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Sent by email

Dear Ms Collyer

### **Draft rules: Review into extending the regulatory frameworks to hydrogen and renewable gases**

Thank you for the opportunity to provide feedback on the recommend draft rules aimed at accommodating low level hydrogen blends and renewable gases. These reforms stem from the National Hydrogen Strategy's 'smart, consistent, light-touch' regulation priority to removing barriers to industry development.

Broadly, we are supportive of the reforms as they have the potential to remove regulatory barriers and help unlock a renewable gas future.

As we have noted in our previous submissions, ensuring that the regulatory framework is proportionate and flexible is key. At the forefront of our mind is the wider energy market transformation which is now well and truly underway and the risk that the regulatory framework will stymie the development of a renewable gas industry – a market which currently either doesn't yet exist or is, at most, in its infancy. As you identified this week net zero is going to fundamentally change our lives in ways we haven't yet imagined.<sup>1</sup>

This risk is highlighted by our consideration of the draft rules. These proposed changes will be made to the rules recently developed as part of the pipeline reforms (but are not yet public) and in the context of forthcoming reforms to manage east coast gas supply adequacy. Essentially the renewable gas reforms are being made to a moving target, rules which are continuously being reformed – essentially in transition together with the energy market itself.

Given the scale of regulatory change the probability of regulatory error is high. This reinforces our view that the regulatory framework needs to be proportionate and flexible (in respect of both market bodies and participants). This will ensure that the AEMC does set up “..the right framework for innovators to go forth and innovate.”<sup>2</sup>

### **Transitional arrangements for the Western Sydney Green Gas Project**

Unfortunately, the draft rules do not get the balance right with the transitional provisions for our Western Sydney Green Gas Project (WSGGP). Ironically, rather than supporting the development of a hydrogen industry (the context to the AEMC's review) the rules impose unnecessary and burdensome regulatory obligations which will hamper our efforts to contribute to the development of a hydrogen industry.

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<sup>1</sup> Collyer, A 2022 (2022, October 11) Why Australian consumers are the key to net zero target *The Australian Financial Review*. <https://www.afr.com/companies/energy/why-australian-consumers-are-the-key-to-net-zero-target-20221009-p5bodq>

<sup>2</sup> Ibid.

The WSGGP, co-funded by ARENA and Jemena, is a demonstration project to test and demonstrate renewable gas technologies to support future investment of large scale and commercial viable systems and help build a social licence for the application of hydrogen in our energy system. The WSGGP is not a commercial project. In terms of scale, the electrolyser used in the project is able to generate enough hydrogen to power about 250 homes, a fraction of our 1.4 million customers. Rather, as required by the ARENA funding arrangement, it is designed to share learnings and facilitate the development of a renewable (specifically hydrogen) gas market.

The WSGGP is a textbook case of innovators seeking to go forth and innovate – with investment, regulatory, commercial and operational decisions made fully in line with the existing regulatory framework.

While the draft rules do provide ring-fencing exemptions, these exemptions are provided with a series of conditions (internal controls to replicate the controls which would apply if the project was carried on by an associate; reporting of these controls to the AER; creation of separate accounts and annual reporting to the AER).

Collectively, these retrospective conditions impose significant and unnecessary administrative and regulatory burden and increased cost – and fail to recognise that these decisions and investments were made in compliance with the current regulatory framework. The imposition of retrospective regulatory requirements undermines the future investment and innovation required to tackle the energy transition challenge we face.

We propose that these conditions are removed and the exemption is made permanent, rather than temporary, to ensure that we can continue to share learnings and facilitate the development of the hydrogen market.

### **Greater flexibility and a more proportionate approach**

In several areas we have identified that the draft rules apply an unnecessary level of prescription on market bodies such as the AER and AEMO as well as on market participants. Examples include:

- Concessional finance – The draft rules introduce a new mechanism and limit the AER’s discretion to consider how to treat concession finance and how to engage. The AER should have greater flexibility on what issues it prioritises, especially given that concessional finance is either a hypothetical or immaterial issue.
- Gas blend and gas blend curtailment information, and net metered facilities – We consider that more detail should be set in AEMO’s procedures rather than the rules to ensure that the framework is more adaptable and capable of being adjusted as the market develops.

