



Mr James Tyrell  
Australian Energy Market Commission  
GPO Box 2603  
Sydney NSW 2001

Lodged online at: [aemc.gov.au](http://aemc.gov.au)

19 May 2022

Dear Mr Tyrell,

**Review into extending the regulatory frameworks to hydrogen and renewable gases (EMO0042) – Draft report**

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Market Commission (“the Commission”) in response to the Draft report on the Review into extending the regulatory frameworks to hydrogen and renewable gases (“the Draft report”).

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE has interests in generation, renewable energy development, and energy services. ENGIE also owns Simply Energy which provides electricity and gas to more than 745,000 retail customer accounts across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

**Hydrogen is an important component of a future carbon free world**

ENGIE believes that hydrogen has the potential to unlock the full range of renewables and carbon-free energy solutions. It could accelerate the energy transition by allowing numerous green energy technologies to be used with much greater flexibility.

ENGIE is committed to developing solutions based on renewable hydrogen, produced by electrolysis using a green energy supply. Hydrogen is the missing link for a decarbonised ecosystem, allowing for the harmonious progress of cities, territories and societies around the globe.

ENGIE’s aim is to operate across the entire value chain of renewable hydrogen, from carbon-free power generation to the three key end uses: mobility, industry and energy storage.

ENGIE is already partnering with governments and other businesses on trials, feasibility studies, and early commercial projects in order to develop the know-how that will allow the hydrogen sector to scale up quickly. This involvement has a global footprint, including projects in Europe, Asia, and South America.

Notably, ENGIE is project lead on one of the three ARENA-supported commercial-scale renewable hydrogen projects: a 10 MW electrolyser project to produce renewable hydrogen in a consortium with Yara Pilbara Fertilisers at their Karratha plant. ENGIE is also a partner in one of the other projects, a 10 MW electrolyser for gas blending at AGIG's Murray Valley Hydrogen Park in Wodonga (HyP Murray Valley).

### **It is premature to impose natural gas regulations on hydrogen infrastructure and markets**

As a proponent of projects that will inject hydrogen into the existing natural gas network, ENGIE appreciates the efforts being made by the Commission and other energy agencies to update the regulatory framework to allow such projects to take place. For this reason, we are supportive of the application of existing regulatory frameworks to natural gas equivalents.

We also recognize that the integrity of regulatory frameworks relating to natural gas systems requires that hydrogen injection facilities that connect to a natural gas pipeline or network need also to be brought into scope.

Nevertheless, the draft report appears to go much further than this, by extending the framework to all covered gases. It follows that participants in a standalone hydrogen cluster could be obliged to apply the full natural gas framework and would be exposed to a range of reporting and other obligations on traded volumes, prices and other information that would be considered commercially sensitive. This is a considerably more onerous framework than applies to most other bulk commodities, and no rationale has been given as to why an emerging sector such as hydrogen should be immediately subject to this level of regulation.

Even if a hydrogen cluster was connected at one point to a natural gas system, then it is only that point of connection that needs to be brought into scope to ensure the integrity of the natural gas regulatory framework. This framework itself is somewhat idiosyncratic having emerged out of several state-based systems and adjusted in response to the emergence of an export market in Queensland. It is unlikely that it would serve as a coherent blueprint for another commodity, even if a high degree of regulation was warranted.

### **Ringfencing remains an important component of equality of network access**

ENGIE considers that competitive parity remains an important principle in determining access to a gas network. Parties not related to a network business need to be confident that the application of the ringfencing rules, including any exemptions, does not undermine that principle.

Some of the proposed changes to the ring-fencing requirements in the NGL appear to be based on a view that the introduction of distribution-connected injecting facilities will result in a materially higher volume of applications for exemptions from ring fencing requirements and also a materially higher volume of associate contracts to be approved. It is not clear yet if that is the case, as the Draft Report notes.

To the extent that prospective changes to the ringfencing requirements are not necessary adjunct to the other changes being contemplated in this review and in the Officials' review of the NGL, then it is not clear why they need to be shoehorned into this review.

Nonetheless, ENGIE considers that it is a reasonable principle to have similar approaches to ringfencing across electricity and gas and where changes are being proposed to harmonise the approach in this way, we have no objection.

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, (03) 9617 8415.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Jamie Lowe', with a stylized, cursive script.

**Jamie Lowe**

Head of Regulation, Compliance  
and Sustainability