

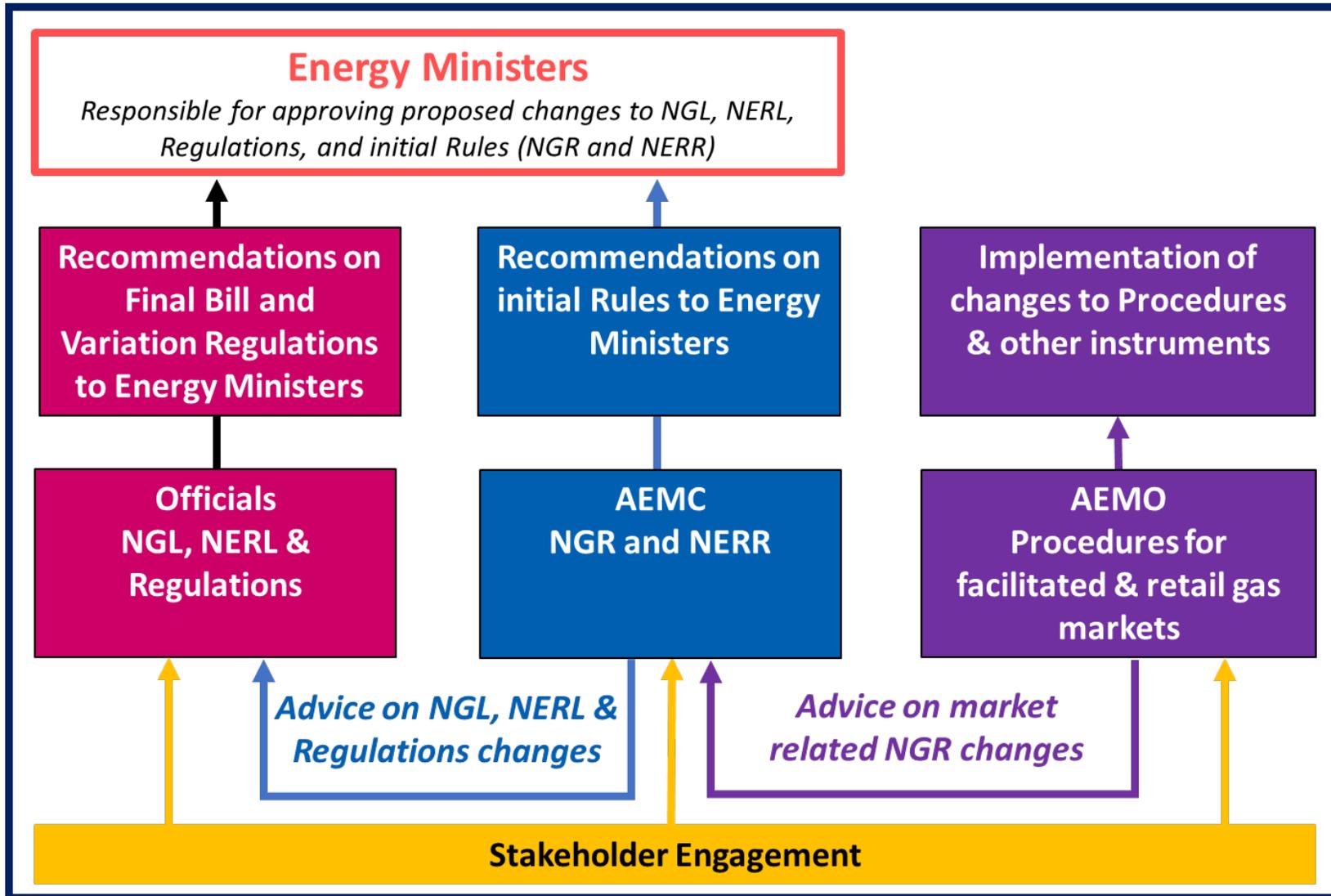
REVIEW INTO EXTENDING THE REGULATORY FRAMEWORKS TO HYDROGEN AND RENEWABLE GASES

JAMES TYRRELL AND PATRICK LOUGHREY
21 SEPTEMBER 2022

AEMC

Context of AEMC review

National gas and retail regulatory frameworks



Jurisdictional legislation

All jurisdictions

Responsible for amending their own legislative instruments to ensure that:

- they can accommodate hydrogen and renewable gas blends
- they can accommodate the changes to be made to the national framework.

