



19 May 2022

Submission: AEMC Draft Report - Review into extending the regulatory frameworks to hydrogen and renewable gases

The Australian Pipelines and Gas Association (APGA) represents the owners, operators, designers, constructors and service providers of Australia's pipeline infrastructure, connecting natural and renewable gas production to demand centres in cities and other locations across Australia. Offering a wide range of services to gas users, retailers and producers, APGA members ensure the safe and reliable delivery of 28 per cent of the end-use energy consumed in Australia and are at the forefront of Australia's renewable gas industry, helping achieve net-zero as quickly and affordably as possible.

APGA welcomes the opportunity to contribute to the Australian Energy Market Commission consultation on its Draft report - Review into extending the regulatory frameworks to hydrogen and renewable gases (the **Draft Report**, the **Consultation**). APGA considers the Draft Report to predominantly represent a well thought out approach to introducing hydrogen and other renewable gas blends into the National Gas Regulatory Framework in support of the NGO considering the content of the Draft Legislation.

APGA acknowledges that the Draft Report was developed in response to the associated Official's Paper *Extending the national gas regulatory framework to hydrogen and renewable gases and blends Proposed changes to NGL, NERL and National Regulations Consultation Paper* and associated Draft Legislation.

APGA supports a net zero emission future for Australia by 2050¹. Renewable gases represent a real, technically viable approach to lowest-cost energy decarbonisation in Australia. As set out in Gas Vision 2050², APGA sees renewable gases such as hydrogen and biomethane playing a critical role in decarbonising gas use for both wholesale and retail customers. APGA is the largest industry contributor to the Future Fuels CRC³, which has over 80 research projects dedicated to leveraging the value of Australia's gas infrastructure to deliver decarbonised energy to homes, businesses, and industry across Australia.

¹ APGA Climate Statement
<https://www.apga.org.au/apga-climate-statement>

² Gas Vision 2050, APGA
https://www.apga.org.au/sites/default/files/uploaded-content/website-content/gasinnovation_04.pdf

³ Future Fuels CRC Website
<https://www.futurefuelscrc.com/>

It is APGA's vision to enable the least cost, most rapid development of a hydrogen and renewable gases industry in Australia. This will be enabled by development of widely deployed hydrogen and renewable gas infrastructure, benefiting from economics of scale, offering competitive services to the new markets. APGA envisages a National Gas Law (NGL) which supports investment in hydrogen and renewable gas infrastructure through which competitive hydrogen and renewable gas production and retailing markets can develop.

APGA divides its feedback on the Draft Report into three categories:

- Aspects built upon points of concern within the Official's Paper associated with the Draft Report.
- Aspects relating to Ringfencing and enhanced AER powers
- All other aspects of the Draft Report

Aspects built upon points of concern within the Official's Paper

APGA questions some aspects of the proposed approach in the Official's Paper and Draft Legislation which is associated with the Draft Report. Our issues are set out in the submission to the Official's Paper consultation for further details on these matters.

APGA recognises that the AEMC is tasked with proposing changes to the NGR based on the Draft Legislation within the Draft Report. This includes proposed changes based on aspects of the Draft Legislation which APGA do not believe are in the best interests of future hydrogen and renewable gas customers. APGA may have concerns with this subset of changes proposed in the Draft Report but recognises that the way in which the AEMC has built upon the Draft Legislation is generally not the source of these concerns. Rather, the source of these concerns is the content of the Draft Legislation itself.

APGA will focus on addressing the higher-level concerns within its submission to the Official's Paper consultation process rather than through this Draft Report consultation.

Draft Report Concerns

Regarding Question 2 and Question 5: Class Orders and Class Exemptions

APGA is concerned by the proposed ability for the AER to make additional ring-fencing requirements for a class of market participants, referred to as Class Orders by the AEMC, and that this has the potential to chill investment in future hydrogen and renewable gas industries. The application of Class Orders introduces the risk implementation of an order which acts in opposition to the National Gas Objective (NGO). The AEMC describe the risk of making a ruling based on a Class within the Draft Report:

While a class exemption process may be administratively efficient, it may increase the risk that an exemption is granted to a party when it shouldn't be compared to using the current case-by-case approach. This is because under a class process the regulator is no longer considering the specific circumstances of a service provider, or the impact an exemption may have on competition in that case.

APGA agrees with this statement but believes that it is just as applicable to Class Orders as Class Exemptions.

While a class order process may be administratively efficient, it is likely to increase the risk that an additional ringfencing requirement is inappropriately applied to a party compared to using the current case-by-case approach. This is because under a class process the regulator is no longer considering the specific circumstances and attributes of a service provider, or the impact an order may have on each service provider.

Draft Recommendation 12 Information Disclosures relating to Gas Blends

Draft Recommendation 12 currently contains information disclosure requirements for information relating to gas blends. These information disclosure requirements would apply to all pipelines which are obliged to disclose information to the Gas Bulletin Board and are designed to help inform prospective suppliers' decisions on whether to connect to a pipeline. However, not all pipelines which are obliged to disclose information to the Gas Bulletin Board will be licenced to carry Gas Blends.

Prospective users will be able to ascertain from a pipeline's user access guide/access arrangement information or the Commission's pipeline register whether or not a pipeline is licenced to carry a gas blend. In the case of a pipeline which is not licenced to carry a gas blend, the effective 'blending limit' of nil will be clear to any prospective supplier from the licence information. As such, the Draft Recommendation 12 information disclosures represent an unnecessary administrative burden for pipelines not licenced to carry gas blends.

Alternately, APGA proposes that information disclosures relating to gas blends only be required for pipelines which are licenced to carry gas blends.

All other aspects of the Draft Report

Beyond the aspects addressed above, APGA considered the Draft Report to be represent a well thought out approach to introducing hydrogen and other renewable gas blends into the National Gas Regulatory Framework in support of the NGO. The Draft Report is a positive demonstration of consideration for industry advice provided through consultation and the ability to strike a balance between enabling new market growth while only applying regulatory measures to aspects where regulation is genuinely required.

To discuss any of the above feedback further, please contact me on +61 422 057 856 or jmccollum@apga.org.au.

Yours Sincerely,



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