Energy Ministers

Submitted online: gas@dcceew.gov.au

13 July 2023

Submission to Reliability and supply adequacy framework for the east coast gas market Stage 2 of framework development – Consultation paper

The Australian Energy Council welcomes the opportunity to make a submission to the Reliability and supply adequacy framework for the east coast gas market Stage 2 of framework development – Consultation paper (Consultation Paper).

The Australian Energy Council (AEC) is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

The AEC welcomes a timely discussion on the supply risks in the east coast gas market (ECGM) and supports consideration of some form of reliability standard for the ECGM. It is a complex problem with many moving parts and the AEC strongly urges this process be undertaken by an expanded Reliability Panel (Panel). If policies for the ECGM are to be treated with the same rigor as those for the NEM, they must undergo the same development process and that requires an expanded Panel. This approach would also allow for the Panel to conduct the gas market parameter reviews instead of the current arrangements which the AEC considers to be inadequate.

Utilising the Panel would create a transparent and rigorous process with adequate stakeholder engagement. Furthermore, it would require the AER to develop estimates of the Value of Customer Reliability (**VCR**) for gas which it already does for the Panel' NEM reliability standard assessments. If the Panel's work identifies benefits from introducing a reliability standard and decides on a particular approach, consumers, industry and governments can be reassured that the necessary level of rigor has be applied to arrive at this decision.

The AEC notes that the Consultation paper repeatedly states that there is no intention to try and fit the operation of the NEM to the ECGM as the two markets have major differences. Nevertheless, it appears that NEM mechanisms are constantly put forward to resolve perceived issues in the ECGM. The AEC's view is that most NEM mechanisms are in appropriate for the ECGM.

The Consultation paper appears to recognise the unique characteristics of gas-powered generation (GPG) and the types of gas supply arrangements these plants ordinarily have. In that peaking GPG requires extremely flexible gas supply arrangements as these plants only run at certain times that are dependent on market factors. However, there is a suggestion that these plants could enter more restrictive contractual arrangements as part of a Reliability and Supply Adequacy framework which is completely inappropriate.

In a broader context, the Consultation report's scope does not include the root causes of supply risk in the ECGM. And if these issues are not addressed, establishing a reliability standard may identify supply problems but it provides no mechanism to solve the underlying causes. Policies that have undermined certainty and thereby adversely affected investment signals for exploration and development include:

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- Onshore gas exploration bans in Victoria since 2012 which were only lifted in July 2021;[1]
- Extensive approval process delays experienced by the Santos Narrabri gas project; and
- The mandatory Gas Code of Conduct.

Attached below are the AEC's responses to the Stakeholder Feedback Template.

Any questions about our submission should be addressed to Peter Brook, by email to peter.brook@energycouncil.com.au or by telephone on (03) 9205 3103.

Yours sincerely,

Peter Brook

Wholesale Policy Manager

Australian Energy Council

[1] https://earthresources.vic.gov.au/projects/onshore-conventional-gas-restart

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Attachment A: Stakeholder feedback template

Submission from Australian Energy Council

The template below has been developed to enable stakeholders to provide feedback on Stage 2 of the development of the reliability and supply adequacy framework for the east coast gas market.

Chapter 2: Reliability Standard

No.	Questions	Feedback
Section 2.2: Questions on the potential need for and role a reliability standard could play		
1	Do you think there is value in including a gas market reliability standard in the reliability and supply adequacy framework? Please explain your response.	A well designed standard could provide some certainty as to when and how AEMO may use its powers to intervene in the gas market. Furthermore, it may help prevent additional government interventions and policies that have so far undermined certainty in the market, especially for exploration and development of new supply. It will be challenging to develop a meaningful reliability standard for gas because the supply side is relatively concentrated. However, some short-term supply issues can be managed with linepack. If supply shortages continue beyond this, then they are likely to be longer than what would be expected in the NEM. The other issue for the ECGM is that many of its critical assets represent single points of failure that can have very large impacts on supply (ie, production facilities and transmission pipelines) if they fail. This is the nature of the ECGM and any attempt to try and reduce this risk would impractical, uneconomic and extremely costly.

