

Response template for the East Coast Gas System Procedures Consultation

Email responses to: gasreform@aemo.com.au;

Review comments submitted by: *EnergyAustralia*

Confidential: NO

Date: *14 March 2023*

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Please complete sections 1, 2 and 3 below.

Section 1 - General Comments on the Procedure changes

Topic	Please Provide Response Here
East Coast Gas System Procedures	AEMO should liaise with the AER and AEMC on winter 2022 events with potential learnings from the NEM compensation framework. In recent working group meetings AEMO has invited feedback on alternative arrangements to gather demand forecast data, for example via STTM injection and withdrawal offers and bids. Generally we support any means for AEMO to ingest required data using existing systems and processes.
BB Procedures	No comment
BB Data Submission Guide	No comment

Section 2 – Specific AEMO questions

Topic	Please Provide Response Here
AEMO seeks feedback from stakeholders as to whether there is a preference for using the existing Medium Term Capacity Outlook or Short Term Capacity Outlook or the extended daily capacity outlook as discussed in section 4 of the PPC.	No comment

Section 3 - Feedback on the documentation changes in the Procedures

Participants are to complete the relevant columns below in order to record their response.

East Coast Gas System Procedures			
Procedure Clause #	Issue / Comment	Proposed text Red strikethrough means delete and <u>blue underline</u> means insert	AEMO Response (AEMO only)
2.1.3	<p>We do not have feedback on the proposed threshold values but note that 5 TJ/day or 10% of the facility's nameplate rating provide some indication of AEMO's risk tolerances.</p> <p>We also understand that the NGR requirements focus on BB facilities, to the exclusion of large user and LNG processing facilities as well as other entities on the 'demand' side of the market which will be also important for AEMO to monitor.</p>		
2.2.1(d)	By gathering information on the contracting positions of different entities AEMO will have some visibility of their financial risks. To the extent this provides insights into physical supply risk AEMO should specify how it will use and report this information in its Procedures.		
3.1, 3.2 and 3.3	<p>The criteria for issuing risk and threat notices provide AEMO considerable flexibility and ideally would be subject to more specific quantitative thresholds or points of reference e.g. a reliability standard. It also seems anomalous that these criteria do not underpin Directions or Trading interventions whereas these would typically follow from the issuing of threat notices.</p> <p>More broadly AEMO should be accountable on how it has balanced risk mitigation versus the cost of intervention by being transparent on how it has determined the need to exercise its powers. Hence the publication of risk or threat, Direction and Trading notices should be accompanied by information that allows stakeholders to see how AEMO has justified its actions and also assist market participants in their responses. This would include how AEMO has considered the requirements of sections 91AF(2) and 91AD(2) that the Direction or Trading intervention is necessary, and the principles regarding distortionary impacts, safety and others set out in the rules. Directions notices issued under Clause 3.2 should describe how AEMO sought and accommodated information provided by the affected entities with which it must consult prior to issuing a direction.</p>	<p><u>3.1.2 (b), 3.2 (c), 3.3(c) - In publishing a [threat/ Directions/ Trading] notice, or variation notice, AEMO must provide information on how it has measured each risk or threat, relative to the criteria in 3.1.1(a)</u></p> <p><u>3.2(d) and 3.3(d) - In publishing a [direction or trading] notice, AEMO must provide information on how it has determined that the [direction or trade] is the most effective and least cost way to address the actual or potential threat, including those identified in a prior risk or threat notice.</u></p>	

3.5	The procedures should prescribe minimum content of post-intervention reports, including those that will be prescribed in the final rule amendments. In line with our suggestions on the content of threat, trading and directions notices, these reports should revisit the reasons for AEMO's interventions and confirm whether they were necessary in the circumstances, reflect efforts to minimise costs and market distortions, comply with safety requirements, be targeted at appropriate entities etc.		
3.6.3(c)	It may be beneficial to outline any similar exchange of information between AEMO and affected entities and the need for data validation in relation to threat, trading and directions notices. This clause seems to suggest it is a precursor to conferences only.		
4.1(iii) and (iv)	The 'provision' and 'deprivation' of services potentially encompass all situations that might give rise to direct costs however it seems clearer to simply state that claimants must present details of the direct costs associated with complying with a direction.	direct costs associated with the provision/ deprivation of a natural gas service as a result of receiving of <u>complying with</u> a direction	
4.2(a)(ii)	The use of STTM and DWGM pricing for standing or benchmark rates seems suitable however there may be situations where these are distorted by market interventions during events over which compensation is claimed. This is potentially an issue in how and when AEMO engages in trading (and covered in its upcoming Trading Fund Guideline) in order to minimise market distortions.		
4.3 and 4.4	The NGR and procedures provide for approximately 6 months from when costs are incurred to when claimants are paid. It may be worth clarifying that direct costs include cashflow timing impacts e.g. interest expenses, which could be significant depending on the size of the claim or the particular entity.		
4.4(c) and (d)	Given the complexities in establishing a fulsome causer or beneficiary pays framework, combined with the limited time allowed under the current consultation, we accept that a simple interim approach may be preferred. As noted in the CEPA report, there will be opportunities to change this approach including as part of a scheduled review under the NGR by the AEMC.		
5.1	The flexibility in determining contribution rates should accommodate different trading interventions and associated cost recoveries, including a possible services procurement model that relies on availability or standing payments plus activation payments.		