



14 March 2023

Submission: Implementation of East Coast Gas System Procedures

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 AEMO consultation on the Implementation of East Coast Gas System Procedures. APGA appreciates the willingness of the AEMO procedure development team to evolve its procedures following industry discussion, but continues to highlight concerns that the Procedures as written expose AEMO, pipeline service providers, and most importantly energy consumers to undue risk.

As per past consultation on this topic¹, APGA has continued to communicate the risks introduced by the Extension of AEMO functions and powers to manage supply adequacy in the East Coast gas market through AEMO procedure development consultation. Current procedures continue to introduce risk by pursuing the following in parallel:

- **Fast-tracked implementation:** Procedure development within months of legislation, requiring compliance by market participants within months of procedure development;
- **Unilateral Power to Direct:** The right for AEMO to direct based on data alone without consultation; and
- **AEMO view of what is necessary:** Data requested by AEMO is beyond what is currently kept by and required for pipelines to consistently and reliably meet customer needs.

If either of the first two elements were removed, the concerns flagged within the remainder of this document would be greatly, if not completely, reduced.. Some comfort is provided by legislative requirement for AEMO to publicly report on each application of the new powers

¹ APGA, 2022, *Extension of AEMO functions and powers to manage supply adequacy in the East Coast gas market* https://www.apga.org.au/sites/default/files/uploaded-content/website-content/221006_apga_submission_-_extension_of_aemo_functions_and_powers_to_manage_gas_supply_adequacy.pdf
APGA, 2022, *Extension of AEMO Functions and Powers – Rules and Regulations*, https://www.apga.org.au/sites/default/files/uploaded-content/field_f_content_file/221021_apga_submission_-_extended_aemo_powers_rules_regulations.pdf

which will support any necessary rule change requests in the event that risks flagged by APGA are realised in the years to come.

Regarding the third element, APGA hopes that the diversity of views put forward by its members regarding linepack data is clear demonstration of the risks which it has flagged. There is no one size fits all approach to linepack data.

As these three elements are central to AEMO's development of East Coast Gas System Procedures, APGA raises the following concerns with the current draft procedures which introduce risk to AEMO, pipeline service providers, and most importantly energy consumers:

- Linepack boundaries and capacity modelling;
- Order of directions;
- Frequency of data provision (renominations and updates); and
- Transitional arrangements.

Linepack boundaries and capacity modelling

APGA appreciates that AEMO has demonstrated some movement relative to proposals flagged by individual pipeline service providers. However, as expressed through the variety of bilateral conversations the team is having with different pipeline service providers, there is no one size fits all approach to linepack data.

Insufficient pipeline capacity due to low linepack has not caused a gas supply adequacy event in the contemporary east coast gas market (outside of AEMO-operated pipeline assets). This means that the approach to linepack data currently taken by contract carriage pipeline service providers is sufficient to ensure gas supply adequacy.

Despite this, AEMO is pursuing the approach of requiring the linepack boundary 'traffic light system' outlined in 2.1.5 in the proposed Procedures. This has been designed to assist in providing AEMO context on what the linepack data means, which is not readily obvious through the quantum of gas alone. APGA understands that AEMO is in consultation with operators directly on linepack boundaries (green, amber, and red) and zones that would apply to their specific pipelines.

Despite bilateral conversations, this approach continues to introduce the following general risks:

- **Rapid deployment risk:** Development of new data production capabilities is inconsistent with the Procedure compliance deadline; and
- **Ineffective unilateral decision risk:** The many ways in which linepack data can misinform AEMO is inconsistent with AEMO's right to make unilateral directions without discussion with pipeline service providers.

APGA notes that the legislative requirement for AEMO to report on each supply adequacy event provides risk mitigation against repeated customer impacts due to the above risks. In the event that the above risks negatively impact customers, event reports will help to form the basis for AEMC rule change requests by the pipeline industry. Such requests could seek alignment of linepack data requirements with how pipeline service providers operate

pipeline assets or seek to curtail AEMO right to make unilateral directions where these aspects negatively impact energy customers.

Rapid deployment risk

Pursuing the current linepack data approach will require pipeline service providers to develop additional capability which is time and capital-intensive. The linepack capacity and forecasting data that AEMO is requesting is not typical of current day-to-day operations. New procedures and data collection strategies will need to be implemented; in some cases, it will be impossible to implement within the two months allowed, given that the final linepack ranges have been under close consideration up to the submission of this document. Some operators will need to procure additional technological solutions to provide this data in a usable format.

Pursuing the current approach puts Procedures implemented in time for Winter 2023 at risk by requiring pipeline service providers develop new data provision capability in a tight timeframe. This removes time for pipeline service providers to stress test newly developed linepack data provision processes to ensure the accuracy of reporting, introducing the risk that these otherwise unnecessary processes will misinform AEMO in making a direction. This risk intersects with the risk presented by unilaterally direction, exacerbating both risks.

Recommendation

APGA recommends AEMO extend the deadline for pipeline service providers to develop linepack data provision capability. It is recommended that this be done in consultation with each pipeline service provider taking into account reasonable project development timeframes. Concerns could be communicated verbally on an as needs basis during the period required to deploy the capability that AEMO requires.

Ineffective unilateral decision risk

APGA members are concerned that in the absence of additional context provided through consultation with the pipeline operators, the “green/amber/red”-flagged boundaries may not tell the full story as to the health of that pipeline at any given time. This may hamper AEMO in its ability to fulfil its market monitoring function.

By way of example, one member noted that their pipelines are regularly and deliberately operated at what AEMO would consider to be ‘amber’, for commercial purposes. Another noted that the upper and lower boundaries for each bound might be considerably different seasonally. All pipelines experience transient conditions which can substantially change quantity of linepack required to achieve full throughput capacity at any one point in time.

All of this is context that may not be immediately obvious based on reporting of linepack numbers and bounds.

In the Information Paper regarding the exercise of directions, AEMO notes that changes have been made to the amending rules that require AEMO to “have regard of the principle” that “the industry should be given a reasonable period of time to take action to mitigate the identified risk or threat”. It is imperative this include speaking to pipeline service providers in the first instance if AEMO is concerned that a linepack number forecast or change may represent a threat, however this is not specifically stated anywhere in the procedures.

Recommendation

APGA recommends that AEMO recognise the diversity of advice about linepack data and commit to discussing linepack data with pipeline service providers to ensure full understanding of the options available on any given day and that the most fit-for-purpose information can be shared.

Order of directions

APGA appreciates that AEMO has moved forward with its views on directing shippers before pipeline service providers. Shippers typically have more options in alleviating shortages. Providing directions to pipeline service providers in the first instance instead risks exacerbating the issues leading to shortfalls, and other unintended consequences.

Recommendation

APGA recommends that AEMO formalise in the forthcoming Directions Guideline the preference to direct shippers before pipeline service providers, in a way that does not create any boundary to AEMO acting as required at any point in time.

Renomination impact on linepack forecast updates

Renominations that result in a material change to linepack forecasting are included in AEMO's data provision requirements – to be provided to AEMO 'as soon as practicable'.

The reality of the industry is that different operators handle renominations differently, and for some, renominations are automatic and can occur anywhere between a dozen and a thousand times per day. Assuming an operator provides an update to AEMO on resulting changes in linepack forecasts as they happen, the frequency of these updates may negatively impact effective data utilisation and integrity, which could ultimately undermine the ability of AEMO to perform its market monitoring function.

Recommendation

APGA recommends that AEMO review and consider including a definition of the frequency of data provision for updates to linepack forecasting in the Procedures.

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

Yours Sincerely,



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