limiting the other persons to whom directions may be given as part of the same process). This could be achieved with a Rule drafted in the following manner:</p> <p><i>If AEMO proposes to give directions requiring the allocation or rationing of gas supplies, AEMO must seek to ensure:</i></p> <ul style="list-style-type: none"> <i>(a) that (without limiting any other relevant entities to whom a direction may be given) it gives such a direction to the persons who currently own that gas and the persons who have the right to buy that gas; and</i> <i>(b) that any direction given to a pipeline owner or operator in respect of the allocation of gas within that pipeline is consistent with any direction given to the owners of that gas</i> <p>Such an inclusion would help to resolve all risks highlighted within Error! Reference source not found. without reducing the ability for AEMO to issue directions in the event of a gas supply adequacy event.</p>
Interaction between Gas Adequacy Conferences and competition law	<p>APGA is strongly supportive of conference provisions, as an effective conference process should increase the likelihood that more efficient market solutions can be used to address a problem, reducing the likelihood of reliance on AEMO directions or contracting.</p> <p>Gas reliability and supply adequacy conferences introduced under Division 3 of the draft Rules contemplates conferences between competing parties in range of different markets (wholesale gas, retail gas, gas infrastructure, wholesale electricity, retail electricity, and manufacturing to name a few). The conversations sought within Gas reliability and supply adequacy conferences may risk market participants breaching the Competition and Consumer Act 2010 (CCA).</p> <p>The CCA prohibits anticompetitive behaviour and contains various provisions relating to competitors in a market discussing commercially sensitive information or engaging in cartel conduct. Conversations within gas reliability and supply adequacy conferences may involve the disclosure of commercially sensitive information which creates risks that participants could be considered to have breached the CCA. These risks could extend to all parties involved in a gas reliability and supply adequacy conference, regardless of their relationship to the conversation at the time. APGA strongly recommends that AEMO proactively take necessary measures to protect all participants from breaching the CCA.</p>
Appropriateness of BB Pipeline market participants to fund the trading fund	<p>APGA reinforces its position raised in its previous submission that it is inappropriate to require BB Pipelines to contribute to the AEMO trading fund. The current issues in the market are primarily due to shortages in the commodity not in haulage capacity.</p>
Rule 694 matters for consideration when determining to give a direction	<p>Rule 694 lists a range of matters which AEMO may consider when determining to give a direction. In its current form, Rule 694 would allow the following to occur:</p> <ul style="list-style-type: none"> • AEMO may choose to not consider the reasonable ability of a relevant entity to whom a direction is given to comply with a direction; • AEMO may choose to not consider safety or technical requirements under jurisdictional law; • AEMO may choose to not consider the operation or use of emergency powers within each affected jurisdiction; • AEMO may choose to not consider the impact of the giving of a direction on customers, market participants and other entities;

Question /Section	Feedback
	<ul style="list-style-type: none"> • And so on for all items covered under Rule 694. <p>Wherever at all possible, AEMO should consider each item identified under Rule 694. This remains true in full consideration of the need to provide AEMO maximum reasonable flexibility in determining to give a direction. However, the simple replacement of “may” with “must” risks AEMO being subject to procedural burden when attempting to enact its powers to address an urgent supply adequacy emergency where only immediate action would represent an effective response.</p> <p style="text-align: center;">Recommendation</p> <p>Considering both need to consider these aspects and the need for procedural efficiency, APGA proposes Rule 694 be amended such that AEMO must consider the elements contained within the Rule if identified by a relevant entity. APGA proposes the drafting below:</p> <p><i>For the purposes of section 91AF of the NGL and without limiting the matters AEMO may consider, AEMO may consider the following matters in determining whether to give a direction, and must consider the following matters if advised by a relevant entity:</i></p> <p>It is anticipated that such drafting would allow for AEMO freedom in direction via the “may” statement, while allowing for a party which is to be subject to the direction to identify a genuine matter with the certainty that the matter must be considered by AEMO. This change in drafting would moderate the abovementioned allowance of consequences created by the “may” drafting by resolving that:</p> <ul style="list-style-type: none"> • AEMO must consider the reasonable ability of a relevant entity to whom a direction is given to comply with a direction if the relevant entity advises AEMO that it is unable to comply with the direction; • AEMO must consider safety or technical requirements under jurisdictional law if a relevant party advises safety or technical requirements will be breached as a result of a direction; • AEMO must consider the operation or use of emergency powers within each affected jurisdiction if a relevant entity advises directions have been issued; • AEMO must consider the impact of the giving of a direction on customers, market participants and other entities if a relevant party advises significant detrimental impacts to customers, market participants or other entities; • And so on for all items covered under Rule 694. <p>The above approach reduces the risk of ineffective directions while avoiding the risk of slowing AEMO’s ability to direct during a supply adequacy event by only requiring mandatory consideration when a matter is raised.