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No.	Questions	Feedback
2	What, if any, impact(s) do you think the introduction of a gas market reliability standard could have on market participants and the market more generally?	This would depend on what is implemented. If an overly conservative standard is implemented, then it will only impose additional costs on consumers for no additional gain in their utility. Furthermore, selecting an inappropriate form of standard because it was not rigorously assessed and consulted on would be likely to have negative consequences. This is why the AEC considers it inappropriate for AEMO (the market operator) to develop a reliability standard. The appropriate body is the Reliability Panel (**Panel**) subject to it being enhanced to add gas market expertise.
3	Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing a gas market reliability standard?	See response to Question 2. One benefit of a reliability standard is that it could establish the level of reliability that consumers are prepared to pay for. Currently, it appears that AEMO is operating the ECGM for 100 per cent reliability which is the costliest standard to implement. Another benefit of the Panel considering a reliability standard would be to improve understanding of gas reliability and what consumers are prepared to pay for it.
4	Do you think a reliability standard is the appropriate solution to address the potential problems set out in section 2.2.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and explain why you think they are more appropriate.	An appropriate form and level of standard may improve outcomes. However as referred to in our cover letter, government policies are eroding what incentives remain for gas exploration and development.

No.	Questions	Feedback
Section 2.3.1: Questions on reliability standard design options		

No.	Questions	Feedback
5	If a decision is made to implement a gas market reliability standard, what form do you think it should take: a. A USG standard with either: i. a common standard that applies across the east coast (Option 1a)? ii. different standards for northern and southern jurisdictions (Option 1b)? b. A peak demand standard with either: i. a common standard that applies across the east coast (Option 2a)? ii. different standards for northern and southern jurisdictions (Option 2b)? c. A deterministic N-1 redundancy standard that focuses on the resilience of the supply infrastructure (i.e. production, storage or transportation infrastructure) in the east coast or on a northern and southern jurisdictional basis to either: i. an outage of the largest supply infrastructure in the east coast or on a regional basis (i.e. in northern jurisdictions and southern jurisdiction basis (Option 3a)? ii. an outage of individual components of key infrastructure (Option 3b)? d. A combination of options 1 and 2 (i.e. a dual annual USG and a peak demand reliability measure), with either: i. common standards that apply across the east coast (Option 4a)? ii. different standards for northern and southern jurisdictions (Option 4b)? e. A combination of options 1, 2 and 3 (i.e. a tripartite annual USG, peak demand and N-1 redundancy measure), with either: i. common standards that apply across the east coast (Option 5a)? ii. different standards for northern and southern jurisdictions (Option 5b)? f. Another option not identified in the consultation paper? If you think another option should be considered, please explain what the standard is and why you think it would be more appropriate than the options listed above. Please explain your responses to these questions and any views you may have on the levels at which these standards should be set.	As stated above if any standard is to be considered and potentially progressed to implementation, the Reliability Panel is the logical and only body that is capable of undertaking and successfully delivering this work. If a reliability standard is to be pursued then the AEC considers a USG to be the best form to investigate (ie, Option a). The AEC does not consider it necessary to explicitly create a standard for infrastructure over and above the failure probabilities associated with it when modelling the USG simulations. determining the have a standard that includes infrastructure (ie, Option c). Nor does the AEC support Options d and e. Because (unlike electricity), there are not as many production and transportation assets and a failure of any would have extreme consequences, an N-1 standard for infrastructure is not appropriate. Much of the production and transport infrastructure would not satisfy this standard and it would be both irrational and uneconomic to replicate to satisfy such a standard.