In attachment 1 we provide more detailed feedback on the draft rules.

Lastly, we would like to emphasise that we are appreciative of AEMC’s continuous and open-minded engagement on these matters over the last 12 months. Consideration and integration of feedback provided has led to strengthened package of reforms.

Should you have any questions please do not hesitate to contact me.

Yours sincerely,



Ana Dijanosic

General Manager Regulation

## A1. Appendix A: Feedback on draft rules

### 1.1. Recommendation 4: Draft rule – Require service providers to publish supplier curtailment methodology

The draft rules define a supplier curtailment methodology as a methodology which describes the circumstances, and establishes a process, for the curtailment of gas injected by 1) a facility producing a covered gas, 2) a storage facility or a 3) blend processing facility.

However, supplier curtailment methodologies will need to apply to all parties injecting covered gases. For instance, a distribution pipeline methodology may need to curtail a transmission pipeline.

We also consider the preferable terminology to use in this context is ‘receipt point’ which is already defined in the National Gas Rules and accurately captures all injections into a pipeline.

We further consider that there is benefit in separating out the definitions of ‘receipt point’ and ‘delivery point’ in rule 3. Since these definitions were inserted into the NGR, those terms have become fundamental concepts respectively to the transportation of gas. Suggested drafting is set out below which should have no practical impact on the application of the NGR but should provide clarity. In particular, the definition of ‘delivery point’ is currently part of the definition of receipt point (as opposed to being located in alphabetical order in rule 3).

#### Proposed draft rule amendments

**Supplier curtailment methodology** means, in relation to a pipeline, a methodology that:

- (a) describes the circumstances in which the service provider may curtail the injection of covered gas at receipt point; and
- (b) establishes a process for the curtailment of injections of covered gas at receipt points.

#### Existing NGR definition

**receipt or delivery point** means a point on a pipeline at which a service provider takes delivery of covered gas, or delivers covered gas.

#### Proposed NGR definition

**delivery point** means a point on a pipeline at which a service provider delivers covered gas.

**receipt point** means a point on a pipeline at which a service provider takes delivery of covered gas.

### 1.2. Recommendation 6: Draft transitional rules – Supplier Curtailment methodologies

We acknowledge the policy intent of the draft rules to require supplier curtailment methodologies to be published with the aims of:

1. addressing concerns about the potential for discriminatory curtailment; and
2. providing greater transparency of curtailment methods to enable more efficient connection and investment decisions by prospective suppliers.

While there are existing regulatory, contractual, procedural and practical mechanisms in place to manage curtailment issues<sup>3</sup> currently these methodologies do not contemplate renewable gas blends.<sup>4</sup>

Establishing a supplier curtailment methodology for gas blends for a pipeline is not simple. A number of factors need to be considered such as:

- Safety. The requirements for curtailment may vary across the various sections of the pipeline subject to the effect on personnel and public safety, due to the technical configuration of the pipeline and the environment in which the pipeline is operating.
- Technical configuration of various sections of the pipeline (both in a geographic and pressure level sense).
- Customer appliances and uses – including the age and type of appliance and whether the appliance is for a residential, commercial or industrial customer.
- Jurisdictional regulatory requirements.
- Differences between hydrogen and biomethane.
- Interaction between current curtailment arrangements in place (e.g. for safety reasons etc.) and curtailments related to blending limits.
- Location of the receipt point relative to other receipt points on the pipeline or within the interconnected distribution pipelines.
- Practicalities of curtailing certain injections (such as a large transmission line).

It is also important to ensure there is flexibility for a methodology to be able to apply to a market where there is no hydrogen injection (other than a small-scale trial project) and also a possible future market where large amounts of hydrogen are being injected.

Given all of these factors, stakeholder engagement (including retailers, customers, existing interconnecting parties) is important. For a scheme pipeline, the best time and context in which to have this discussion with users is part of an Access Arrangement process (where all elements of the service are engaged upon).

Importantly, any supplier curtailment methodology will only be able to support the achievement of the two policy aims once all of the above issues have been considered and stakeholders have been engaged. To allow time for these processes to occur, we propose that rule 101B(2)(f) does not apply until the next access arrangement.