</p> <p style="text-align: center;">Specific matters under Rule 694</p> <p>While it is more or less clear why each of the matters flagged under Rule 694 should be a mandatory consideration of AEMO when issuing a direction, the nuance of the following matters requires additional consideration.</p> <p><u>Ability to comply</u></p> <p>AEMO providing direction to a relevant entity for which it has not considered the entity’s ability to comply would pose a risk to the effectiveness of AEMO directions and ability to address a supply adequacy event.</p> <p><u>Jurisdictional orders</u></p>

Question /Section	Feedback
	<p>AEMO providing direction without consideration for, or in potential conflict with, any directions made under jurisdictional instruments would pose a risk to the effectiveness of AEMO directions and ability to address a supply adequacy event.</p> <p>In lieu of applying the above recommendation to the entirety of Rule 694, APGA recommends each of the above be the subject of specific Rules to avoid unintended consequences. Additionally, APGA recommends the following be elevated above Rule 694 as the subject of specific Rule regardless of changes made to Rule 694.</p> <p><u>Impact of the giving of a direction on customers, market participants and other entities</u></p> <p>APGA maintains that AEMO should be required to undertake best endeavours to consider the impact of the giving of a direction on customers, market participants and other entities separate to and above the requirements under Rule 694. Further, such consideration should be specified to extend to medium term outcomes as to avoid the possibility of a direction resulting in additional gas supply adequacy events in the medium term.</p>
<p>Rule 687(3) pertaining to reporting of linepack information</p>	<p>Rule 687(3) requires daily forecasts of BB Pipeline linepack related information. APGA is concerned that the way in which this information is requested risks misinterpretation of information.</p> <p>In short, Rule 686(3) requires reporting of:</p> <ol style="list-style-type: none"> a) <i>Total daily pressurised volume of gas stored in a linepack zone;</i> b) <i>Total daily pressurised volume of gas stored in a linepack zone of the BB pipeline in excess of the volume of gas required to deliver the pipeline schedule; and</i> c) <i>Forecast of the expected injections into and withdrawals from the linepack zone and the maximum flow that the zone could achieve for the day ahead.</i> <p>This section references background theory about linepack and pipeline storage services prior to highlighting problematic aspects of the current drafting of Rule 687(3) and recommending simple amendments to address problems while maintaining and improving AEMO ability to effectively utilise gas stored in linepack during a gas supply adequacy event.</p> <p style="text-align: center;">Background Theory: Linepack and pipeline storage services</p> <p>Aspects of the Act, Rules and Regulations risk oversimplifying requirements around linepack adequacy and pipeline storage services. This simple view of a complex topic risks impeding the effectiveness of an AEMO direction during a supply adequacy event, or worse, AEMO direction which creates or worsens a supply adequacy event. Appendix 1 of this submission includes greater detail relating to key linepack concepts which are required prior knowledge to avoid causing or exacerbating a gas supply adequacy event through direction of gas stored in linepack.</p> <ul style="list-style-type: none"> • <u>Linepack calculations and forecasting</u> Linepack calculations are physics calculations which reduce in accuracy beyond static operating conditions (ie almost always). As a result, some pipeline service providers have indicated that forecasts of minimum and total linepack quantities can be inaccurate by as much as 30% - 40%. Forecasting future linepack positions relies upon forecast shipper nominations (day to day) or metered flows (intraday) which increase error through availability and accuracy of information at any point in time and are subject to customer intervention – particularly in a dynamic market. • <u>Operational linepack range</u> In an ideal static world, there would be one operational linepack number to support the throughput capacity of a pipeline. Due to physical transient conditions as well as the difference between contracted Maximum Daily Quantity (MDQ) and Maximum Hourly Quantity (MHQ),

Question /Section	Feedback
