

IMPLEMENTATION OF EAST COAST GAS SYSTEMS GUIDELINES

05 APRIL 2023

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries.

Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade. Our membership covers most of the major gas users in the east coast gas market who all rely on reliable and competitively priced gas for their business sustainability.

CONTEXT

It is difficult for our members to understand how a gas rich nation ends up being short of gas for domestic customers. That we have a dysfunctional market where producers have been able to exercise considerable market power as highlighted in ACCC gas reports over many years. Where Governments are forced to intervene with a price cap, a mandatory code of conduct and now these Guidelines that give extensive powers to AEMO to ensure there is sufficient gas in the high demand winter period and avoid the uncertainties we experienced in winter 2022.

Nevertheless, that is where we are. It seems that LNG producers only respond to the threat of the Government exercising the ADGSM trigger before they take action under the Heads of Agreement to ensure sufficient supply. So, it is pleasing to see the Federal Government's announcement this week that the ACCC now considers there will be sufficient supply to meet forecast east coast gas demand in 2023. But that does not guarantee sufficient supply at every hour of every day in 2023 where localised demand/supply imbalances may appear and AEMO action is required under these Guidelines.

As we highlighted in [our submissions](#) on the legislation and rules, we:

- supported AEMO obtaining more comprehensive information on the risks around gas market reliability and security and then signal that information to the market
- supported the GSARC structure and purpose
- argued that the success of the measures will be measured by the lack of actual directions and trading activity which should only be used in extreme circumstances
- emphasised the need for timely and transparent reporting of the data AEMO is collecting to use as 'signals' of what it might do and its directions and trading activities – why it took that particular action, the consequences and costs.

We are pleased to see the changes in the Bill and the rules following stakeholder submissions - to reduce the reporting and compliance burden under Part 27 with greater use of the Bulletin Board; amending the Bill so that

AEMO only issues a direction if, in its opinion it is 'necessary' and inclusion in the rules of a number of principles AEMO has to consider; a lower threshold for compensation; and reporting obligations.

With this background we make the following specific comments on the Guidelines. We have appreciated the discussions we have had with AEMO in preparing these comments.

Conferences

We understand there will be two conferences:

- Assessment conference – designed to discuss data and assess what AEMO's options might be
- Industry conference – to communicate decisions AEMO makes

Membership of the former is narrower than the latter. We would submit that it is important that large users who are market participants be invited to join the assessment conference to ensure AEMO and the supply side hear the view of end user customers on any potential actions being considered.

AEMO facilitate the provision of information to the market on how directions may influence end use customers

We understand that an AEMO direction could relate, for example, to a required reduction in consumption for a period of time in a particular jurisdiction. In the case of Victoria, the rules around how that reduction would be shared across all users would be governed by the State Government curtailment rules. We are not aware of the rules in other States. We would encourage AEMO to facilitate the publication of the different State rules in the one place on the AEMO website so end users are better informed of how a direction might impact on them.

Timely and transparent reporting of market interventions

Given the Guidelines give AEMO new and very significant powers, it is important that the market has confidence in the exercise of those powers. Key to that confidence is timely and transparent reporting when those powers are exercised. We understand that under the rules:

- AEMO will issues a public notice when a direction is given, or trading is undertaken
- AEMO is required to issue a detailed post intervention report within 4 months of the exercise of all directions or trading

As well as AEMO reporting to Energy Ministers on an annual basis, a post-implementation Regulatory Impact Assessment within 12 months and a review after three years.

We would submit that waiting 4 months for a detailed report may undermine user support for the powers. If our members' operations are going to be curtailed they need to have timely confidence that AEMO is making a balanced decision. This is important in getting stakeholder support for the measures. With a 4-month reporting timetable, AEMO could intervene on a cold day in late May and the report is not published until late September, by which time AEMO could have intervened on multiple occasions.

We would submit that reporting under the guidelines should reflect or better the current RERT reporting process – some information in the next week and more detailed information soon after the end of the quarter.

Do not hesitate to be in contact should you have any questions or wish to discuss further.

Andrew Richards

A handwritten signature in black ink, appearing to read 'A Richards', written in a cursive style.

Chief Executive Officer