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Jemena Limited ABN 95 052 167 405

Stuart Norgrove Project Lead Australian Energy Market Commission Level 15, 60 Castlereagh Street Sydney NSW 2000

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

Dear Stuart

#### Consultation paper – ECGS Projected Assessment of System Adequacy

Jemena welcomes the opportunity to respond to the Australian Energy Market Commission's consultation paper on the proposed National Gas Amendment (ECGS Projected Assessment of System Adequacy) Rule.

Jemena owns and operates a diverse portfolio of energy assets throughout northern and eastern 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.

Jemena is broadly supportive of the concept of a PASA as a means of providing more objective guidance and transparency as to when AEMO may exercise its ECGS functions. We support the approach of seeking to leverage existing information reported by market participants as much as possible, and of the proposed removal of redundant reporting obligations.

However, as an overarching principle, an incremental approach to the design and implementation of the ECGS PASA should be strongly preferred. We support the ECGS PASA being initially designed to be a higher-level assessment of supply adequacy and reliability, rather than a highly detailed location-specific assessment. This would allow implementation costs to be reduced and ensure that a workable ECGS PASA is available sooner rather than later, noting the risk of peak day supply shortfalls in southern states in coming years. Further incremental refinements to the ECGS PASA (and inputs as necessary) could then be considered over time, and indeed such evolutions could be informed by the practical learnings from initially implementing a simpler ECGS PASA in the first instance.

As identified in the rule change request and AEMO's supporting analysis, the design and implementation of an ECGS PASA will involve many areas of trade-off between complexity

and sophistication of the ECGS PASA with the cost and timeliness of its implementation and ongoing maintenance.

When considering these trade-offs, the Commission should be mindful of the inherent limitations in key input data which may be difficult to overcome—in particular, the accuracy of demand forecasts in an increasingly dynamic energy market, even when provided by users themselves. These limitations on the accuracy of demand forecasts mean that in many cases, pursuing the collection of highly complex and costly supply-side information will be of very limited (if any) marginal benefit, as ultimately such supply-side information needs be assessed against demand-side information. We therefore urge caution in relation to some of the proposals which would increase the complexity of supply and infrastructure capacity inputs, and have provided more detailed feedback on these matters in response to the consultation questions at **Annexure A**.

Notwithstanding our comments about the potential risks and complexities associated with some of the modified Bulletin Board (**BB**) reporting obligations, we also emphasise the need for market participants to be given sufficient time to implement IT system and business process changes in order to comply with modified reporting obligations arising from the proposal—particularly in relation to changes in the Short Term Capacity Outlook (**STCO**) and Medium Term Capacity Outlook (**MTCO**) obligations.

Jemena would welcome the opportunity to continue to engage with the Commission during this rule change process. Should you have any questions please do not hesitate to contact me on (03) 9173 7944 or at james.harding@jemena.com.au.

Yours sincerely,

**James Harding** Gas Transmission & Processing Regulation Manager

#### Annexure A – Responses to consultation questions

Question 1: Is there enough quality information covering the intra-year period to support decision-making by ECGS participants, AEMO and policymakers? Do you agree that there is insufficient information for the intra-year period to support optimal decision making by ECGS participants, AEMO and policymakers? Does this apply over the short term (about seven days) and/or long term (about 12 months). If so, how is your decision-making impacted by insufficient information? If not, why not?

A cautious and incremental approach should be adopted in relation to the 'gaps in the data and issues with data quality' outlined by AEMO in its ECGS PASA report. As outlined further below, we believe further consideration is required on the precise nature, extent and potential impact of these issues in the context of the proposed PASA—as there is the potential that addressing some of these issues may impose a material cost and compliance burden on industry participants.

The AEMC should give detailed consideration to each specific proposal to address a disclosure gap and weigh up the criticality (for the PASA) of each against the cost and practical achievability (within reasonable timeframes) of obtaining new or more detailed information. Noting the supply risks facing the east coast gas system in the near future, we advocate that a greater emphasis should be placed on achieving a 'minimum viable' PASA which meets the core objectives within a reasonable timeframe. Potential improvements are then able to be assessed in the future on an incremental basis.

## Question 3: Which factors should guide AEMO's development of ECGS PASA modelling regions?

How should modelling regions be defined? Should this be undertaken by AEMO? Do you consider the factors identified by AEMO to be comprehensive or are there other relevant factors?

Consistent with our overarching view on the development and implementation of the ECGS PASA, we suggest that north and south regions (based around Moomba) should initially be employed in the PASA in order to avoid over-complicating the implementation process and ensure a workable PASA can be delivered within in a reasonable timeframe and cost (both to AEMO and to market participants). This approach would put into focus the fundamental dynamics occurring in the east coast market, where supply and LNG export facilities exist in the north while greater domestic demand and declining legacy supplies exist in the south. As noted in AEMO's ECGS PASA report, this approach could potentially evolve over time.