No.	Questions		Feedback
6	If you think a USG standard (Option 1) should be implemented, do you think it will be capable of identifying potential shortfalls in peak day deliverability?		A USG is a planning standard and not an operational standard. The modelling for a USG would identify potential peak day shortfalls. However, the assumptions are conservative and the modelling is not appropriate for operational forecasting. For operational purposes modelling based on daily gas usage, gas supplies including storage, inclusion of linepack flex and gas transport limits would produce superior information provision for AEMO and market participants. The PASA framework should identify peak demand shortfalls in an operational timeframe.
7	If a peak demand standard was to be used under either Options 2 or 3:	a. Do you think a 1-in-2 year, 1-in-10 year or 1-in-20 year standard should be adopted? Please explain your response.	NA
		b. Do you think a different peak demand standard should apply to GPG? Please explain your response.	NA
8	If an N-1 redundancy standard was to be used, do you think it should assume an outage of the largest supply infrastructure or sub-components of that infrastructure?		NA
9	Are there any specific matters you think need to be considered when estimating a gas VCR?	a. Do you think widespread and long duration outages likely to be more relevant in gas than they are in electricity and should be factored into the gas VCR?	The AEC does not consider these types of outages to be more relevant for gas. As demonstrated in the VCR for electricity, the economic principle of diminishing marginal cost applies as the duration of an outage increases or alternatively as the duration of the period of lost utility.
		b. Do you think an east coast wide VCR should be estimated, or do you think separate VCRs should be estimated for: i. each region (i.e. for southern jurisdictions and northern jurisdictions)? ii. each jurisdiction?	Consideration could be given to this given the different levels of dependency on gas by households across jurisdictions.
10	Do you think the reliability standard should apply to natural gas only or could it apply to other covered gases that are suitable for consumption as natural gas (e.g. biomethane)? If it were to apply to other covered gases that are suitable for consumption as natural gas, what, if any effect, do you think this could have on the development of renewable gases?		If (or when) biomethane becomes a significant part of the ECGM gas supply arrangements, then possibly.

No.	Questions	Feedback
11	Are there any specific matters that you think need to be considered when determining the level of a gas market reliability standard?	
Section 2.3.2: Questions on governance arrangements for a reliability standard		
12	Do you think that the governance arrangements for the reliability standard should be based on the standard NGR governance arrangements with: – the AER responsible for estimating a gas VCR; and – the reliability standard specified in the NGR and the AEMC responsible for considering any rule changes related to the reliability standard and facilitated market parameters? If not, please explain why.	As stated previously, the Reliability Panel should be responsible for: • Reviewing the range of possible gas reliability standard methodologies; • Establishing the form and level; and • Gas market parameter setting. As part of the Panel's review the AER would be required to estimate a gas VCR. Finally, the AEMC would be responsible for considering any rule changes related to the reliability standard and market parameters.
13	Do you think there is a need to provide for periodic reviews of the reliability standard and facilitated market parameters? If so, who do you think should undertake these periodic reviews: a. the AEMC in consultation with market participants and market bodies? b. a gas market reliability panel?	Gas market reliability panel with reviews conducted with the same frequency as those for the NEM.

No.	Questions		Feedback
14	If you think a gas market reliability panel should undertake the reviews, please set out:	a. What you think the benefits would be of establishing such a panel relative to the AEMC undertaking the reviews in consultation with market participants and market bodies.	A gas reliability standard is a complex problem with many moving parts and the AEC strongly urges this process be undertaken by an expanded Reliability Panel (Panel). If policies for the ECGM are to be treated with the same rigor as those for the NEM they must undergo the same development process and that requires an expanded Panel. This approach would also allow for the Panel to conduct the gas market parameter reviews instead of the current arrangements which the AEC considers to be inadequate. Utilising the Panel would create a transparent and rigorous process with adequate stakeholder engagement. Furthermore, it would require the AER to develop estimates of the Value of Customer Reliability (VCR) for gas which it does for the Panel' NEM reliability standard assessments. If this work identifies benefits from introducing a reliability standard and decides on a particular approach, consumers, industry and governments can be reassured that the necessary level of rigor has be applied to arrive at this decision.
		b. If you think those benefits are likely to outweigh the costs and risks of establishing and maintaining such a panel.	Definitely.
15	Are there any other governance options that you think should be considered?		NA
Other feedback			
Please set out any other feedback you may have on a gas reliability standard here.			