	<p>each pipeline has an operational linepack range which must be maintained to facilitate its throughput capacity. Linepack outside of this range prevents a pipeline from being able to operate at capacity until linepack is returned to within the operational linepack range. However, the estimation of this operational linepack range can be subject to significant degrees of error.</p> <ul style="list-style-type: none"> <p><u>Commercially available linepack range</u></p> <p>Commercial linepack storage products are facilitated by reducing the maximum throughput of a pipeline in order to create storage capacity, increasing the difference between maximum and minimum operational linepack. Importantly, this is the only <i>capacity</i> available for gas to be stored during a supply adequacy event – it does not represent the gas available to respond to a supply adequacy event. Storing more than the commercially available linepack range risks impeding the ability for the pipeline to operate at flow capacity.</p> <p><u>Commercially stored gas</u></p> <p>When a customer use purchased linepack storage capacity, a quantity of gas is stored within the commercially available linepack range. This is recorded on the gas owner’s account within the pipeline service provider’s hydrocarbon accounting system. Importantly, these commercially recorded stored gas volumes are the only volumes of gas available to be depleted from a pipeline’s linepack during a supply adequacy event without risking impeding the ability for the pipeline to operate at flow capacity on the following days.</p> <p>Problematic aspects of 687(3)</p> <p>The proposed reporting obligations are problematic for a range of reasons:</p> <ul style="list-style-type: none"> • They risk misleading AEMO when attempting to issue a direction relating to linepack; • They risk decreased forecasting accuracy by basing forecasts on highly variable estimates of information which involves significant judgement to prepare; and • They risk decreased accuracy if a large number of zones are defined on a pipeline. <p><i>Risk of misleading information</i></p> <p>As detailed above, the only volumes of gas stored in linepack which, if used, would risk not compromising the ability of the pipeline to flow at capacity is the volume recorded as being stored under commercial gas storage contracts. Noting this, and the requested data in Rule 687(3), it is important to note that the volume of gas stored under commercial gas storage contracts is not equal to daily pressurised volume of gas stored in a linepack zone of the BB pipeline in excess of the volume of gas required to deliver the pipeline schedule.</p> <p>AEMO directions which rely upon (i.e. seek to draw down) the total daily pressurised volume of gas stored in a linepack zone of the BB pipeline in excess of the volume of gas required to deliver the pipeline schedule risks exacerbating a gas supply adequacy event or creating a new gas supply adequacy event both on the day and in the days following the event (until linepack is returned to within the operational linepack range).</p> <p><i>Forecasting accuracy</i></p> <p>Forecasts based upon the information required under 687(3) also risks inaccurate forecasting due to forecasting the wrong information as detailed in 0. Further, forecasted changes in linepack are only as accurate as the ability for customers to flow to nomination and inform service providers of change in nominations. Both of these aspects generally add a greater level of error than the linepack calculations themselves.</p>

Question /Section	Feedback
	<p style="text-align: center;">Linepack Zone Resolution</p> <p>Linepack can only be confirmed to be accurate by comparing changes in linepack to the difference in metered supply and demand. This means that any linepack zone smaller than a section of pipeline with all supply and demand points measured through custody transfer metering cannot deliver accurate linepack information. This includes the use of process metering which is not maintained to the same level of veracity in comparison to custody transfer metering.</p> <p>AEMO risks its directions causing or exacerbating a gas supply adequacy event if directions of gas stored in linepack are based upon inaccurate linepack calculations. Should linepack zones remain a feature of these reporting obligations, AEMO will need to engage with each pipeline operator in detail to determine the potential infrastructure and equipment limitations which may affect the definition of zones.</p> <p style="text-align: center;">Recommendation</p> <p>APGA recommends that the above three risks be mitigated by redrafting Rule 687(3) in its entirety in the following manner:</p> <p style="text-align: center;"><i>The BB reporting entity for a BB pipeline must provide a forecast to AEMO no later than the start of each gas day of the total commercially stored volume of gas in the BB Pipeline in PJ, and for the next 6 consecutive days.</i></p> <p>These changes to drafting would mitigate all risks highlighted above while still providing AEMO with an indication of the volume of stored gas which could potentially be able to be used in a supply adequacy event, and without impeding the ability for AEMO to engage directly with and even compel facility operators to provide more specific information in relation to a specific supply adequacy event if needed.</p>
