



AEMC final recommendations for hydrogen and renewable gases

The AEMC has recommended to Energy Ministers that changes be made to the national gas and retail regulatory frameworks to enable the natural gas sector to evolve to using hydrogen and renewable gases to support Australia's emissions reduction plans.

The AEMC's final recommendations and recommended draft rules set out how to update the National Gas Rules (NGR) and National Energy Retail Rules (NERR) to enable the inclusion of hydrogen and renewable gases in those frameworks. Stakeholder views on the recommended draft rules are sought by 13 October 2022.

In making these recommendations the AEMC has considered how to support the long term interests of consumers and enable the decarbonisation of the gas sector. In addition, it has sought to provide a framework for market participants to continue to innovate in a market that is open to competitive tension and foster efficiencies that will result in new gas services that customers seek.

The final recommendations have been made to enable:

- efficient delivery of new services through the operation of markets that enable new entrants to emerge and for efficient investment to be undertaken
- continued innovation in developing new services for customers
- the implementation of recommendations that aim to be fit for purpose and proportionate to the issues they seek to address and achievable for market participants
- clarity on the roles and responsibilities for the quality, safety, reliability, and security of supply of gas, to maintain operational safety of infrastructure and customer equipment and appliances
- existing consumer protections to be maintained during the transition to the increasing use of hydrogen and renewable gases.

Final recommendations

The final report sets out the AEMC's recommended changes to the NGR and NERR to support the extension of the regulatory frameworks sought by Energy Ministers. With these changes, the frameworks will then include natural gas, hydrogen and renewable gases (together referred to as covered gases).

The key final recommendations:

- enable access to pipelines and support investment by extending the economic regulatory framework
- support competition through improvements to the ring fencing framework
- extend the market transparency mechanisms to enable informed and efficient decision making
- streamline operational arrangements for the short term trading market (STTM)
- adapt the Victorian declared wholesale gas market (DWGM)
- allow new services and commodities in the retail gas markets
- enable consumers to be informed about a change in the type of gas supplied
- retain the draft regulatory sandbox rules in their current form.

Interaction with the DWGM distribution connected facilities rule change

Concurrent and related to this review, the AEMC has undertaken a rule change process to

assess a request from the Victorian Minister for Energy, Environment and Climate Change. The rule change request sought to enable the participation of distribution connected production and storage facilities in the DWGM. While the request did not explicitly target the integration of hydrogen and renewable gases, its focus on allowing distribution connected facilities to participate in the DWGM has implications for enabling all covered gases to be injected into gas distribution systems in Victoria. The final determination responding to this request was published on 8 September 2022.

Next steps

This final report is accompanied by recommended draft rules for the NGR and NERR. Under the review's terms of reference, the AEMC is responsible for public consultation on this rule drafting. Written submissions on the recommended draft rules are requested by COB Thursday 13 October 2022.

Following consideration of stakeholder feedback, the AEMC will provide a final version of the initial rules to Energy Ministers for their approval in November 2022. It is anticipated that the rules will be made by the South Australian Minister for Energy.

Background about the review

In August 2021, Energy Ministers tasked the AEMC with a review of the NGR and NERR in order to develop initial rules that will extend the regulatory frameworks to include hydrogen blends and renewable gases. In addition, the AEMC was asked to advise ministers on any changes to the National Gas Law (NGL) and National Energy Retail Law (NERL) that it considered were required to enable these rules.

The purpose of the AEMC review was to:

1. Identify potential issues in the NGR and NERR that could emerge if other covered gases are permitted to be supplied through existing gas distribution pipelines.
2. Develop draft initial rules to address these issues through a consultative process.
3. Inform jurisdictional officials of any NGL or NERL changes that it considers should be made to achieve the objective of the Energy Ministers.

The AEMC was also asked to prioritise the changes that need to be made and whether any amendments to the NGR or NERR could be deferred. This prioritisation advice will assist the Energy Ministers in meeting the expedited time frame that has been set for these reforms.

For information contact:

Director, **Meredith Mayes** meredith.mayes@aemc.gov.au

Senior Adviser, **James Tyrrell** james.tyrrell@aemc.gov.au

Media enquiries: media@aemc.gov.au

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