

20 July 2023

Jemena Limited  
ABN 95 052 167 405

Level 16, 567 Collins Street  
Melbourne, VIC 3000  
PO Box 16182  
Melbourne, VIC 3000  
T +61 3 9173 7000  
F +61 3 9173 7516  
[www.jemena.com.au](http://www.jemena.com.au)

Patrick Loughrey  
Adviser  
Australian Energy Market Commission  
GPO Box 2603  
Sydney NSW 2000

Via online submission

Dear Patrick

### **GRC0067 – Gas compensation and dispute resolution frameworks**

Jemena welcomes the opportunity to make this submission in response to the Gas compensation and dispute resolution frameworks rule change consultation paper (**the Paper**). Jemena is the owner and operator of more than \$12 billion of energy infrastructure throughout Australia including a number of gas transmission pipelines, gas processing facilities and the New South Wales gas distribution network.

Noting the breadth of Energy Ministers' rule change proposal, this submission is focussed on two material issues which we believe should inform the Commission's further consideration of the proposal.

The first of these issues concerns the types of relevant entity from which the costs of providing compensation will be recovered. We agree with the previous observations of Senior Officials about the complexities presented by the decentralised and bilateral contract-based structure of the east coast gas market when considering the question of how compensation claims could be funded. In light of these complexities, it is important that the cost recovery framework is as streamlined as possible to avoid introducing unnecessary inefficiencies and costs for end users.

To this end, we urge the Commission to clarify that the types of relevant entities which are eligible to fund compensation claims should be limited to those entities which buy or withdraw gas from the east coast gas system—i.e. gas retailers<sup>1</sup> and large users. This would be consistent with the approach currently adopted by AEMO in the East Coast Gas System (**ECGS**) Procedures and the recent advice provided to AEMO by CEPA.<sup>2</sup>

While we note that entities such as pipeline operators and gas producers fall within the National Gas Law's definition of 'relevant entity', the recovery of compensation claim costs from these entities would result in the multiple handling of claim costs, as pipeline operators and producers would generally seek to pass those costs through to their customers—being the retailers and large users from which costs would be directly recovered from under AEMO's current approach. The additional costs and complexities associated with multiple parties handling and passing-through claim costs represents an inefficiency which would ultimately be borne by the end users of gas, and this outcome is unlikely to be in their long-term interests.

---

<sup>1</sup> Including 'non-NGL retailers' as defined by the ECGS Procedures.

<sup>2</sup> CEPA, *Recovering the costs of gas directions and the trading fund*, 20 February 2023.

Secondly, we support the Commission's further consideration of broadening the compensation framework to allow all relevant entities to seek to recover opportunity costs in addition to direct costs. Over time, the inability of participants to recover opportunity costs may undermine incentives for efficient risk management in gas (and electricity) markets, which would ultimately be inconsistent with the objectives of the ECGS reforms and detrimental to the long-term interests of gas users.

For example, gas market participants may buy and store gas on a pipeline using park services in anticipation of high prices on future days (either in a gas spot market or, in the case of a gas powered generator (**GPG**), high prices in the NEM). In the event parked gas is subjected to an AEMO direction and is effectively lost by the market participant, the participant should be compensated for their opportunity costs, including revenue foregone from profitable spot trades or generating in the NEM. The failure to compensate participants for these opportunity costs may reduce the likelihood that participants take proactive steps to store gas in similar future scenarios, which would ultimately reduce AEMO's ability to call on gas in response to a threat using its directions powers and may also risk reducing the availability of GPG to provide secure supply in the NEM.

We would welcome the opportunity to further engage with the Commission on this rule change project. Should you have any questions, please contact James Harding, Gas Markets Regulation Manager, at [james.harding@jemena.com.au](mailto:james.harding@jemena.com.au).

Yours sincerely



**Ana Dijanosic**  
General Manager Regulation