



14 July 2025

Submission: Firm Energy Reliability Mechanism – Stage 2

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors and service providers of Australia's pipeline infrastructure. APGA members ensure safe and reliable delivery of over 1,500 PJpa of gas consumed in Australia alongside over 4,500 PJpa of gas for export.

APGA welcomes the opportunity to contribute to South Australian Department of Energy and Mining's (DEM) Stage 2 consultation on the design of the Firm Energy Reliability Mechanism (FERM). APGA supports the FERM's structured framework to ensuring energy reliability in SA, and considers that the FERM model can and should be adopted by other jurisdictions.

APGA's feedback focuses on certain aspects of the operation of the scheme, namely proponents' threshold values as they relate to fuel and infrastructure.

Force majeure events

By definition, force majeure events are those outside of the control of the project proponent. The FERM nevertheless requires proponents to account for certain force majeure events in their bids.

Details for what is considered force majeure events are not noted in the draft Guidelines (an omission which presumably will be addressed in future drafts) but in the consultation paper. The events that are *excluded* from a Project Force Majeure Event include network events and lack of fuel. While this is reasonable on the surface, in practice this may force proponents and particularly GPG to bid very conservatively.

In other jurisdictions, GPG is high on the "order stack" of curtailment in a low gas supply event. This means that even with firm supply and transport contracts in place, AEMO can direct gas away from that use, which would affect the ability of those generators to meet their performance criteria. This is well outside the control of proponents is not considered a Project Force Majeure Event under the current proposal.

While this may be a less realistic scenario for GPG in South Australia, which has a different order stack for curtailment, generators may nevertheless feel the need to account for this risk in their bids.

Enabling infrastructure

The FERM is intended to only support investment in generating infrastructure in South Australia. For GPG, however, the availability of enabling infrastructure is a key component in the viability of projects, which must be considered alongside the projects themselves.

GPG projects must have secure and firm access to gas under gas transport and supply agreements (GTAs and GSAs). These agreements must be either with existing infrastructure, or there must be sufficient GTAs to justify the development of new infrastructure.

In South Australia, the Moomba to Adelaide Pipeline System (MAPS) is a key part of enabling infrastructure for GPG – but is fully subscribed in its current configuration. Additional GPG requiring gas supply from the north will require augmentation of MAPS or potentially an entirely new pipeline. New pipeline infrastructure will need sufficient GTAs to justify the investment, which introduces a coordination problem.

Under the FERM, proponents will need to include the cost and risk of such infrastructure in their competitive bids. However, confidentiality provisions prevent proponents knowing who is bidding for what, and where, which means it may be difficult to coordinate bids in such a way that provides for foundational contracts for new infrastructure where it is necessary.

APGA agrees that proponents should be required to demonstrate firm GTAs/GSAs in their bids, but DEM should consider how these factors will influence bids.

Long term contracts

As noted earlier, the FERM expects that proponents will account in their bids for fuel costs – for the duration of the 15 years. This period goes well beyond what is currently considered to be ‘long term’ contracts; estimating gas supply and transport costs even 5 years into the future is difficult, and 15 years is not plausible.

To account for this, generators will likely make assumptions on higher fuel costs, potentially impacting the competitiveness of those bids.

Market interventions and forces that have led to the decline in long term contracts is a larger problem in the gas market, which APGA will address in our submission to the Federal Government’s Gas Market Review. In designing the FERM, DEM must be sensitive to this issue in respect to how potential GPG project proponents will structure their bids.

To discuss any of the above feedback further, please contact me on +61 409 489 814 or policy@apga.org.au.

Yours sincerely,

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