While we note that other approaches to regional definitions may provide greater locational granularity in the PASA, we consider that on balance, a higher-level PASA would be more appropriate as a first step towards AEMO and market participants building their understanding and reliance on the PASA.

We also note that AEMO currently has (and will continue to have) a range of BB and/or ECGS information available to it in order to identify and monitor supply reliability and adequacy risks at a more localised level, including within jurisdictions/at a pipeline level.

### Question 4: Is the proposed ST PASA design fit for purpose?

What are your views on the proposed inputs, outputs, and other ST PASA design elements? Is anything missing? Are there unnecessary inputs or outputs?

We support in principle the approach of seeking to utilise as much existing information as possible for the ST PASA, and of seeking to de-duplicate and simplify reporting obligations for market participants where possible.

We have provided feedback below on matters relating to proposed inputs to the ST PASA, noting that some of these are also applicable to the MT PASA.

#### Non-market demand inputs

We agree that improving quality of forecast non-market demand is a key priority to enable a workable PASA.

We agree that users themselves are best placed to provide quality information, although it is understandable that even users' own demand forecasts over the short term may be subject to a degree of uncertainty, particularly as gas and electricity markets become more dynamic. Infrastructure facility operators are not well-placed to generate forecasts of short term demand, as users will have far better forecasting tools and information on which to base their forecasts.

Given existing reporting by BB facilities under Part 18 Subdivision 5.5, we consider it is appropriate for infrastructure operators to continue to act as effectively aggregators of users' forecasts for the purposes of reporting this information to AEMO. However, in situations where a user fails to provide nominations and forecasts for the outlook period (in contravention of proposed rule 167A), the framework should provide for a continuation of the current arrangements set out in section 6.4.2 of the BB Procedures—that is, in the absence of information from a user, the facility operator's reporting must use either a zero nomination (subject to provisions of the user's contract) or the user's last known nomination. Given that the failure of a user to provide this information would contravene the NGR as proposed, we consider that instances where these 'fall back' methodologies are relied upon by facility operators for reporting are likely to be relatively rare.

#### Supply and transportation capacity outlook inputs

#### Definition of 'daily capacity'

The rule change request notes that further clarification could be provided in relation to the term 'daily capacity' and notes the potential to move the definition from the NGR to the BB Procedures. We consider it important that the definition of a term which is fundamental to the substance of certain reporting obligations (such as the STCO and MTCO) should remain within the NGR, and that it would not be appropriate to move this definition to the Procedures.

As explained further below, changes in the definition of 'daily capacity' have the potential to substantially change the nature of this obligation for market participants, and could cause participants to incur material additional costs. Such matters are more appropriately dealt with by the NGR than the Procedures, and potential changes to this definition—which we do not expect should need to be considered frequently—should be subject to an NGR change process, rather than a Procedure change process.

Should it be necessary for additional clarification of this definition to be provided (such as in relation to production facility capacity), such changes should be considered and consulted on as part of this rule change project.

#### Confidential information has been omitted for the purposes of section 24 of the Australian Energy Market Commission Establishment Act 2004 (SA) and sections 71 and 319 of the National Gas Law

#### Information reflected in capacity outlooks

In the absence of maintenance or some other special event which impacts capacity, and in accordance with the material change requirement which forms part of these obligations, a facility's STCO or MTCO for a gas day should reflect its nameplate rating—that is, the facility's maximum daily capacity under normal operating conditions. Any requirement to go beyond this level of estimation will involve considerable challenges.

From Jemena's perspective as a pipeline operator, a requirement to implement online or dynamic pipeline modelling tools in order to precisely estimate day-to-day pipeline capacity would require material incremental expenditure, with implementation costs estimated in the range of

Additionally, we estimate that the implementation of such tools could take approximately 9 months from the finalisation of relevant AEMO Procedures, meaning that information for a PASA would not be available until before winter 2028.

#### Field limitations and production facilities

We note AEMO's concerns that the reported STCO and MTCOs of BB production facilities may reflect the capacity of the facility itself without accounting for gas field limitations, and that it proposes the definition of 'daily capacity' could be amended to provide for such matters to be accounted for.

While we consider the details of any such change to the definition would need to be considered further in consultation with production facility operators, we highlight that the Rules and Procedures need to accommodate BB production facilities which are operated on a third-party access basis, such as Jemena's Atlas Gas Processing Facility and Roma North Gas Processing Facility. In these cases, the BB reporting entity provides services by means of the production facility on a tolling basis to a third party, with the third party being responsible for all upstream operations of the gas field, including wells and gathering pipelines.

In such circumstances, the BB reporting entity for the production facility may not have any information about the performance of the gas field, including any limitations, beyond information such as nominations the field operator (production facility user) may provide under its contract with the production facility owner. The Commission should consider this issue further to ensure that the framework is flexible enough to accommodate such facilities that may otherwise be unable to comply with the proposed obligation.