We also consider that to ensure a service provider has flexibility to update or revise the methodology to respond quickly to market or customer developments the rules should allow these improvements to go through the full access arrangement process and are treated as a non-material variation under Division 8.

## Proposed draft rule amendments

### Schedule 6

#### Part 2A Pipeline regulation transitional provisions

##### 1 Definition

**Current access arrangement** means an access arrangement that was in force immediately before the commencement date and is in force immediately after the commencement date.

**New rule 101B(2)(f)** means rule 101B(2)(f) as in force from the commencement date.

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<sup>3</sup> See for instance JGN's Access Arrangement and Reference Service Agreement – both public – and available [here](#) (see for instance the receipt point pressures in schedule 8) and [here](#) (see section 21).

<sup>4</sup> The AEMC noted in its final report that “Noting that service providers have indicated that they do already have such [supplier curtailment] policies, the cost of publishing the information under the recommended draft rule should be very low.” This is incorrect as there is a difference between curtailment methodologies currently in place and what would be required for gas blends.

...

## 2 **Supplier curtailment methodology**

New rules 48(g1) and 101B(2)(f) does not apply to an access arrangement for which the AER has made an access arrangement draft decision under rule 59 before the commencement date or a current access arrangement.

### 1.3. **Recommendation 7: Draft rule – require service providers to report on gas types and changes**

#### **Blending limits**

The draft rules imply that the blending limit on a pipeline is a uniform static number. In practice, it will depend on several factors including:

- The characteristics of all gases being injected. For instance, to continue to deliver gas which meets the specifications of AS4564, the proportion of hydrogen that can be injected depends on the characteristics of the natural gas stream into which it is being blended. The higher the heating value of the natural gas the more hydrogen which can be blended while still ensuring that the blended gas meets specification.
- Geography. The JGN network is not a single network but a series of networks – some of which are discrete network sections, others which are highly interconnected network sections. Gas blending in one section will have no effect on the limit in other sections, whereas in other sections gas blending will have a significant effect on downstream or interconnected network sections.
- The technical capabilities of different materials / components utilised across the network or network section.
- Jurisdictional requirements.
- The gas(es) being blended – type of gas (hydrogen vs biogas) and the quality of gas being blended (the specification for natural gas is a range, not an exact repeatable quality).
- Customer requirements and the blends they are capable of receiving – in a hypothetical future JGN may provide a higher blend of hydrogen in certain segments of the network while there may no blending, or a lower blend of hydrogen in other sections of the network.

We propose that the definition of blending limit is broader to provide pipeline service providers with the flexibility to provide more detail if appropriate. For instance, a document which sets out the limits that apply and the underpinning factors which may affect those limits (such as jurisdictional, technical and customer requirements) is likely to provide more value to prospective users in understanding whether and how a pipeline may be able to accommodate the injection of other types of gas.

#### **Access Arrangements and Access Arrangement Information**

We support the policy intent for information on gas types and changes to be provided on each service provider's website. This will ensure that customers, pipeline users and market participants can make better informed decisions about their use of the pipeline and any markets connected to the pipelines.

We also recognise the potential benefit for this information to be considered alongside the Access Arrangement and Access Arrangement Information. However, including gas type and changes information in these documents will result in out-dated information being published leading to confusion.

We propose an alternative option where the Access Arrangement and Access Arrangement Information identify where the latest information can be found (e.g. through a link to a website which will be maintained).

## Maps

We note, although not mentioned in Recommendation 7, draft rule 101B(2)(h)(iv) requires a schematic map which shows the location on the pipeline of each delivery point that will be supplied with a new type of gas.

This is not feasible for a distribution pipeline, like JGN, which has over 1.4 million delivery points and where the delivery points which receive a blend with change from minute to minute as the loads change in the network.

Accordingly we have proposed changes to reflect that we can provide indicative maps (rather than schematic) of regions where delivery points could receive a blend.

### Proposed draft rule amendments

#### 3 Interpretation

...

**blending limit** means, in relation to a gas blend, ~~information on the service provider's limits an upper limits on the percentage by volume~~ of a primary gas that may form part of the gas blend.

