APA

Australia's energy infrastructure partner

Stage 2 Reliability Standards and Notification of Closure Consultation Papers

APA Submission

17 April 2025

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Anna Collyer
Chair
Australian Energy Market Commission
Level 15, 60 Castlereagh Street
SYDNEY NSW 2000

Lodged online

17 April 2025

RE: APA Submission to Reliability Standard and Associated Settings and Notice of Closure for Gas Infrastructure Rule Change Consultation Papers

Dear Ms Collyer,

Thank you for the opportunity to comment on the AEMC's Reliability Standards and Associated Settings Rule Change (GRC0076) Consultation Paper and Notice of Closure for Gas Infrastructure Rule Change (GRC0074) Consultation Paper. We appreciate the opportunity to contribute to these important issues.

APA is an ASX listed owner, operator, and developer of energy infrastructure assets across Australia. Through a diverse portfolio of assets, we provide energy to customers in every state and territory. As well as an extensive network of natural gas pipelines, we own or have interests in gas storage and generation facilities, electricity transmission networks, and 692 MW of renewable generation and battery storage infrastructure.

Energy Ministers' proposed reliability standard raises many complex issues. In east coast gas markets, commercial decision-making and contracting, rather than regulatory processes, has enabled the nimble and efficient expansion of infrastructure and the appropriate allocation of risk between parties. Maintaining these market fundamentals, and ensuring that new gas supplies are brought online, will ensure that the gas system's very high reliability standards are continued.

If you have any questions about our submission, please contact John Skinner on 0435 898 022 or john.skinner2@apa.com.au.

Regards,

Natalie Lindsay
General Manager, Economic Regulatory and External Policy
Strategy and Corporate Development

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1. Submission

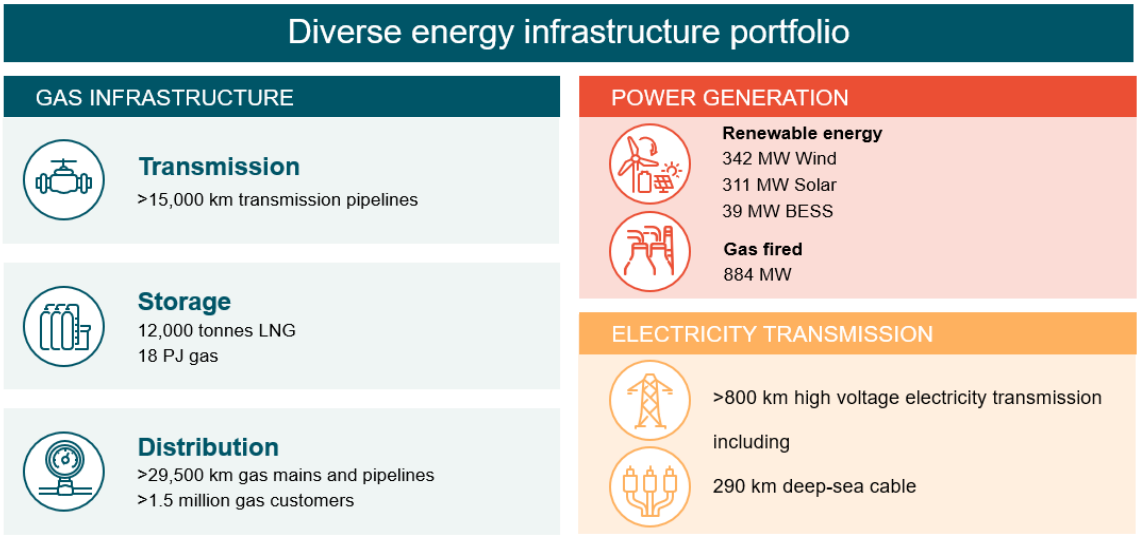
Key Points

- Bilateral contracting between APA and shippers has led to the efficient expansion and reliability of the east coast grid.
- Investment is driven by the individual needs of customers, based on the risk and reliability they choose.
- We support Energy Minsters' view that any reliability measures could be used as signals for investment to occur, but they should not undermine the market fundamentals that currently drive investment.
- Gas pipelines and networks are very reliable, and it may be difficult to accurately establish a value of gas customer reliability.
- Previous case studies show that gas infrastructure is a very cost effective option to support energy reliability across the National Electricity Market (NEM).