Vic, NT, Tas & WA

Responsible for amending jurisdictional consumer protection legislation.

AEMC Hydrogen and renewable gases review

- **Terms of reference from:** Energy Ministers
- **Purpose and scope:**
 - Identify potential issues in the NGR and NERR that could emerge if natural gas equivalents are permitted to be supplied through gas distribution pipelines.
 - Develop draft initial rules to address these issues through a consultative process.
 - Inform jurisdictional officials of any NGL or NERL changes that it considers should be made to achieve the objective of the Energy Ministers.

To aid in meeting the Ministers' expedited timeframe, the AEMC will:

- prioritise changes that need to be made
 - consider whether any amendments to the NGR or NERR can be deferred.
- **Out of scope:**
 - Jurisdictional arrangements, including licensing
 - Other gas products that are not suitable for consumption as natural gas
 - Impacts, including the operation of facilities such as electrolysers, on the National Electricity Law or National Electricity Rules
 - Areas our preliminary assessment has identified as unlikely to be a priority for the initial rules package.

Final report

The review has divided the NGR and NERR into eight pieces.

The recommended changes are aimed at ensuring a level playing field for all gases.

The final report sets out

- 40 recommendations on the nature of the changes to the NGR and NERR that the AEMC considers is needed
- 15 recommendations on transitional arrangements to implement the Commission’s recommended changes.

The final report also includes rule drafting.

We are seeking stakeholder views on these draft rules by 13 October 2022.



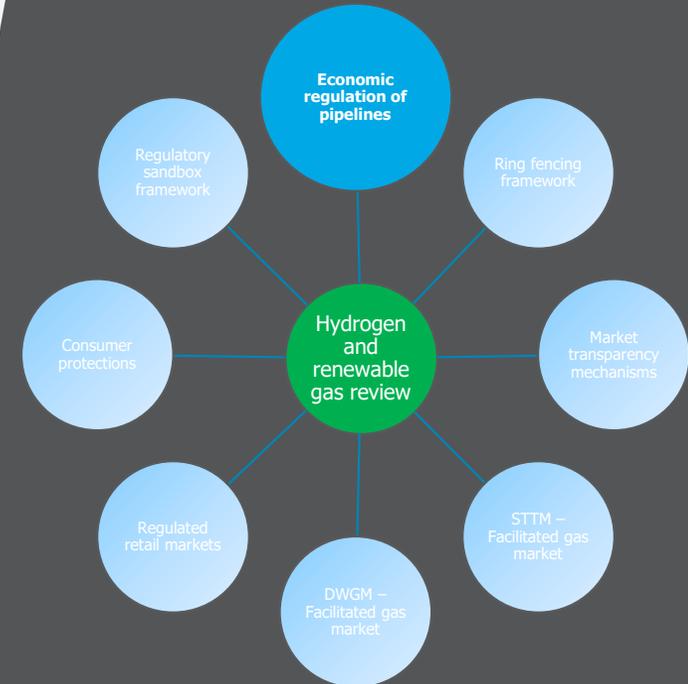
21 October 2021 - Consultation paper ✓
31 March 2022 – Draft report ✓

September 2022 - Final report and draft rules for consultation ✓
November 2022 – Rules (ready to be made) to Energy Ministers

Economic regulation of pipelines

The economic regulation of pipelines recommendations:

- clarify the right to connect to a pipeline and connection cost recovery for service providers
- implement new low-cost reporting obligations to facilitate connections including a supplier curtailment methodology
- require greater transparency of the gas a pipeline can transport and any proposal to trial or transition to another gas
- clarify the regulatory treatment of regulatory obligations where a transition to an NGE is mandated
- no changes to the rules for the regulatory treatment of voluntary transitions to an NGE
- clarify the regulatory treatment of government grants and concessional finance.



Ring fencing

The ring fencing framework recommendations:

- clarify the exemption criterion
- allow for exemptions and associated changes
- increase transparency of ring fencing decisions
- simplify the consultation process for fixing minor mistakes, omissions and defects
- amend the associate contract notification requirements and approval process
- increase transparency of associate contract approval decisions.