#### 48 Requirements for access arrangement (and access arrangement proposal)

(1) An access arrangement must:

(a1) ~~identify where the set-out the~~ information specified in subrule 101B(2)(g) ~~is published as required by that rule 101A.~~

#### 72 Specific requirements for access arrangement information relevant to price and revenue regulation

(1) The *access arrangement information* for an *access arrangement proposal* (other than an *access arrangement variation proposal*) must include the following:

..

(n) ~~identify where the the~~ information specified in subrule 101B(2)(g) ~~is published as required by that rule 101A.~~

#### 101B Service and access information

(2) The pipeline information in respect of a pipeline comprises

(h) if the service provider is aware that the type of gas being transported through the pipeline is going to change in the future:

(iv) if the new type of gas will be transported between a subset of the receipt points and delivery points on the pipeline, a ~~schematic indicative~~ map that shows the location on the pipeline of ~~each where~~ delivery points that ~~will could~~ be supplied with the gas; and

### 1.4. Recommendation 12: draft rule – Regulatory treatment of concessional finance

The AEMC's final report sets out a policy intent of enabling the AER to determine whether the intent of concessional finance, provided by a government funding body, was to flow through to consumers or to the service provider to support investment that would not otherwise be undertaken.

While we acknowledge the AEMC's policy objectives, we are concerned that the draft rules create an unnecessarily complex and administratively burdensome mechanism that is out of proportion with the potential benefits.

For context, consider our Western Sydney Green Gas Project which is \$15M project co-funded by ARENA and Jemena. If hypothetically this project was completely funded by Jemena and ARENA provided concessional finance at a rate of 1% less than the regulated rate of return, this would have a value of \$150k – or about 0.0004% of building block revenue (before being apportioned between consumers and Jemena).

We also note that we are not aware of any concessional finance provided by a government body which intended for lower costs to flow through to consumers. This suggests that the policy problem the rules are aiming to solve is hypothetical.

As a result, we consider that draft rules could be more proportionate by ensuring that the AER has the flexibility to take concessional finance into account where material in the context of the scheme pipeline and to undertake its functions without unnecessary prescription in the rules.

We have proposed amendments to the draft rules to:

- Provide the AER with discretion to consider whether concessional finance should be treated as a capital contribution.
- Integrate the information disclosure requirement into the Access Arrangement process consistent with the policy intent set out in the Final Report. We note that:
  - The draft rules without amendment appear to contemplate an information disclosure and AER decision process which sits outside of the Access Arrangement process.
  - We have included an amendment to rule 72 to require information on concession finance to be included as part of an Access Arrangement Information. We have also made changes to limit the information disclosure to conforming capital expenditure (to avoid capturing non-conforming capital expenditure which is not proposed to be included in the capital base). We note that this information disclosure rule is unnecessary and could be removed as the AER generally relies on reset regulatory information notices to obtain the information it considers it needs.
  - Draft rule 82(7) is unnecessary as the AER's power on the capital base (including on capital contributions) sits in rule 77.

#### Proposed draft rule amendments

### 82 Capital contributions to new capital expenditure

- (3) Despite subrule (2), the AER may approve the rolling of capital expenditure (including a capital contribution received by the service provider or part of such a capital contribution (including concessional finance determined to be a capital contribution under subrule 82(4)) into the capital base for a pipeline on condition that the access arrangement contain a mechanism to prevent the service provider from benefiting, through increased revenue, from the contribution to the capital base.
- (4) If the service provided received concessional finance, and the AER is satisfied that the government body or government agency (**government funding body**) who provided the concessional finance intended that some or all of the value of the concessional finance be treated as a capital contribution, the AER must:
  - (a) treat some or all of the value of the concessional finance provided by the government funding body to a service provider in the same way as a capital contribution under subrules (1) to (3); and
  - (b) determine the value of that concessional finance as if it had it been provided to the service provider in the form of a capital contribution.
- (5) The AER must consult with the service provider and the government funding body if it intends to treat some or all of the concessional finance as a capital contribution in accordance with subrule (5) to ascertain the government funding body's intention with respect to the concessional finance.
- (6) For the purpose of this rule 82:
  - (a) **concessional finance** means below market rate finance provided by government funding body for investment in specific capital expenditure; and
  - (b) **treated as a capital contribution** means that the some or all of the value of the concessional finance would not be rolled into the capital base for a pipeline, thereby preventing the service provider from benefiting, through increased revenue, from some or all of the value of the concessional finance.