1.1. APA as a partner of choice in Australia's energy transition

APA is a leading ASX listed energy infrastructure business. Consistent with our purpose of securing Australia's energy future, our diverse portfolio of energy infrastructure delivers energy to customers in every Australian state and territory. For decades we have owned, operated, and maintained some of Australia's most important energy infrastructure.

Figure 1: APA's portfolio



Our 15,000 kilometres of natural gas pipelines connect sources of supply and markets across mainland Australia. We operate and maintain networks connecting 1.5 million Australian homes and businesses to the benefits of natural gas. We also own or have interests in gas storage facilities and Gas Powered Generation (GPG).

We operate and have interests in 692 MW of renewable generation and battery storage infrastructure, while our high voltage electricity transmission assets connect Victoria with South Australia, New South Wales with Queensland and Tasmania with Victoria.

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APA actively supports the transition to a lower carbon future. In September 2024, we published our FY24 Climate Report, detailing our progress against our Climate Transition Plan. This plan outlines our commitments to support Australia's energy transition and pathway to net zero operations emissions by 2050.

In early 2023, APA established an Electricity Transmission business unit with a focus on electricity transmission infrastructure across Australia. We have recruited a team of established industry professionals to lead APA in playing a pivotal role in the energy transition. In line with our strategic focus, we have also announced a partnership with leading global infrastructure organisation EDF Group. This partnership synergises EDF's global experience in electricity transmission delivery and operations, with APA's strong local experience in the construction and operation of linear energy infrastructure.[1]

With our extensive portfolio of assets and expertise across gas, electricity and renewables, APA is well-placed to support the energy transition towards net zero.

1.2. Balancing risk and reliability across electricity and gas markets

This section relates to Question 2 of the Reliability Standards and Associated Settings Consultation Paper, in particular:

1. *Do you consider the proposed dual reliability standard will be effective in promoting more efficient, timely and informed decisions that have regard to the value customers place on reliability?*

The Gas Reliability Standards Consultation Paper lists several reasons why Energy Ministers consider the reliability standard and related tools should be included in the East Coast Gas System Reliability and Supply Adequacy Framework.[2] Energy Ministers suggest that there is currently no robust basis for determining appropriate risk and reliability trade-offs in the National Gas Framework.

In this context, it is worth reflecting on the differences between the NEM and the East Coast Gas Market (ECGM), and in particular the different tools available to customers to balance risk and reliability under those markets.

The NEM is a gross pool market. All electricity generation and consumption is priced by Australian Energy Market Operator (AEMO) and settled in the spot market. The NEM is open access, large proportions of infrastructure economically regulated, with locational price signals driven by marginal loss factors and dispatch congestion. The same reliability standard applies to all customers across the NEM: supply should be sufficient to meet demand 99.998% of the time, in each region of the NEM within a financial year.[3]

In contrast, the ECGM is primarily based on bilateral contracts between parties. The ECGM has no overarching reliability standard analogous to that in the NEM. However, contracting parties instead choose the level of supply and transportation reliability best suited to their individual needs. Each participant identifies their own risk and reliability trade off, bearing in mind their own individual circumstances.