Chapter 3: Monitoring and communication tools

No.	Questions		Feedback
Section 3.2: Questions on the need for and role of additional monitoring and communication tools?			
16	Gas PASA	a. Do you think there is value in providing for a gas PASA in the reliability and supply adequacy framework? Please explain your response.	The utility of the extensive and detailed information that participants are required to provide to AEMO has yet to be demonstrated. The AEC believes AEMO would be able to construct a gas PASA with this information and not have to request any more information. The PASA could be used to issue lack of reserve notices when necessary and the trigger for these notices could be established by the Reliability Panel.
		b. What, if any, impact(s) do you think the introduction of a gas PASA could have on market participants and the market more generally?	Regular provision of information would be a benefit. If participants aren't required to provide any more information to AEMO
		c. Do you think a gas PASA is the appropriate solution to address the potential problems set out in section 3.2.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.	It should resolve some of the potential problems.
17	Objective threat signalling mechanism	a. Do you think there is value in providing for an objective threat signalling mechanism in the reliability and supply adequacy framework? Please explain your response.	No.
		b. What, if any, impact(s) do you think the introduction of such a signalling mechanism could have on market participants and the market more generally?	NA
		c. Do you think an objective threat signalling mechanism is the appropriate solution to address the potential problems set out in section 3.2.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.	NA
18	Advance notice of closure for	a. Do you think there is value in requiring an advance notice of closure for supply infrastructure mechanism in the reliability and supply adequacy framework? Please explain your response.	Yes.

No.	Questions		Feedback
	supply infrastructure	b. What, if any, impact(s) do you think the introduction of such a notice could have on market participants and the market more generally?	More timely information. The detail of how this would operate and the obligations on infrastructure operators would determine if it would have adverse consequences.
		c. Do you think an advance notice of closure requirement for supply infrastructure is the appropriate solution to address the potential problems set out in section 3.2.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.	As stated above.
Section 3.3.1.1: Questions on gas PASA regional boundaries			
19	If a gas PASA was to be implemented:	a. What approach to determining regional boundaries do you think would be of greatest use to market participants in terms of effectively conveying information on the nature of any reliability or supply adequacy threats?	In the first instance, the current NEM boundaries.
		b. Do you think the regional boundaries should be the same as between an ST and MT gas PASA, or is there value in using smaller regions for an ST PASA? If you think there is value in using smaller regions for the ST gas PASA, please set out some examples of what the breakdown could be.	Unsure.
Section 3.3.1.2: Questions on gas PASA timeframes			
20	If a decision was made to implement a gas PASA, do you think there would be value in requiring AEMO to publish: a. an ST gas PASA? b. an MT gas PASA? Please explain your response		Yes, because it provides regular publicly available information to the market.
21	In relation to the information available to AEMO to prepare a	a. Is there any additional information that you think AEMO would require to prepare an ST or MT gas PASA that has not been included in this table?	No.
		b. What approach do you think should be used to forecast GPG demand for the purposes of an MT gas PASA? Please explain what this would involve.	This is challenging because GPG gas use is the most unpredictable parameter in any modelling. AEMO should utilise the information it currently has access to.

No.	Questions		Feedback
	gas PASA set out in Table 3.1:		
22	If an **ST gas PASA** was to be implemented:	a. Do you think that a rolling 7-day outlook with a daily resolution updated daily (or more frequently if there is a material intra-day change) should be adopted? If not, please explain why and what timeframes you think would be more appropriate.	Yes.
		b. Do you think there would be value in providing for intra-day resolution for the DWGM? If so, is it likely to result in any additional reporting obligations?	No and it would create further onerous reporting obligations on participants.
		c. Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing an ST gas PASA?	
23	If an **MT gas PASA** was to be implemented:	a. What outlook period do you think should be adopted and why: i. a rolling 6 month outlook period? ii. a rolling 12 month outlook period? iii. a rolling 24 month outlook period?	Rolling 6-month period.
		b. What do you think the main costs and benefits to market participants would be of the outlook period you think should be adopted?	If it were to be longer than six months there would be additional administrative burdens on suppliers, transporters, storage providers and LNG exporters.
		c. If a 12 or 24 month outlook period was to be adopted, which of the following options do you think should be used to extend the 6 month outlook period currently provided for by the disclosure obligations in Part 27 of the NGR and why: i. Supplement the existing disclosure requirements with AEMO modelling of forecast demand and supply (Option 2)? ii. Amend the existing disclosure obligations in Part 27 of the NGR by either: (1) Extending the disclosure obligations to 12 or 24 months (Option 3A)?	NA