Market transparency mechanisms

There are five transparency mechanisms (the GSOO, VGPR, Bulletin Board, AER gas price reporting and infrastructure terms of access) in the NGL and NGR.

Our recommendations are to:

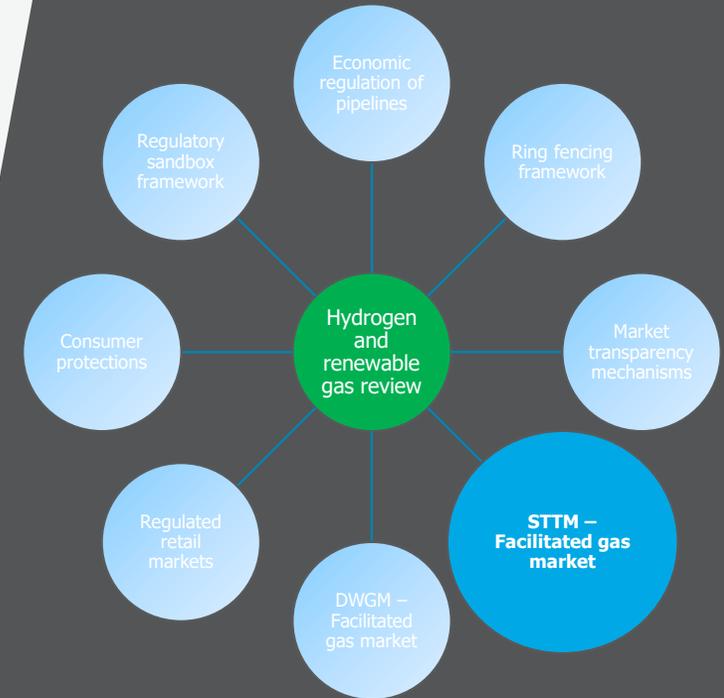
- extend the transparency mechanisms to the facilities and activities involved in the supply of other covered gases (each extension as relevant to the mechanism)
- make changes so that blend processing facilities are subject to appropriate reporting obligations like other facilities.



Short term trading market (STTM)

The recommendations in relation to the STTM are:

- extend the STTM shipper registration category to persons that injection from blend processing facilities
- create a single injection facility category (this will include production, storage and blending)
- injection facility operators will not be required to update future expected capacities, unless a change is expected
- allow for facility aggregation for reporting obligations and submission of offers by aggregated facility
- allow net bidding and settlement for some STTM injection facilities
- streamline the process for establishing new custody transfer points
- make no changes to the matched allocation mechanism for UAFG in Sydney
- make no changes to the definition of gas quality specification.



Victorian declared wholesale gas market (DWGM)

Most changes to the DWGM rules will be made through the rule change process which will introduce distribution connected facilities into the DWGM and make changes to the market rules for that purpose. The distributors will need to do some new tasks as a result.

The recommendations for the review are:

- do not amend the DWGM UAFG arrangements
- allow DTS connected blend processing facilities in the DWGM
- replace references to specific energy calculation standards with references to AEMO's Procedures
- arrangements for non-DTS connected distribution systems will continue. Relevant changes made through the review will apply.



Regulated retail markets

Regulated retail markets are in Qld, ACT-NSW, Victoria and South Australia. Most governance is applied through AEMO procedures.

The retail market policy recommendations are:

- expand existing registration categories in regulated retail markets
- expand matters about which retail market procedures may be made
- the governance arrangements for heating value calculation and zone determination should remain unchanged with jurisdictions retaining responsibility.
- no new mechanism is needed to manage the potentially higher cost of producing renewable gases or any potential competition concerns that may arise as the new industry starts.

