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Dear Alfredo

Consultation paper – Gas reliability standard

Jemena welcomes the opportunity to respond to the Australian Energy Market Commission's consultation paper on the proposed National Gas Amendment (ECGS reliability standard and associated settings) Rule.

Jemena owns and operates a diverse portfolio of energy assets throughout the northern and east coast Australia. With more than \$12 billion of major gas and electricity infrastructure, we deliver energy to millions of households, institutions, and industries every day. Our assets include the Jemena Gas Network in New South Wales, the Jemena Electricity Network in northwest Melbourne and gas transmission lines such as the Eastern Gas Pipeline, Queensland Gas Pipeline and Northern Gas Pipeline.

As a key gas pipeline service provider in the east coast gas system, we recognise the importance of having a secure, resilient and flexible gas market to support investment decisions and the day-to-day lives of gas users. A gas shortfall—even on a short term or peak basis—can have a very significant impact to the Australian economy. As acknowledged in the rule change request and the consultation paper, unlike electricity, gas outages generally cannot be remedied easily or quickly. If a gas outage occurs in a distribution network, it may require at least two physical visits by gas plumbers or technicians to each meter to make safe and reinstate gas supply. In addition to very high direct costs, such situations may involve prolonged supply restoration periods and significant health and safety risks for customers. In an industrial setting, interrupted operations caused by a gas outage could potentially lead to catastrophic plant damage, resulting in permanent closure of critical industrial businesses. Also, gas supply is linked to electricity price and reliability and a gas shortfall could deprive customers of access to both energy sources.

We acknowledge that it is a particularly challenging task to determine the appropriate risk and reliability trade-offs for gas supply and that setting a reliability standard could facilitate AEMO's role in monitoring and facilitating market responses or taking actions to address gas supply issues in a more systematic and transparent manner. We are broadly supportive of having a defined reliability standard for objective evaluation of gas supply adequacy and reliability, which can be adopted by all relevant regulators including the AEMO, AER and ACCC.

We consider the proposed dual reliability standard is a reasonable measure and that the AEMC should be responsible for determine the level of the standard in consultation with market participants. However, we do not consider that there is sufficient merit in estimating a Value of Gas Customer Reliability (**VGCR**) for the purpose of determining the standard.

In our view, the time, complexity and costs involved in estimating a VGCR may not justify its use in determining the reliability standard in practice. A VGCR would be a highly subjective measure and it is unlikely to accurately reflect the true value that different groups consumers would place on reliable gas supply without significant amount of data and consultation. This is particularly the case given that many customers may not have recent experience of a gas supply interruption due to their historical infrequency, potentially resulting in customers understating the value of reliability when surveyed. Any reliability standard should also take into account the full range of direct costs and risks (including to health and safety) associated with gas outages and supply restoration processes, and it is not clear that a VGCR alone would necessarily capture or reflect all such costs and risks.

Furthermore, given the heightened risk of peak day supply shortfalls between now and 2027, we consider it is time critical for a reliability standard to be established to guide AEMO's monitoring and other functions. Notwithstanding that it is proposed the AEMC would determine an interim reliability standard, the use of a VGCR to inform the permanent reliability standard introduces another layer of complexity, unpredictability and delay on the determination of a final reliability standard. We consider that the AEMC, in consultation with state and territory governments and market participants, is well-placed to set a reliability standard, having regard to qualitative assessments about the consequence of a supply shortfall and in particular the costs of gas outages to different types of users, and the reasonableness of a reliability risk and cost trade-off. We consider this would be a more efficient and pragmatic approach in the circumstances, and we do not consider the use of VGCR would make the reliability standard materially more robust than it would otherwise be determined.

Broadly, we consider the proposed threat signalling mechanism should allow AEMO to better communicate reliability and supply adequacy threats to the market, including via engagement at GSAR conferences. An effective threat signalling mechanism should distinguish between reliability threats across different time horizons to allow for appropriate and timely market engagement and responses.

Jemena would welcome the opportunity to further engage with the AEMC on this proposed rule change. Should you have any questions please do not hesitate to contact James Harding, Gas Markets Regulation Manager, at james.harding@jemena.com.au.

Yours sincerely,



Ana Dijanosic

General Manager Regulation