1 APA, '*APA Group and EDF Group to pursue electricity transmission projects'* (Media Release, 31 October 2023).
2 AEMC, *'National Gas Amendment (ECGS reliability standard and associated settings Rule*, 20 March 2025
3 Energy Officials, *Consultation Paper,* p72

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In the ECGM, gas is traded between and within markets via supply contracts, as well as through the spot markets. Gas is transported between markets through bilateral relationships with pipeline companies such as APA. Shippers can guarantee a high level of reliability by purchasing a firm transportation service. This guarantees they will be able to move gas from point A to point B when they want to, subject to contractual provisions related to elements as such as planned works, which are commercially negotiated by those customers.

Alternatively, shippers can choose transportation options with various reduced levels of reliability, including interruptible services, auction services or accessing capacity via the capacity trading market. They can also use swaps and other financial tools to manage risk.

Any new reliability standards for the ECGM need to recognise these very different arrangements through which market participants transport and acquire their gas. An overarching reliability standard and/or other market inventions could be costly if they:

- undermine contractual arrangements for those customers that require, and are willing to pay for, firm transport and supply, or
- add firming costs for those customers that are willing to take risk and access spot gas and transportation.

While reliability standards in electricity effectively treat all customers the same in terms of their need to reliable electricity supply, arrangements in the ECGM are very different. Market interventions that set reliability standards to apply to all gas users risk degrading firm services by making them less firm or elevating non-firm services and effectively giving a free ride to those who have chosen not to invest in infrastructure.

To ensure continued investment in gas infrastructure, any reliability settings must not undermine the efficient allocation of risk that has occurred across the ECGM to date, and which has underpinned market-driven investment in new capacity. These arrangements are outlined further below in section 1.3.

1.3. The market fundamentals that have underpinned investment and the allocation of capacity must be maintained.

This section relates to Question 2 of the Reliability Standards and Associated Settings Consultation Paper. "Will the proposed reliability standard effectively address the issues raised by the proponents"?

Gas infrastructure operators have a strong track record of delivering the necessary infrastructure to ensure customers have sufficient gas in the locations they need it.

To date, the incremental expansion of existing infrastructure has been the most efficient, timely and lowest cost solution to ensure that gas is delivered when and where it is needed. Gas retailers coordinate with producers to ensure they secure gas supplies and with pipeline operators to ensure they can transport gas from gas fields to their end customers.

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Until a pipeline is fully compressed, adding compression to an existing pipeline to increase capacity is usually more cost effective than building a new pipeline and has far less delivery and investment risk. This means that the incremental expansion of the east coast grid is the most efficient solution to transport more gas from Queensland to southern markets.

1.3.1. APA's current market-driven investments in the east coast market

In 2024 APA completed the second of the first two stages of East Coast Gas Grid (ECGG) expansion, which delivered 25% additional capacity to the grid. In February 2025, APA announced a five-year ECGG Expansion Plan to deliver an additional ~24% increase in north-to-south gas transport capacity and new southern markets storage to help ensure lower cost and lower emissions domestic gas is available to meet East Coast gas demand and to support the delivery of new gas-powered generation.

The ECGG Plan (see Figure 2 below) outlines Stages 3-5 of the plan, starting with near term projects which have already reached FID and will add new north-to-south gas transport capacity in 2025 and 2026:[4]

- In Q4 2025, the east coast grid expansion will see APA invest ~$25 million to deliver the Moomba to Sydney Ethane Pipeline (MSEP) conversion project to provide an additional ~20 TJ/day from Moomba to Victoria or ~25 TJ/day to Sydney. After conversion to natural gas, the incremental MSEP capacity will increase the total southbound capacity from Moomba to Sydney from 565 TJ/day to 590 TJ/day.
- In 2026, APA will deliver two pressure regulation skids to increase capacity in summer months when specific sections of pipeline maintenance is being undertaken, increasing MSP summer capacity by between 80-120 TJ/day, supporting storage refill ahead of peak winter months.