Rules relating to Section 91AF(3) of the Act	<p>Some aspects of Section 91AF(3) have not been addressed in the Rules. This results in a lack of certainty around AEMO directions as well as a risk directions occurring across extended periods of time due to a lack of temporal constraint within the Act or Rules.</p> <p style="text-align: center;">Aspects of Section 91AF(3) of the Act not addressed in the Rules</p> <p>Section 91AF(3) of the Act includes aspects which may be addressed in the Rules, however aspects covered under 91AF(3)(a) and 91AF(3)(b) do not appear to have been addressed under the Rules. It had been expected that these aspects would have been addressed in the associated drafting of the Rules considering their significance. APGA queries the ability for AEMO to garner participant confidence and minimise costs without aspects under Section 91AF(3) being addressed within the Rules.</p> <p>Note that 91AF(3)(c) appears to have been able to be addressed under Rule 694.</p> <p style="text-align: center;">Temporal implications of Section 91AF(3)(c) of the Act and resultant Rule 694</p> <p>Current drafting of Section 91AF(3)(c) and resultant Rule 694 do not constrain AEMO from using its powers of direction at any time or for any period of time. As a result, AEMO could choose to use its powers:</p> <ul style="list-style-type: none"> • Without there being an actual or potential threat to the reliability and adequacy of the supply of natural gas within the east coast gas system; or

Question /Section	Feedback
	<ul style="list-style-type: none"> To provide a direction which exceeds the duration of an actual or potential threat to the reliability and adequacy of the supply of natural gas within the east coast gas system. <p>This does not appear to align with the intent of the reforms. APGA recommends an addition to the NGR along the lines of the following: <i>For the purposes of section 91AF(3)(c) of the NGL, before giving a direction AEMO must be satisfied [or reasonably satisfied] based upon the information reasonably available to it that there is an actual or potential threat to the reliability and adequacy of the supply of natural gas within the east coast gas system [and that such threat will not be adequately addressed by the operation of market mechanisms]</i> APGA welcomes further discussion with the department on how to best address this concern.</p>
Rule 698 test for compensation	<p>The test for compensation in rule 698 is <i>whether it is appropriate in all the circumstances for compensation to be paid to a relevant entity</i>. This is a vague test, and it is not clear what <i>appropriate</i> means in the context of this test.</p> <p>It would be preferable if the reference to appropriate were replaced by a clearer statement of the principle. For example, that an entity is required to be paid its direct costs arising from compliance with or issue of a direction and to be reimbursed its opportunity costs arising from compliance with or issue of the direction.</p> <p>For example, clause 3.14.6 of the National Electricity Rules (which deals with compensation for administered price caps) provides: <i>The amount of compensation payable in respect of a claim under this clause 3.14.6 must be based on direct costs and opportunity costs</i></p> <p>This language is much more direct than Rule 698(1). This could be made clearer by instead stating that the amount of compensation must equal the direct costs and opportunity costs incurred by the relevant entity.</p> <p style="text-align: center;">C.1.1 Making of compensation procedures</p> <p>The compensation determination is also to be made in accordance with the Procedures which are to be made by AEMO. The Procedures should provide for a process whereby compensation determinations are not subject to any undue influence of the body which made the direction which gave rise to the compensation.</p> <p>APGA queries whether AEMO is the appropriate body to be making the Procedures to determine the compensation payable for compliance with AEMO directions. In line with this query, APGA recommends that an alternate body independent from the direction making power, such as the AEMC, should make procedures relative to the determination of compensation.</p>
Rule 687(1) overlap and exemptions with Gas Bulletin Board Rules	<p>The information requested under Rule 687(1)(f) is already required under Part 18 and Part 23 of the NGR. Rule 687(1)(f) risks duplication of reporting requirements, and any subtle differences in how this information is requested risks conflation of information which may undermine AEMO's ability to act in a gas supply adequacy event. Additionally, Rule 687(1)(a) &(b) would also overlap with the current 12 month BB medium term capacity outlook (rule 181) and also the 12 month maintenance outlook required for non-scheme pipelines (rule 553(5)). We anticipate other overlapping rules as well which should be considered.</p> <p>Additionally, some pipelines have an exemption from providing such information. APGA contests that such exemptions should be upheld with relation to Rule 687 as well.</p>

Question /Section	Feedback
	<p>APGA recommends that amendment of reporting requirements which already exist within the NGR be preference over duplication of such requirements within the new drafting. This would avoid unintended consequences relating to duplication of reporting requirements, slight differences in how reporting requirements are drafted, and well-founded exemptions existing for some instances of a reporting requirement and not for others.</p> <p>This would include the removal of Rule 687(1)(f) and any other Rule which duplicates a reporting requirement, and instead amending the original reporting requirement to reflect the intent of this reform process.</p>
