



9 April 2025

Submission: AEMC Rule Change Request – Enhancing reliability and supply adequacy arrangements

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 comments to the Australian Energy Market Commission’s (AEMC) draft determination on establishing a reliability framework and related mechanisms for the East Coast Gas System (ECGS). This work, and its counterpart the Supplier of Last Resort mechanism, culminates one of several periods of transition currently underway for east coast gas market participants.

This period of transition has introduced considerable uncertainty to that market. The more rules change, the less certainty there is for investors in large, long-lived infrastructure assets. The consistent position of APGA, representing the gas infrastructure industry, has been that uncertainty can and likely has deleterious impacts on appetite for investing in that infrastructure, at a time when that investment is critically needed.

The rule change processes specific to reliability in the ECGS have been an extended process since first flagged in 2023. APGA advises governments that once the AEMC’s rule change processes on the ECGS, the market must be left to respond without the threat of further, likely inappropriate market interventions.

The reliability and supply adequacy rule change requests put forward by senior energy officials are a case in point. The proponents requested a range of tools for the ECGS to ‘manage risk and threats to reliability and supply adequacy’, largely designed on tools operating in the electricity market.

APGA has consistently advised governments that direct application of electricity market mechanisms to the gas market is inappropriate. Electricity and gas markets are fundamentally different and management of the deliverability aspect of the latter is extremely complex. It is not simple to identify single causes of potential supply adequacy failures – as the AEMC notes in its paper, these could be due to storage withdrawal rates, distances between supply sources and demand, linepack management, or a combination of

any of these factors. None of these factors can be easily influenced by an ex-ante standard.

The AEMC's recognition of this is encouraging. APGA considers the AEMC's alternative proposal to establish an objective and transparent risk/threat signalling framework is a reasonable balance between achieving the objectives of the rule change request and meeting the National Gas Objective without implementing substantial changes that would be inappropriate and ineffective.

APGA makes the following observations about the design of the framework:

Risk or threat signalling framework

- The tiered framework proposed by the AEMC will provide flexibility to manage potential threats to reliability. This is only true though as long as markets are given reasonable opportunities and time to respond. The draft determination is not specific on how this timeframe would be determined, which may be at the discretion of AEMO or may be determined in collaboration with industry. Presumably this would be determined in the AEMO Guidelines, though the draft determination is not specific on this point. Greater clarity would be useful. To this end, the proposed definition of a shortfall is sufficient.
- A probabilistic approach is preferred to a deterministic approach, given the inherent impracticality of attempting a reasonable determination in such a complex market. Other stakeholders observed that a deterministic approach would likely result in the market being assessed as operating in a near-constant risk or threat state, where practically speaking actual threats requiring intervention are rare.
- APGA concurs that this framework should be supported by information available to AEMO through its existing information gathering powers and the PASA reforms, rather than any additional new reporting requirements.

Market settings review governance:

- The AEMC's recommended approach to establishing periodic Gas Reliability Committees to review market settings is reasonable. The preferred report and recommend approach provides an appropriate level of decision-making remove, notwithstanding the AEMC's membership of the GRC. Hence APGA considers it important and complementary for the AEMC to broadly consult on the Terms of Reference for each Review – rather than simply issue them ahead of each Review.
- AEMO's proposal to allow GRC the option of establishing a willingness to pay (WTP) or value metric for a Review, rather than prescribing one, is reasonable. A WTP measure is certainly preferred to the proponent's initial proposal of a value of gas consumer reliability measure, and a WTP measure may be useful in certain circumstances, but must be balanced against the effort required to develop it, which are not insubstantial.

Improvements to the GSOO and VGPR

- APGA concurs with the AEMC's alternative proposal for AEMO to consult and publish its forecasting approach and methodology, promoting further transparency, rather than requiring the AER to develop best practice forecasting guidelines for AEMO. AEMO can work collaboratively with industry to determine which aspects are most useful to report.
- Given that the AEMC has opted not to develop a reliability standard, the proposal to not include a reliability assessment in the GSOO and VGPR is reasonable, although APGA agrees that where a gas supply adequacy assessment identifies a risk of shortfall, that AEMO should provide an assessment of the likelihood of that shortfall occurring using its threat signalling framework.
- The proposed regional disaggregation (vs the current north-south approach) is reasonable for the GSOO; the zones applied in the AEMO Gas Infrastructure Options Report are likely and sensible candidates for zones for this purpose. However, as was previously recognised in that report, there is trade-off between the granularity of these zones, and potential higher cost burden of reporting requirements on industry participants which must be considered when determining these zones.
- While a system resilience assessment could be a useful tool for governments and AEMO in system planning, additional information requirements could be disproportionate to the benefit. Given, as the AEMC points out, AEMO can already conduct a form of system resilience assessment under the existing GSOO framework – APGA sees no reason to include additional system resilience reporting in the GSOO/VGPR.

APGA looks forward to working with AEMO to establish appropriate guidelines and procedures for the framework.

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

Yours sincerely,

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