The medium-term projects that are progressing with early works will add material further north-to-south gas transport capacity and storage:

- Stage three of the expansion focuses on building capacity to move ~24% more gas between northern basins and southern markets. This includes the proposed delivery of the Bulloo Interlink, a new 380km, 28-inch pipeline connecting the South West Queensland Pipeline (SWQP) to the Moomba to Sydney Pipeline (MSP), and two new compressors on the MSP.
- Stage four of the expansion focuses on the delivery of new storage capacity in winter 2028 and 2029, to support AEMO's forecast need for peaking gas-powered generation, as more variable renewable energy is added to the National Electricity Market
- Stage five of the expansion adds flexibility and amplifies the investments made in stage three and four, delivering capacity upgrades to the VTS.

As it becomes clear that further investment in gas infrastructure is needed, market signals and bilateral contracting will help support the continued expansion of the East

[4] APA, *APA's East Coast Gas Expansion Plan*, 24 February 2025, https://www.apa.com.au/news/asx-and-media-releases/apas-east-coast-gas-expansion-plan

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Coast gas network. Importantly, these expansions are responding to increases in peak demand in southern markets. This demonstrates that peak demand and system resilience can be addressed by a range of alternative infrastructure and supply options provided by other parties, including storage or gas swaps, and not just by the business case of a single asset. As such, any reliability standards and peak day reliability measures should not be applied as the target reliability for single assets.

Figure 2: APA's East Coast Grid expansion plan

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1.3.2. Maintaining market-based fundamentals

The expansion of the ECGG has been market driven. Across the east coast gas market, pipeline operators negotiate bilateral contracts with gas shippers, who then gain access to transmission capacity. This is known as the contract carriage model, which extends across the whole east coast gas market, except for the Declared Transmission System (DTS) in Victoria.

Under this contract carriage model, short term and long-term contracts support the operation of the market and the efficient expansion of transmission pipelines and other infrastructure when needed. Bilateral negotiation between parties drives investment, which is ultimately based on the needs of the customer. Through this model, investment in expanded capacity can often be done in a timely manner. Expansions are based on what the market demands and for the cost and risk profile that the market accepts. AEMO's Gas Statement of Opportunities plays an important role in identifying gas shortfalls and acting as an investment signalling mechanism.

These East Coast gas arrangements are different to arrangements in electricity transmission, where investment is not driven by contracts with generators or retailers. Instead, investment is overseen by regulatory approvals and investment tests, with reliability settings built into the overall regulatory regime.

When designing reliability settings for the east coast gas market, it is important that the market fundamentals that have underpinned investment are maintained. This means that existing contracts between pipelines, shippers and producers should not be impacted, and the process through which parties negotiate under the contract carriage framework must be maintained.

Furthermore, meeting any additional reliability standards should be driven through industry, via demand and contracting signals and the same market mechanisms that have delivered investment to date. This will ensure the most cost-efficient selection of supply and infrastructure solutions, delivery of new infrastructure and appropriate allocation of risk between contracting parties.

To this end, we support Energy Ministers clearly outlining in their rule change request that:

> *the proposed reliability standard is **not** intended to impose any binding obligation on infrastructure providers (e.g. the rules are not intended to directly require infrastructure owners to invest in, or operate, their facilities to meet the reliability standard).*[5]

1.3.3. The role of a peak day reliability standard

Energy Ministers propose that a peak day deliverability measure be established as one part of a reliability standard. That peak day measure would focus on the ability to supply gas, infrastructure capacity and demand response to meet forecast demand (including GPG demand) on peak days (e.g., under 1-in-2 year, 1-in-5 year, 1-in-10 year or 1-in-20 year conditions).

[5] Energy Ministers, *East Coast Gas System Reliability Standard and Associated Settings,* July 2024, p11

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As noted in Energy Ministers' Gas Reliability Standards Rule Change proposal, there are a number of existing peak day deliverability measures used by AEMO, either in accordance with the NGR, or based on its own assumptions.[6] For example, both the Victorian Gas Planning Report (VGPR) and Gas Statement of Opportunities (GSOO) refer to a 1 in 2 and 1 in 20 year demand standard. When designing a peak day deliverability measure, consideration should be given to which peak day demand scenario is adopted and whether a probabilistic model should be utilised. Utilising a deterministic method such as a reference year as AEMO adopts in its assessment in the GSOO and VGPR is informative though can result in varying outcomes and potentially higher reliability metrics depending on characteristics of the reference year adopted.

