



21 July 2023

Submission: AEMC Rule Change Request – Compensation and Dispute Resolution Frameworks

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 comment on the proposed rule change to improve the compensation framework for AEMO directions in the east coast gas system.

Our comments at this stage of the review process relate specifically to who is liable to pay that compensation. We agree with the need to provide sufficient clarity as to who is liable for bearing the cost of compensation.

Pipeline operators should not be allocated costs of compensation

APGA does not believe that pipeline operators should be liable to pay compensation in the event of directions by AEMO. Instead compensation costs should be allocated to the market participants who are best placed to most efficiently pass on costs to end users – being retailers, large users and gas powered generators.

Pipeline operators provide transport services that deliver gas to where it is needed, on behalf of gas users. Under AEMO directions in the event of a gas supply adequacy issue, some end users will receive their contracted gas, and some will not receive their contracted gas. Pipelines will deliver gas to where it is needed based on AEMO directions, but are not themselves beneficiaries of those directions. It is the users who are subject to loss or benefit under AEMO directions and compensation arrangements, not gas suppliers or transporters, and it is users who should be allocated the costs of that compensation.

Even if transporters were to be included in the allocation of costs of compensation, these costs would be regulatory-imposed costs that would be passed on to pipeline customers (gas retailers, large users and gas powered generators), who would in turn pass these costs on to end users. Such a scenario would result in additional costs of administration, ultimately leading to greater costs being borne by end users. This therefore represents an inefficient cost recovery mechanism for the market and an inefficient outcome for end users.

For completeness, APGA also notes that AEMO previously sought advice on this question during the development of its East Coast Gas System Procedures, and this advice also

recommended that pipelines (and gas producers) should not be allocated any costs of providing compensation.

To discuss any of the above feedback further, please contact me on +61 422 057 856 or jmccollum@apga.org.au.

Yours Sincerely,

A handwritten signature in black ink, appearing to be 'JM', written in a cursive style.

JORDAN MCCOLLUM
National Policy Manager
Australian Pipelines and Gas Association