**Rule 72(1)(a) (amended version of r. 82(4))**

- (iv) if the service provider receives concessional finance (as defined in rule 82(6)) from a government or government agency (**government funding body** in respect of conforming capital expenditure, made or to be made, over the earlier access arrangement period:
- (a) the name of the government funding body that provided the concessional finance and contact details for that body;
  - (b) a description of the amount and type of concessional finance provided;
  - (c) a copy of the agreement between the government funding body and the service provider that sets out the terms on which the concessional finance was provided;
  - (d) a description of the capital expenditure in relation to which the concessional finance was provided; and
  - (e) a statement from the service provider as to whether the government funding body intended that some or all of the value of the concessional finance be treated as a capital contribution.

**1.5. Recommendation 14: Draft rule – Clarify the intended operation of the exemption criterion**

Draft rule 34(3)(c) aims to allow for a more targeted and proportionate ring fencing exemption framework by clarifying the intent of the exemption criterion. Specifically, it will require the AER to consider whether to impose conditions on exemptions.

However, this consideration needs to ensure that the controls do not undermine the overall policy intent of rule 34 which is to allow exemptions and are appropriate for the relevant service provider and the circumstances, such as when the cost of compliance outweighs the public benefit. This can be achieved with a slight drafting change as proposed below.

**Proposed draft rule amendments**

**34 Exemptions from minimum ring fencing requirements**

- (3) ...
- (c) the service provider has, by arrangement with the AER, established internal controls (**where appropriate**) that substantially replicate the controls that would apply to associate contracts if the related business was carried on by an associate of the service provider.

**1.6. Recommendation 18: Draft rule – Minimum ring fencing requirements transitional exemptions**

As we noted in our cover letter, we do not consider that the draft rules get the balance right with the transitional provisions for our Western Sydney Green Gas Project (WSGGP) for the following reasons:

- The impetus for these renewable gas reforms is to accommodate hydrogen and renewable gas blends and support the development of a hydrogen industry – the WSGGP has the same goals and aims to do this by sharing learnings on the testing and demonstration of renewable gas (and specifically) hydrogen technologies.
- The WSGGP is not a commercial project.
- The WSGGP is a small project – the electrolyser used in the project is able to generate enough hydrogen to power about 250 homes, a fraction of our 1.4 million customers.
- The WSGGP was established (and regulatory, commercial and operational decisions made) under current regulatory framework such that project is fully integrated with the rest of JGN.
- The conditions for the exemption impose significant and unnecessary administrative and regulatory burden and increased cost.

We also note that:

- To establish internal controls to effectively treat this hydrogen facility as an associate to JGN imposes retrospective regulation with no benefit. Nor does it address any actual or perceived ringfencing risk.
- As we note above in respect of recommendation 14, the imposition of conditions associated with a ringfencing exemption needs to be assessed for relevance and appropriateness.

Lastly, we note that the AEMC considered that new rules are required to enable the AER to determine whether the WSGGP constitutes a pipeline service and whether costs should be recovered through reference tariffs. The AEMC proposed rules requiring JGN to maintain separate accounts and to provide these accounts to the AER annually with the methodology used by the service provider to allocate costs to the WSGGP.

This prescriptive approach ignores that there are already regulatory process and mechanisms in place (and working) and results in an unnecessary set of regulatory obligations which will only increase regulatory complexity and cost.

The AER obtains the information it requires to exercise its functions through existing mechanisms (such as the reset and annual regulatory information notices). This includes obtaining information on cost allocation across non-pipeline services, pipeline services and reference / non-reference services. This is normal regulatory practice.<sup>5</sup> No new or additional rules are required. These processes include controls such as statutory declarations and audit reports to ensure that expenditure relating to non-pipeline services are not reported as reference service expenditure and incorporated into the building block model used to calculate revenue.