When designing a peak day deliverability measure, it is important to remember that gas pipelines are generally not designed for peak day demand. As outlined in section 1.3.2 above, bilateral contracting drives investment in gas transportation and storage, based on the individual needs of the customer. Frequent ramp up and ramp downs in pressure to meet these levels of peak demand could cause strain on the assets, increase the amount of maintenance required and increase emissions. As such, peak day resilience is achieved through a variety of infrastructure solutions available in and around the demand centres rather than achieved through single assets alone.

As is the case today, we support these measures being used as signals for investment to occur, but they should not undermine the market fundamentals that currently drive investment.

1.4. Developing new gas supply is critical to meet any reliability standard

Both AEMO and the Australian Competition and Consumer Commission (ACCC) have flagged the risk of East Coast supply shortfalls later this decade.

The market will be unable to meet any reliability standards if there isn't the gas available to meet demand. Governments should be cognisant that they have a role to play in expediting approval processes, removing barriers and policy uncertainty to ensure that upstream gas expansions and frontier basins can be established and connected to the interconnected gas grid as soon as possible.

Failure to support new sources of gas supply to replace depleting existing sources may result in the market adopting less efficient (and higher cost) options to bring gas to southern markets, such as LNG import terminals, introducing new energy security risks.

[6] Energy Ministers, *East Coast Gas Reliability Standard Rule Change Proposal,* July 2023, p35

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1.5. Gas infrastructure is very reliable, and any value of gas customer reliability should take this into account

This section relates to Question 3 of the Reliability Standards and Associated Settings Consultation Paper:

1. *Do you consider a VGCR can be estimated in order to inform an ECGS-wide reliability standard that reflects the value different consumers place on reliable gas supply?*
2. *What challenges and opportunities do you consider the AER will face when calculating a VGCR?*
3. *What factors should the AER take into account.*

Under commercial arrangements with shippers, pipeline operators have obligations to deliver gas where and when it is needed. APA currently delivers 99.7% of firm nominations from shippers, a figure that is calculated on a six-monthly basis.

Because gas pipelines are underground, it is a very rare occurrence for network faults to disrupt customer supply. The ECGM operates over an interconnected grid of pipelines that cover vast distances. The fact that gas can be compressed means the ECGG holds significant inventory and can be relied upon to operate flexibly for customers. Consequently, even during maintenance activities, customers are rarely disrupted.

Gas transmission pipelines are not currently subject to formal reliability standards. One of the key reasons for this is that gas reliability is very good, and is enforced by customers via contractual arrangements where pipeline service providers bear the risk of non-delivery of firm services:

- Only 1 in 100 gas distribution customers experience an outage each year, meaning customers experience an outage approximately once every 100 years on average[7]
- Gas transmission pipelines also have very good reliability with only 0.03 loss of supply events per annum per km of pipeline (compared to 0.42 loss of supply events per annum per km for high voltage powerlines[8])

Given gas pipelines and networks are so reliable, it may be the case that these assets do not need to be subject to any sort of formal reliability standards and could be exempted from any reliability assessment.

1.5.1. Key considerations for the forming of value of gas customer reliability

The Gas Reliability Standard Consultation Paper asks whether a value of gas customer reliability (VGCR) can be estimated that reflects the value different consumers place on reliable gas supply.[9] This process could involve the AER being responsible for developing a VGCR methodology and calculating the VGCR values. This is set to mirror the AER's role in calculating the value of customer reliability (VCR) in the NEM.