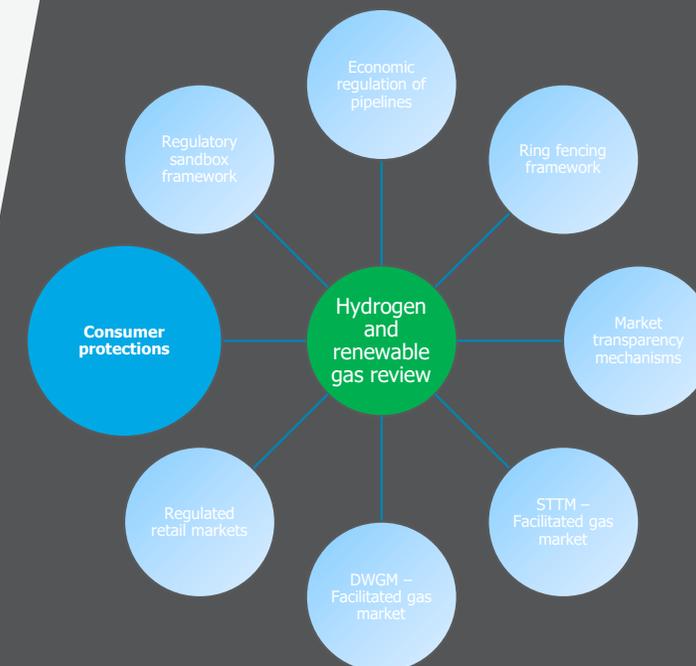


Consumer protections

Relevant parts of the NERR have been assessed to consider if changes are needed with the introduction of 'natural gas equivalents'.

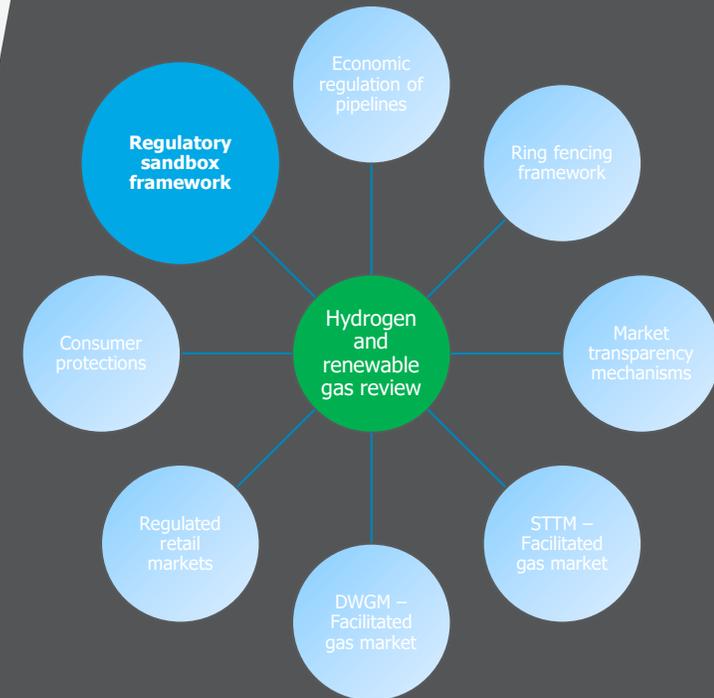
The recommendations for consumer protections are:

- require a customer notice of change of gas type
- amend customer retail contracts to specific type of gas supplied and if it is a blend then the gases that make the blend
- do not change the price variation notification requirements – these will still work
- include NGE change of gas information in historical billing information
- do not require a bill on transition from natural gas to NGE (or a different NGE)
- retain current responsibilities for gas quality risks but recommend distributor liability limits be reviewed by jurisdictions.



Regulatory sandbox framework

The recommendation was that no changes are needed to the regulatory sandboxing rules



AEMC contact details

Review into extending the regulatory frameworks to hydrogen and renewable gases

Meredith Mayes

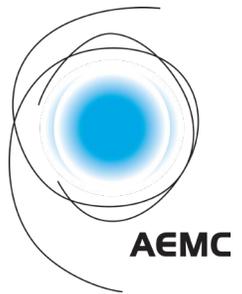
- meredith.mayes@aemc.gov.au
- (02) 8296 7849

James Tyrrell

- james.tyrrell@aemc.gov.au
- (02) 8296 7842

Link to project page ([here](#))

Submissions to the draft rules for the review close 13 October 2022.



Office address

Level 15, 60 Castlereagh Street
Sydney NSW 2000

ABN: 49 236 270 144

Postal address

GPO Box 2603
Sydney NSW 2001

T (02) 8296 7800