Requiring that a separate set of accounts are prepared, maintained and kept for a small trial project simply imposes additional regulatory burden (and costs) for no benefit.

Accordingly, we propose that these conditions set out in Schedule 6 Part 2 are removed and the exemption is made permanent, rather than temporary, to ensure that we can continue to share learnings and facilitate the development of the hydrogen market.

## 1.7. Recommendation 20: Draft transitional rule – Associate contract notification transitional rules

We note that new post-notification requirements are not intended to apply to associate contracts that have previously been entered into. For clarity we propose an additional transitional provision.

We also note that the transitional rule to specify that draft rule 32A does not commence until 20 business days after the rule is made has been omitted and should be included in the final recommended rules.

### Proposed draft rule amendments

#### Schedule 6

##### Part 1 Ring fencing transitional provisions – general

###### 1 Definition

**New rule 32A** means rule 32A as in force from the commencement date.

**New rule 33** means rule 33 as in force from the commencement date.

...

5 **New rule 32A** does not commence on the commencement date but 20 business days after the commencement date.

6 In respect of an associate contract (including any variations) that was executed immediately before the commencement date, new rule 33:

(a) does not apply to the associate contract; and

(b) applies to any variations to the associate contract after the commencement date.

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<sup>5</sup> See for instance JGN's basis of preparation for its RIN response for the 2020-21 regulatory year, [here](#).

## 1.8. Recommendation 21: Draft rule – Amend the associate contract approval process

We recognise the policy intent of the draft rule to provide the AER with more time to make a decision through allowing more time (40 business days rather than 20 business days) and to introduce a stop-the-clock power.

We also acknowledge that the AEMC has sought to address concerns about the delay to the decision making process. However, we are concerned that the extension of the time limit combined with the stop-the-clock provision potentially creates an excessively long timeframe which will act as an impediment to investment decisions.

Accordingly, we propose that the following changes to ensure that the draft rules achieve the AEMC's policy intent while reducing the risk that the additional timeframes impede investment:

- Ensuring that the AER requests information in a timely manner – i.e. within 20 business (the current timeframe).
- Tightening the scope and purpose of the ring fencing decision guide so that it can provide more certainty to an applicant.
- Removing rule 35D(3) as it adds no value, and creates a regulatory burden of compliance and provides no constraint on the AER's powers. At a minimum 'at its discretion' should be deleted as it is redundant.

### Proposed draft rule amendments

#### 32 Approval of associate contracts

- (6) If within during the period specified in subrule (5) the AER notifies the service provider that it requires additional information from the service provider to consider an application under this rule (information request), the AER must:
- (a) request the additional information from the service provider within 20 business days of receiving the application; and
  - (b) make a decision on the relevant application within the period equal to:
    - (ia) 40 business days; plus
    - (iib) the number of business days in the period commencing on the day on which the information request was made and ending on the day on which the AER receives the information requested from the service provider.

#### 35D Ring fencing decision guide

- (1) The AER must publish and maintain a ring fencing decision guide for the purpose of providing guidance to persons who may apply for, or be subject to, ringfencing decisions under this Part.
- ...
- ~~(3) The AER may, in its discretion, develop and publish and may from time to time amend, other non-binding guides relating to this Part.~~

## 1.9. Recommendation 30: Draft rule – Require pipeline service providers to report blending information

The policy intent of recommendation 30 is to provide information to help prospective suppliers of covered gases make more informed decisions about whether to connect to a particular pipeline and to undertake more informed access negotiations.

As we note in our response to recommendation 7, blending limits will not be a uniform static number and will depend on a number of factors such as gas characteristics, geography, jurisdictional requirements, pipeline configuration, pipeline construction and gas demand. The blending limit will vary across the network sections. This means that publishing information on reporting on the overall blending level across a whole network may not provide prospective users with information that will achieve the policy intent.

As blend limits could be more complex than a static number, gas blend information and gas blend curtailment information could also be more complex. Blending limits and how curtailment will operate (for example, parties may self-curtail as we outline below) may also change over time as methodologies, technology and the market develops. Accordingly, it is more appropriate for the detailed reporting requirements for these items to be specified by AEMO in the procedures rather than being prescribed in the rules. This will ensure that the reporting regime has the flexibility to adapt to change.