A critical part of the AER's VCR methodology in the NEM is the obligation for it to include a mechanism to directly engage with customers (retail and other), which may include the use of surveys.[10] It is unclear how customers (especially from gas distribution networks)

7 AER, *Electricity and Gas Network Performance Report,* 2024, September 2024, p72
8 APGA, *GPA Engineering, Pipelines v Powerlines – A Technoeconomic Analysis,* 2022, p13
9 AEMC, *Gas reliability standard Consultation Paper,* March 2025, p.iii
10 AEMC, *National Electricity Rules*, ch8 rule 8.12(d)(1)(i)

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could respond to surveys or other mechanisms to try and gauge their value of gas reliability, given their limited exposure to outages.

This being the case, establishing a VCGR would inevitably involve macro-economic modelling. In their rule change request[11] which informed the Gas Reliability Standards Consultation Paper, Energy Ministers referred to the possibility of using a macro-economic model similar to the Widespread and Long Duration Outage (WALDO) model.[12]

WALDO modelling was consulted on by the AER as part of their VCR review as an option to better account for outages over 12 hours and a wider geographical coverage than typical electricity outages. For residential consumers the WALDO modelling built on the VCR estimates and adjusted it for the for the following factors[13]:

- Annual energy consumed by consumer impacted
- Climate Zone
- Timing of the outage (season, day of the week and time)
- duration of the outage

For Commercial and Industrial consumers, multipliers were applied to existing VCR estimates to apply them to WALDO settings. These multipliers included:

- estimated value lost by the industry sector affected, made up of the following inputs:
    - Finding the value added (in % of economic output) by the industry sector
    - Dividing this by estimated electricity consumption to find value added per unit of electricity
    - The unserved energy during the outage of that sector
- a recovery factor for that industry sector, which considered:
    - The ability of the sector to continue production without supply (eg ability to defer production)
    - Extent to which the sector has back up generation installed
- and adding restart costs, made up of:[14]
    - fixed costs – costs incurred regardless of outage
    - flow costs – value of lost opportunities arising from outage
    - stock costs – any spoiling of stock due to the outage

[11] DCCEEW, *Reliability Standard and Associated Setgings Rule Change Request,* pg 38, https://www.aemc.gov.au/sites/default/files/2024-07/new_rule_change_proposal_-_dcceew_-_east_coast_gas_system_reliability_standards_and_associated_settings_-_20240708.pdf
[12] AER, *Widespread and Long Duration Outages – Value of Customer Reliability,* March 2020 https://www.aer.gov.au/system/files/AER%20-%20Values%20of%20Customer%20Reliability%20Review%20-%20Widespread%20and%20Long%20Duration%20Outages%20Consultation%20Paper%20-%20Updated%2021%20April%202020.pdf
[13] Ibid, pg 19
[14] Ibid, pg 21

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The AER also consulted on an additional multiplier for all consumers, which was to account for social costs. It attempted to estimate indirect and flow-on costs incurred by individuals and business beyond individual consumers. These included the financial costs of managing social responses to an outage (e.g. increased crime), and financial and non-financial costs of consumers being unable to access services. The examples given in the consultation were wide ranging and spanned from emergency and essential service response to the possibility of increased violence in households due to disruptions in routine.[15]

Whilst there is some correlation between WALDO electricity outages and gas outages, gas outages (when they do occur) often have longer outage periods and more widespread geographical area than typical electrical outages.

It is also important to note that WALDO modelling was abandoned by the AER after consultation with stakeholders. In September 2020, the AER released a final conclusions document, in which they discontinued development of a WALDO methodology and modelling approach. The AER cited the issues raised through consultation, where most stakeholders did not support the draft model due to its consideration of social costs, and how the model proposed to estimate them.[16] In the final conclusions document, the AER acknowledged the limitations in the way social costs were estimated due to a lack of data relevant to modern Australian contexts, with their modelling based on the costs arising from a long duration 1977 New York City outage. The AER conceded that without academic research to inform the costs of widespread modern Australian electricity outages, it could not continue with the methodology.[17]

Careful consideration should therefore be given to how the costs of a gas outage are likely to be modelled under any VGCR methodology, given the lack of experience of consumers with gas outages. If a VCGR is to be developed, it is essential that appropriate research is conducted to help ensure stakeholders are comfortable that the costs of outages and value gas customers place on reliability is accurately represented.