No.	Questions		Feedback
		(2) Replacing the disclosure obligations with a principles based approach (similar to what the AEMC has implemented for the NEM ST PASA), which would allow AEMO, in consultation with industry, to determine what information should be reported and when it should be reported (Option 3B)? iii. Targeted additional information requirements with regular reporting (Option 4)? iv. Another option not identified in the consultation paper? If you think another option should be considered, please explain what it is and why you think it should be adopted.	
		d. Do you think the MT gas PASA should have a daily resolution and be updated monthly (or more frequently if there is a material change)? If not, please explain why and what timeframes you think would be more appropriate.	MT gas PASA should have a daily resolution and be updated monthly (or more frequently if there is a material change).
		e. Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing an MT gas PASA?	
Section 3.3.1.3: Questions on seasonal PASA reporting			
24	Do you think there is value in requiring AEMO to publish a quarterly seasonal PASA report that would draw on information from the gas PASA, Bulletin Board, GSOO and VGPR modelling and include an assessment of things such as the adequacy of gas held in storage and emerging threats help inform the market participants' seasonal readiness plans?		Yes.
25	If a quarterly seasonal PASA report was to be developed, what would you like to see included in the report?		
26	Qualitatively, what do you think the main costs, benefits and/or risks would be of introducing this report?		
Section 3.3.2: Questions on threat signalling mechanism			
27	If a decision was made to implement an objective	a. Do you think the threat levels described in section 3.3.2 (i.e. early warning, alert or emergency) should be employed, or are there more appropriate threat levels that you think should be employed?	NA

No.	Questions		Feedback
	threat signalling mechanism:	b. Do you think there should be an automatic link between the NEM and gas market threat signalling mechanisms? Or are other changes required to these two signalling mechanisms to recognise the increasing interrelationship between the markets?	
28	Qualitatively, what do you think the benefits, costs and risks would be of implementing a more objective threat signalling mechanism?		NA
Section 3.3.3: Questions on advance notice of closure for supply infrastructure			
29	If a decision was made to implement an advance notice of closure requirement:	a. Do you think it should be restricted to supply infrastructure (e.g. production, pipeline, compression and storage facilities), or are there other facilities you think it should apply to?	Yes.
		b. What advance notice period do you think would be appropriate?	
		c. Do you think penalties should apply to facility operators that fail to provide sufficient notice in the same way that they do in the NEM?	Would have to be careful here not to create perverse incentives.
30	Qualitatively, what do you think the benefits, costs and/or risks would be of implementing an advance notice of closure requirement?		It would improve the quality of supply adequacy modelling. However, if it is not designed correctly and creates a perverse incentive for operators to declare early closure when it is not necessarily true ie, could create false positives. Furthermore, it will be challenging to implement a closure mechanism given there is always uncertainty around production decline rates, so identifying a precise closure date might be difficult for producers
Other feedback			
Please set out any other feedback you may have on additional monitoring and communication tools here.			