Another factor to consider is that the pipeline service provider will not always have visibility of the curtailment or interruption of gas injections to prevent a blending limit applicable to the pipeline (or part) being exceeded. This is because the producing party or shippers may 'self-curtail'.

For instance, a pipeline service provider and hydrogen producer may have agreed to the injection of hydrogen at a receipt point as long as the downstream gas flow on the pipeline does not exceed the requirements of AS4564. The party injecting the hydrogen, rather than the service provider, may be responsible for testing and monitoring the blended gas stream to determine the maximum amount of hydrogen which could be injected into the pipeline on a day. In this case, the injecting party would self-curtail, to ensure the downstream gas remains within the AS4564 requirements if the tested gas did not meet the specification. Alternatively, an injecting party may have agreed to a maximum quantity of hydrogen which can be injected in any period, and would self-curtail injections into the pipeline if the production facility produced more than the maximum amount in that period. In both these scenarios, all the service provider would know will be the total quantity of gas injected into the network, but not whether differences between a parties' intended and actual injections were due to self-curtailment by the injecting party or other factors (e.g. plant failure).

Whether or not an injecting party needs to self-curtail injection of gas will depend on several factors including the intended and actual injections, the gas flow and the heating value / specification of the upstream gas on a given day on a particular part of the network. For instance, the amount of hydrogen which could be injected is likely to be higher in winter when gas flows are greater.

Further, we note that pipeline service providers' current systems and processes reflect the current regulatory framework requiring gas to meet a specification such as AS4564. These systems and processes therefore do not record on a daily basis what gas blend is injected. While this may change as pipeline service providers shift to providing a covered gas service, the information may still not be required. For instance, there is no difference if blended gas meets the same specification as natural gas injected elsewhere.

Accordingly, service providers may not possess detailed gas blend information, such as the proportion of biomethane and natural gas injections on a given day. This could occur for instance if there was a biomethane production facility injecting directly into the Victorian Transmission System. This gas could be transported via multiple transmission pipelines to the Sydney hub and neither the transmission pipelines or JGN would know the components of the gas blend.

Recognising the policy intent, we have proposed drafting changes which will provide greater flexibility in the information that AEMO reports by shifting the detail of the reporting obligations from the rules into the BB procedures. This will allow AEMO to develop more fit-for-purpose reporting gas blend information that can adapt both over time and for the circumstances of different facilities.

It is important to note that 190G will not provide a complete picture as pipeline service providers will not always have all of the information required to put this picture together. If this information is required it should be obtained directly from the parties which poses this information (e.g. on when a party self-curtails or the blend they are injecting).

### Proposed draft rule amendments

#### **190G Gas blend and gas blend curtailment information**

- (1) Each month, by the fifth gas day in the month, a BB reporting entity for:
  - (a) a BB blended gas distribution **facilitysystem**; or
  - (b) a BB pipeline that transports, or is authorised to transport, a gas blend and is subject to or applies a blending limit,must provide to AEMO:

- (c) the gas blend information for the BB facility for the previous month; and
  - (d) the gas curtailment information for the BB facility for the previous month, to enable AEMO to compile gas blend information and gas curtailment information for all BB facilities.
- (2) Where a gas blend is transported through only a part of a BB facility, the information under subrule (1) must be reported separately for each part of the BB facility in which a gas blend is transported;
- (3) In this rule:
- (a) **blend level** means, on any gas day, the quantity of primary gas, other than natural gas, transported through the facility, expressed as a percentage of the total quantity of gas transported;
  - (b) **gas blend curtailment** means the curtailment or interruption of a nominated or scheduled injection into a the BB pipeline or BB blended gas distribution system, before or after the start of the gas day, to prevent a blending limit applicable to the pipeline (or part) being exceeded. Gas blend curtailment does not include the application by AEMO of a constraints methodology provided to it in accordance with Part 19;
  - (c) **gas blend curtailment information for a month means:**
    - ~~(i) the number of times gas blend curtailment has occurred during the month the BB facility, or part of a BB facility (as applicable); and~~
    - ~~(ii) the aggregate curtailed quantity for the month resulting from these gas blend curtailments; has the meaning given in the BB Procedures.~~
  - (d) **gas blend information** has the meaning given in the BB Procedures. ~~for a month means the:~~
    - ~~(i) highest daily blend level achieved on any gas day in the month;~~
    - ~~(ii) lowest daily blend level achieved on any gas day in the month; and~~
    - ~~(iii) average daily blend level across all days in the month,~~
- ~~in the BB facility, or part of the BB facility (as applicable).~~
- (4) Nothing in this rule requires a BB reporting entity to provide information to AEMO that cannot be derived from information or data which the BB reporting entity holds or which is information which is within the possession and control of a BB blend processing facility or a BB production facility.