[15] Ibid, pg 28.
[16] AER, *Widespread and Long Duration Outages – Value of Customer Reliability Final Conclusions*, September 2020, https://www.aer.gov.au/system/files/AER%20-%20Values%20of%20Customer%20Reliability%20-%20Widespread%20and%20long%20duration%20outages%20-%20Final%20conclusions%20-%20September%202020.pdf
[17] Ibid, pg 17

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1.6. Previous VCR 'case studies' demonstrate the value of gas infrastructure

APA has previously used the electricity VCR to demonstrate the value of gas infrastructure. The two case studies below demonstrate how gas infrastructure is very efficient at supporting energy reliability, including in the electricity sector. They could be useful in advancing the AEMC's thinking in this space.

Case Study 1: Convert Electricity VCR to come up with a gas VGCR

In 2022, APA updated the business case for the Western Outer Ring Main (WORM) project as part of its 2023-27 Victorian Transmission System (VTS) Access Arrangement. The WORM is a 50km pipeline interconnection between Plumpton and Wollert and was a 'missing link' in the VTS.

To demonstrate the WORM's value to consumers, APA converted the VCR to a VGCR to measure at what point the value of reliability benefits of the WORM outweighed the cost.

The analysis demonstrated that the VTS would only need to fail to meet demand of between 2.4TJ/day for the cost of the WORM to be greater than the VCR. Given the VTS has a peak day in the order of 1200TJ/day, the analysis showed that **the benefits of the WORM far outweighed the financial cost**:

- The Victorian VCR (residential) was converted from $22.23 kW/h to GJ/kwH - **$6,175/GJ**
- The amount of unserved energy at which VCGR and cost of WORM broke even was found to be 2.4TJ/year

Source: APA Western Outer Ring Main (WORM) Project – Business Case Update 2022

Case Study 2: Efficiency of Dandenong LNG (DLNG) tank in supporting the NEM

On 13 Feb 2024 following severe storms in Victoria, Loy Yang A tripped, impacting power availability. Multiple GPG units across Victoria came online, providing vital energy supplies to Victorian customers. To demonstrate the efficiency of DLNG in supporting reliability, we calculated how much lost load DLNG helped avoid.

- DLNG vapourised 270 tonnes of LNG into the DWGM to support GPG
- This equates to approximately 15 TJ of gas
- AEMO data shows that Victorian GPG has a static heat rate of ~13GJ/MWh
- The 15TJ of gas therefore generated 1,153 MWh of electricity
- At the Victorian VCR of $25/kWh (updated by the AER in December 2023), the value of this avoided lost load is **$29 million**
- If DLNG had been required to vapourise its daily capacity of ~237 TJ, the value of avoided lost load would be **$461 million**

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The case studies outlined above and the way in which gas customers consider their reliability needs demonstrate that there could be significant variability in gas customers' value of reliability.

For example, gas powered generation (GPG) is likely to value its reliability very highly, given that it must have a reliable gas supply to earn revenue. Other customers, however, particularly those that have the ability to 'fuel switch' may attribute a lower value to their gas reliability. Consideration also needs to be given to how the VCR and VGCR will interact in situations where changes to electricity availability are directly impacting the value customers place on gas availability.

1.7. Existing mechanisms should be utilised for notice of closure reporting

This section relates to Question 3 of the Notification of Closure Rule Change Consultation Paper:

Do you agree with the proposed benefits of an advanced notice of closure requirement? Why/why not.