Rule 696(1) clarity around parties able to claim compensation	<p>It is not entirely clear if the only entity who may claim compensation in respect of a direction is the entity to whom the direction is issued. Section 696(1) does not state this explicitly so it seems any relevant entity affected by a direction may make a claim. It would be preferable if section 696 were clear on this point, expressly stating that any relevant entity affected by a direction may make a claim. This would avoid doubt around whether the entity who received the direction is the only entity able to claim compensation.</p>
Period for making a claim for compensation	<p>The 10 business day period in section 696(3)(a) for making a claim is quite short. It may not be practical for an entity to be able to quantify its claim within this time period. This is because:</p> <ul style="list-style-type: none"> • Without temporal limitations, direction events could last more than 10 business days; • The impact of a direction may last longer than 10 business days; • Gas transmission infrastructure within the east coast gas system (excluding the Victorian Transmission System (VTS)) operates on a contract carriage basis, resulting in difficulties in determining the full extent of direction related costs within the 10-day period; and • Gas customers may be unable to determine the full cost of a direction within a 10 day windows depending on their use gas case. <p>APGA recommends that the above could be resolved in part by redrafting 696(3)(a) to reference 10 days following the last day of suffering detriment due to a direction. Additionally, lengthening the 10-day notice period would be warranted. This proposal is warranted considering the east coast gas system predominantly operates under a contract carriage commercial framework, leading to increased direction cost determination challenges compared to the VTS which operates under a market carriage commercial framework.</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>

Number	Question	Feedback
23	In your opinion, are any of these proposals more or less important to address reliability and supply adequacy concerns?	APGA is strongly supportive of conference provisions.
24	Are there any practical issues arising from any of these proposals? <ul style="list-style-type: none"> If so, please elaborate on your concerns. 	<p>As highlighted above, gas reliability and supply adequacy conferences introduced under Division 3 of the draft Rules contemplates conferences between competing parties in range of different markets (wholesale gas, retail gas, gas infrastructure, wholesale electricity, retail electricity, and manufacturing to name a few). The conversations sought within Gas reliability and supply adequacy conferences risks intentionally or unintentionally breaching the Competition and Consumer Act 2010 (CCA).</p> <p>The CCA prohibits anticompetitive behaviour including competitors in a market discussing commercially sensitive information or agreeing to participate in cartel conduct. Conversation within Gas reliability and supply adequacy conferences will likely require the disclosure of commercially sensitive information and lead to agreement to act in a way which could be considered as cartel conduct. All parties to a Gas reliability and supply adequacy conference would be legally considered an accomplice to any breach which occurs in a conference by being party to the conversation regardless of their relationship to the conversation at the time. This would include AEMO itself.</p> <p>APGA strongly recommends that AEMO take necessary measures to protect all participants from breaching the CCA or becoming an accessory to a breach of the CCA.</p>
25	Are there any other reliability and supply adequacy proposals that should be considered as part of this work?	<p>APGA would like Energy Ministers to consider the following among a set of principles for proposed 2023 consultation:</p> <ul style="list-style-type: none"> - Technology neutrality There has been some indication that 2023 consultation will preference some solutions to addressing gas supply reliability above others, including contracting of gas storage. However there are a range of ways to provide reliability, all in commercial competition with each other. APGA proposes that the best way to leverage competition to deliver least cost gas reliability to preference technology neutral approaches through the 2023 consultation. - Long term risk management While the focus upon short term AEMO directions has been necessary to date, further reforms considered in 2023 will need to consider medium and long term risk, including risk of changes negatively impacting investment. - Investment in increased supply The challenges currently faced by the east coast gas system are fundamentally due to a lack of supply. Increased investment in supply, be it in natural or renewable gases, is the only way to address the underlying problem. Further reforms need to at minimum avoid negatively impacting such investment, or preferably incentivising increased investment in gas supply.

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