## 1.10. Recommendation 41 Draft rules – Modify the obligation for facility operators to provide expected capacity information and Recommendation 46: Draft transitional rule – STTM Amendments commencement date and Procedures

We support recommendation 41 which modifies obligations on facility operators to provide capacity information to reduce the reporting burden for injection facilities making it easier for these facilities to participate in the Short Term Trading Market (STTM) and reducing barriers to entry.

Given the benefits of this rule, we propose that these changes should commence as soon as possible, rather than in November 2024 with the rest of the STTM rule changes. We have proposed drafting below to achieve this.

### Proposed draft rule amendments

#### Part 4 Transitional arrangements related to Part 18 (the Gas Bulletin Board)

##### 1 Definitions

- (1) In this Part:

...

**New rule 414** means subrules 414(4) and 414(5) as in force immediately after the Part 18 amendments effective date.

##### 4 Market operations

On the date the amending rule is made and before the Part 18 amendments effective date, new rule 414 applies as if the date the amending rule was made is the Part 18 amendments effective date.

## 1.11. Recommendation 43: Draft rule – Allow net bidding and settlement for some STTM injection facilities

We are supportive of the policy intent to allow the STTM rules to facilitate bidding and settlement on a net basis reducing the barriers to entry for smaller distribution connected facilities.

We are mindful, however, that there are many uncertainties in how net bidding and settlement for a small distribution connected facility would work. For instance, how is the quantity of net energy injected measured? For this reason, we consider that the rules should build in as much flexibility to deal with any matters which arise.

We consider that greater flexibility can be achieved through limiting the amount of prescription in the rules and shifting as much detail as possible to the AEMO's procedures. We have proposed drafting which will provide AEMO the flexibility in its procedures to specify how injections and withdrawals should be measured.

### Proposed draft rule amendments

#### 378B Net metered facilities

- (1) The STTM Procedures must set out:
  - (a) the criteria for classification as a net metered facility including the form of measurement for injections and withdrawals;

## 1.12. Various

### Covered gas and gas

We note that the recommended draft rules are inconsistent in whether the term 'covered gas' or 'gas' is used. "Gas" (defined to mean covered gas) is used in Part 10, Part 11, Part 12A, Part 15D, rule 140B, Part 18A while "covered gas" is used in Part 1, Part 4, Part 5, Part 6, Part 8, Part 15B, Part 15C, Part 15E, Part 16 and Part 18 of the National Gas Rules.

This approach leads to confusion. We suggest that a consistent approach is adopted where possible.

### Access Arrangement

JGN's Access Arrangement defines gas as natural gas.<sup>6</sup> We consider that a savings and transitional provision be included to clarify that the "covered gas" amendments terminology to the National Gas Law and rules equally apply to JGN's Access Arrangement and Reference Service Agreement.

In the absence of this clarification we consider that Part 9 of Schedule 2 of the National Gas Law may create ambiguity and preserve the Access Arrangement as drafted before the commencement of the reforms.

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<sup>6</sup> See the definition in schedule 1 of our access arrangement, available here: <https://www.aer.gov.au/system/files/AER%20-%20Final%20decision%20-%20JGN%20access%20arrangement%202020-25%20-%20Approved%20Access%20Arrangement%20for%20JGN%20%28NSW%29%20Ltd%202020-25%20-%20June%202020%20-%20Clean.pdf>