We are broadly supportive of the proposal to require infrastructure providers to provide early notice of closure, as outlined in the Notice of Closure Rule Change Consultation Paper (Notice of Closure Consultation Paper). Advanced notice of closure of critical gas infrastructure will support more timely and efficient responses by market participants.

We recommend that 'closure' is well defined and consider that it should refer to permanent closures of whole assets, including through decommissioning, that are a formal decision by a Board or equivalent senior management for non-public companies. It would be a risk if public companies were required to report when closure is an option being discussed, even if no business decision had been made yet. We agree that the proposed rule change should also not capture maintenance, refurbishment or other modifications that does not result in a cessation of natural gas or natural gas services by the facility.

If a Board decision was made to close a facility within the 36 months notification period due to a change in the nature of the facility, supply and delivery infrastructure owners should not be penalised assuming the entity reported as soon as possible post decision. A change in the nature of the facility could result from a commercial contracting basis in contract carriage markets or a physical change to the facility that doesn't warrant ongoing operations.

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1.7.1. Implementing the advanced notice of closure notification obligation

This section relates to Question 6 of the Notification of Closure Rule Change Consultation Paper:

What are your views on the expected costs and benefits of the proposed three options? Do you agree that option two (the proponent's preferred approach) is the best solution to address the issue raised by the proponent? Why/why not?

We have carefully considered the three potential options to address the rule change in the Notice of Closure Consultation Paper, and note the proponent's preferred option to:

- amend the Bulletin Board medium-term capacity outlook provisions in Part 18 of the NGR to require supply and delivery infrastructure operators to report on planned permanent closures with at least 36 months' notice

In the consultation paper, the AEMC stated that this option would result in *very small costs for supply and delivery infrastructure operators*. In our view, this option would result in substantial costs and administrative changes to augment IT systems. Small IT system changes still require the same level of IT project management rigour, development of code, testing and end-to-end business process mapping and daily management to capture the infrequent change if and when it occurs. Augmenting IT systems by many supply and delivery infrastructure operators, including AEMO, is not appropriate for the infrequent trigger of this obligation.

Further to this, the obligation to report under the Gas Bulletin Board (GBB) is on the operator and not the owner of a facility. For facilities that are operated by one entity who is responsible for reporting to the GBB but owned by another entity, the reporting entity may not be privy to the decision being made and will have to be notified. It seems inappropriate for the reporting entity to be held accountable for reporting notices of closure, when it isn't an operational decision for that entity to make or report.

To avoid these costs, our preferred option is to pursue Option 1, which is to:

- amend the Gas Statement of Opportunities (GSOO) provisions in Part 15D of the NGR and Victorian Gas Planning Report (VGPR) provisions in Part 19 of the NGR to require AEMO to report on planned closures of supply and delivery infrastructure with at least 36 months' notice.

This option has minimal additional burden on service providers and AEMO, does not involve augmenting systems and imposing costs on the industry that are not warranted by the infrequent nature of the obligation and is the responsibility of the owner of facilities to report. This obligation would just become another input for market participants who are already considering the strategic future of their assets prior to submission for the 20 year horizon of the GSOO and VGPR.

To address the AEMC's concern of transparency where a notice of closure occurs out of cycle from publishing the GSOO or VGPR, this can be achieved by the supply or delivery infrastructure owner submitting a notice to AEMO who could upload this to their website. This is not dissimilar to other obligations in the gas market where information is provided to AEMO manually and AEMO uploads. A similar option is already proposed by the AEMC on page 13 of the Notice of Closure Consultation Paper "*Consideration could also*

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be given by AEMO... flagging reported closures and amendments to reported closure dates, more broadly to market participants". AEMO has these existing communications in place and reports many gas and electricity notices via their website. Industry is also frequently reviewing AEMO's website and newsletters for updates.

In our view, option 1 is the most appropriate and cost-effective method of enacting the proposed Notice of Closure Rule for what is expected to be an infrequent reporting, whilst still achieving the objective of the rule.