Chapter 4: Reliability and supply adequacy management tools

No.	Questions		Feedback
Section 4.2: Questions on the potential need for and role of additional management tools			
31	Do you agree with the findings from the:	a. MJA study on contracting behaviour set out in section 4.2.3.1? If not, please explain your view.	The report is not publicly available but based on what is in the Consultation paper, the AEC agrees with MJA's conclusion that new sources of gas supply are required. • Do not agree that the two small LNG plants are appropriate for GPG peaker supply as these plants are too small and required for critical system security (in the case of Dandenong LNG). • The AEC does not agree with MJA's two recommendations ie, RSA and RERT (reasons below).
		b. ACIL Allen study on demand response set out in section 4.2.3.2? If not, please explain your view.	The results are interesting, but it is a small sample and the report is not publicly available.
32	RSA contracting obligation	a. Do you think there is value in providing for an RSA contracting obligation in the reliability and supply adequacy framework? Please explain your response.	No because if the issue is a lack of supply how can additional supply be contracted. This is an example of trying to shoehorn the ECGM into NEM arrangements that are wholly inappropriate for gas.
		b. What, if any, impact(s) do you think the introduction of an RSA contracting obligation could have on market participants and the market more generally?	It should not be introduced.
		c. Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing an RSA contracting obligation?	No benefits only costs.
		d. Do you think an RSA contracting obligation is the appropriate solution to address the potential problems identified in sections 4.2.2 and 4.2.3.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.	No.

No.	Questions		Feedback
33	Administered demand response mechanism	a. Do you think there is value in providing for an administered demand response mechanism in the reliability and supply adequacy framework? Please explain your response.	Yes, and include the supply side.
		b. What, if any, impact(s) do you think the introduction of an administered demand response mechanism could have on market participants and the market more generally?	
		c. Qualitatively, what do you think the main costs, benefits and/or risks would be of implementing an administered demand response mechanism?	The costs would be what AEMO must pay when it calls on responses however these would outweigh the costs of supply shortfalls.
		d. Do you think an administered demand response mechanism is the appropriate solution to address the potential problems identified in sections 4.2.2 and 4.2.3.2, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.	The AEC believes this is a mechanism that may be able to contribute to managing gas supply reliability. The potential DR from this is uncertain because the Consultation paper only quotes estimates from a small sample that comes from a report that is not publicly available.
34	Supplier of last resort mechanism	a. Do you think there is value in building on the trading function by providing for a supplier of last resort mechanism in the reliability and supply adequacy framework? Please explain your response.	No. Firstly, because if there is no gas supply then where is AEMO going to source gas? Furthermore, if there is some available gas then AEMO would only crowd out market participants and distort the market. AEMO has already recently been granted the power to trade in gas and purchase pipeline services, compression services and storage (NGR Div 7 Clauses 708-710). The AEC considers further expanding this role would be regulatory overreach and it may reduce the incentives for AEMO to seek market participant-based solutions when it has the power to intervene itself. AEMO already has ample tools at its disposal to manage supply issues and it is difficult see how AEMO could fail to prevent a supply shortfall with all these tools. Accordingly, the AEC does not support a supplier of last resort mechanism and believes the inclusion of suppliers in the administered demand response mechanism is a superior approach. Please see our response to Question 33 where AEMO could have contracts with suppliers as part of its demand response mechanism.

No.	Questions		Feedback
		b. What, if any, impact(s) do you think building on the trading function by providing for a supplier of last resort mechanism could have on market participants and the market more generally?	Distort the market and prevent participants from sourcing gas if there is any.
		c. Qualitatively, what do you think the main costs, benefits and/or risks would be of building on the trading function by providing for a supplier of last resort mechanism?	See above.
		d. Do you think a supplier of last resort mechanism is the appropriate solution to address the potential problems identified in sections 4.2.2 and 4.2.3.1, or are there other alternatives that you think should be considered by Officials? If there are other alternatives you think should be considered, please outline what they are and why you think they are more appropriate.	No. And see response to Question 33 for alternative.
35	Are there **any other** reliability and supply adequacy management tools that you think should be considered by Officials? If so, please explain why you think they are required.		
Section 4.3.1: Questions on RSA contracting obligation			
36	If a decision was made to implement an RSA contracting obligation, which of the following design options do you think should be implemented and why: – A southern jurisdiction winter deliverability contracting obligation (Option 1)? – An east coast wide firm contracting obligation (Option 2)? – Another design option? If you think another option should be considered, please explain what it is and why you think it should be adopted.		The AEC sees no benefit in an RSA. See response to Question 32.
37	If an RSA contracting obligation was to be implemented:	a. Do you think the obligations should apply to: i. Retailers and GPGs? ii. GPGs only? iii. Retailers only? Please explain your response.	Should apply to no one.
		b. In the case of GPGs:	The asking of this question implies a lack of acceptance as to how GPGs operate. GPGs do not know when they are going to run and need gas supply arrangements

No.	Questions			Feedback
		i. Do you think it would be financially viable for GPGs to be subject to an RSA contracting obligation? If not, are there any other simpler or more direct ways to address the reliability and supply adequacy threats posed by GPG demand? ii. What, if any effect, a contracting obligation or alternative approach could have on competition in the NEM?		to support this. If they were forced to enter less flexible contracts this would add additional costs and may disincentivise investment in new GPG.
		c. Do you think a size threshold should be adopted for liable entities? If so, what do you think is an appropriate size threshold?		The AEC sees no benefit in an RSA. See response to Question 32.
		d. Do you think any other reforms would be required to enable liable entities to contract on reasonable terms? If so, please explain what additional reforms you think are necessary.		No
		e. How far in advance of a forecast reliability gap do you think the RSA contracting instrument would need to be triggered to provide liable entities sufficient time to contract and for any investment that may be required?		The AEC sees no benefit in an RSA. See response to Question 32.
		f. How should the geological, land access, regulatory, commercial and other investment challenges that may be associated with the development of new supply infrastructure be recognised in the contracting obligations and/or penalty regime?		The AEC sees no benefit in an RSA. See response to Question 32.
		g. Do you think the contracting obligation should allow liable entities to procure other covered gases that are suitable for consumption as natural gas (e.g. biomethane and low hydrogen blends)?		The AEC sees no benefit in an RSA. See response to Question 32.
		h. Do you think it would be necessary to provide for:	i.	The AEC sees no benefit in an RSA. See response to Question 32.
			ii.	The AEC sees no benefit in an RSA. See response to Question 32.

No.	Questions		Feedback
		i. Do you think the contracting obligation would incentivise retailers to help transition customers to alternative fuels (where feasible), or would a separate tool be required to achieve this?	No and no.
38	If a southern jurisdiction winter deliverability contracting obligation (Option 1) was to be implemented:	a. Are there any additional design features that you think need to be considered (see Table 4.2)?	The AEC sees no benefit in an RSA. See response to Question 32.
		b. Are there any design features that have been proposed that you think would not work in the east coast gas market (see Table 4.2)?	The AEC sees no benefit in an RSA. See response to Question 32.
		c. Are there any material costs, risks or benefits associated with this option that you think should be considered?	The AEC sees no benefit in an RSA. See response to Question 32.
39	If an east coast wide firm contracting obligation (Option 2) was to be implemented:	a. Are there any additional design features that you think need to be considered (see Table 4.2)?	The AEC sees no benefit in an RSA. See response to Question 32.
		b. Are there any design features that have been proposed that you think would not work in the east coast gas market (see Table 4.2)?	The AEC sees no benefit in an RSA. See response to Question 32.
		c. Are there any material costs, risks or benefits associated with this option that you think should be considered?	The AEC sees no benefit in an RSA. See response to Question 32.
Section 4.3.2: Questions on a potential administered demand response mechanism			
40	If a decision was made to implement an administered demand response mechanism, do you think the design option described in section 4.3.2 should be implemented, or is there another option that you think could unlock demand response in a more cost effective way?		The AEC supports this and considers gas suppliers should also be able to participate.
41	If the administered demand response mechanism described in section 4.3.2	a. Do you think it should only be open to large gas users to participate in, or should retailers and/or demand response aggregators also be able to participate?	All should be able to participate.
		b. Do you think it would be necessary to make availability payments to panel members to encourage them to participate, or could they just be paid a pre-activation or activation payment?	

No.	Questions		Feedback
	was to be implemented:	c. Are there any additional design features that you think need to be considered?	
Section 4.3.3: Questions on supplier of last resort mechanism			
42	If a decision was made to implement a supplier of last resort mechanism, which of the following design options do you think should be implemented and why: – a southern jurisdiction winter deliverability supplier of last resort mechanism (Option 1)? – an east coast wide RERT-style supplier of last resort mechanism (Option 2)? – another design option? If you think another option should be considered, please explain what it is and why you think it should be adopted.		None. Please see our response to Question 34.
43	In relation to the risk of crowding out market participants:	a. Do you think it feasible to AEMO to procure 'out of market' gas (i.e. gas that would not otherwise be available to the market) or other services (e.g. transportation and storage services)? If so, how would this occur and are there any risks associated with doing so?	Crowd out market participants and these sources could be included in the AEC's proposed demand response mechanism.
		b. If it is not feasible to procure 'out of market' gas or other services, is there any other way that you think the risk of AEMO crowding out market participants could be addressed?	No.
44	Do you think:	a. The supplier of last resort mechanism should only focus on natural gas, or should it also allow AEMO to procure other covered gases that are suitable for consumption as natural gas (e.g. biomethane and low hydrogen blends)?	The AEC is supportive of biomethane as a genuine substitute for natural gas. The AEC does not consider low hydrogen blends to be a substitute for natural gas and they should not be injected into distribution networks.
		b. Any additional measures (over and above a causer pays approach to cost allocation) are required to counter the impact that AEMO acting as supplier of last resort may have on market participants' incentives to take their own actions to address the threats?	
45	If a southern jurisdiction winter	a. Do you think AEMO should only be able to contract and/or hold a storage reserve for the winter period, or should it be able to contract for a longer period?	The AEC does not support a supplier of last resort. If it were applied, then AEMO should only be able to hold storage during the winter period.

No.	Questions		Feedback
	deliverability supplier of last resort mechanism (Option 1) was to be implemented:	b. Are there any additional constraints that you think should apply to this mechanism that have not been identified in Table 4.3?	
		c. Are there any additional design features that you think need to be considered for this option (see Table 4.3)?	
		d. Are there any design features that have been proposed that you think would not work in the east coast gas market (see Table 4.3)?	
		e. Are there any material costs, risks or benefits associated with this option that you think should be considered?	
46	If an east coast wide RERT-style supplier of last resort mechanism (Option 2) was to be implemented:	a. Are there any additional constraints that you think should apply to this mechanism that have not been identified in Table 4.3?	It should not be implemented.
		b. Are there any additional design features that you think need to be considered (see Table 4.3)?	NA
		c. Are there any design features that have been proposed that you think would not work in the east coast gas market (see Table 4.3)?	NA
		d. Are there any material costs, risks or benefits associated with this option that you think should be considered?	Nil benefits only costs.
Other feedback			
Please set out any other feedback you may have on reliability and supply adequacy management tools here.			

Chapter 5: Potential changes to the GSOO and VGPR

No.	Questions	Feedback
47	Do you think there is value in aligning the GSOO and VGPR with the reliability and supply adequacy framework? – If so, are there any changes contemplated in section 5.1 that you think are unnecessary, or are there other changes that you think should be considered? – If not, please explain why. – Are there any material costs, risks or benefits that you think should be considered when deciding whether or not to align the GSOO and VGPR with the framework?	Only the GSOO should be augmented.
48	Do you think there is value in trying to achieve greater alignment between the GSOO, VGPR and NEM forecasting tools? – If so, are there any changes contemplated in section 5.2 that you think are unnecessary, or are there other changes that you think should be considered? – If not, please explain why. – Are there any material costs, risks or benefits that you think should be considered when deciding whether to align the GSOO and VGPR with the NEM forecasting tools?	
Please set out any other feedback you have on the potential alignment of the GSOO and VGPR here.		

Implementation and other questions

No.	Questions	Feedback
49	If any of the additional elements outlined in the consultation paper were to be implemented, do you think they should be implemented as a package or sequenced in a particular way?	If a reliability standard is to be considered it should be done by the Reliability Panel as well as a review of the gas market settings. The Panel should also assess and determine the triggers for a lack of reserve. Any additional measures such as the administered demand response should be considered by the AEMC.

No.	Questions	Feedback
50	Are there any other problems, impacts or matters that you think Officials should take into account when considering whether to include any of the additional elements outlined in the consultation paper?	