#### Capacity outlooks by pipeline segment

It is not currently clear from the rule change request or AEMO's ECGS PASA report why the reporting of STCO or MTCOs on a pipeline segment basis is necessary in order to publish a ST PASA (or an MT PASA). We note that, depending on how pipeline segments are defined, this requirement would cause facility operators to incur implementation costs and potentially also ongoing incremental costs of additional pipeline capacity modelling activities, and could result in a step change in the amount of data being provided through these outlooks.

We would welcome the opportunity to engage further with the Commission and AEMO on why segment reporting may be necessary depending on the definition of PASA modelling regions, and how segments could be defined if they are genuinely necessary on particular pipelines.

#### LCA flags by pipeline segment

We question whether the current reporting of this information at a whole-of-pipeline level is a barrier to the publication of an ST PASA. In the event of a major pipeline incident or outage that results in service curtailment, it is likely that multiple segments' LCA flags would be impacted. The reporting of multiple LCA flags at higher granularity is therefore unlikely to provide any more useful information than a whole-of-pipeline flag would provide, however the requirement to report multiple flags does have the potential to increase the complexity of reporting for pipeline operators and potentially result in more time being taken to provide real-time updates in an emergency situation.

Given the existing submission under rule 690(a) (and proposed publication on the BB) of a pipeline's daily linepack forecasts, in Jemena's view the LCA flag should remain as a simple high-level indicator of the current 'health' of the pipeline, and that in circumstances where a green LCA flag on a pipeline of concern changes to amber or red, this should act as a trigger for AEMO to contact the pipeline operator to obtain for more information about the issue in real time. We consider this outcome is best achievable without the need to report LCA flags by pipeline segment.

#### Inclusion of actuals within linepack forecast submissions

Based on our preliminary assessment, we believe the inclusion of actual linepack values for the prior gas day within daily linepack forecast submissions (currently provided under rule 690(a)) is likely to be achievable at a relatively low cost for non-exempted facilities that currently undertake linepack forecast reporting.

Question 5: Is the proposed MT PASA design fit for purpose? What are your views on the proposed inputs, outputs, and other MT PASA design elements? Is anything missing? Are there unnecessary inputs or outputs?

We have provided comments above in relation supply and transportation capacity outlook inputs to the ST PASA which are also relevant in relation to the MT PASA.

We support the proposed simplification to the structure of the MTCO reporting data and agree the proposed reporting of a value for each day (rather than ranges of dates by exception) will improve the understandability of this information for stakeholders. We note that facility operators should be expected to report a nameplate rating figure (reflecting the facility's capacity under normal operating conditions) for each gas day when no maintenance or other event is impacting capacity, noting the material change reporting threshold which forms part of the existing MTCO obligation.

**Question 6: What are your views on compliance and enforcement?** Do you consider that the proposed penalty/compliance approach will ensure that the inputs for a PASA are of sufficient quality? Are there gaps in the current compliance and enforcement framework that should be addressed to ensure the integrity of a PASA?

The proposed changes involve a number of reporting obligations being moved from Part 27 to Part 18 of the NGR. Although both Part 18 and Part 27 contain provisions for AEMO to grant exemptions from reporting obligations, Part 27's provisions (set out in rule 682(2)) give AEMO broader discretion to grant exemptions (subject to the process and criteria set out in the ECGS Procedures) and are also more flexible by allowing AEMO to require the use of default or standing values. In contrast, Part 18's exemption provisions (set out in rule 164)

only allow AEMO to grant exemptions in relation to 'lateral gathering pipelines' (which we understand AEMO does not consider to be 'pipelines') or in circumstances where it is satisfied that another party will report the same information.

We consider that the exemption provisions of Part 18 should be broadened to align with the current Part 27 provisions (and therefore that AEMO should be able to use greater discretion to grant exemptions from all of the Part 18 reporting requirements). Based on Jemena's experience with the Part 27 exemption framework, this will better allow AEMO to adopt a pragmatic approach to exemptions where the use of standing information does not adversely affect its functions or the quality of information available to stakeholders, thus allowing unnecessary costs to be minimised.

Additionally, to avoid additional administrative costs being incurred by AEMO, the rules should contain transitional provisions such that holders of existing Part 27 exemptions are granted equivalent Part 18 exemptions upon the new rules taking effect.

# Question 7: Are there additional opportunities for streamlining or to remove duplication?

Are there other opportunities to streamline the provision of information on the ECGS to AEMO? Are there redundant requirements that could be removed?

We support the proposed removal of the redundant Part 27 disclosure obligations such as the extended daily capacity outlook where such information is already (or is proposed to be) reported under Part 18.

#### Question 8: What are your views on implementation timing?

What are your views on the costs or benefits of implementing an ECGS PASA before a reliability standard has been developed? Are there potential benefits from a staged approach to implementation?

Jemena is concerned that the proposal does not provide sufficient time for industry participants to make the IT system and other business process changes necessary to comply with new or changed reporting requirements. In particular, the rule change request appears to propose that reporting pursuant to the new disclosure obligations would commence immediately upon publication of the updated ECGS and BB Procedures.<sup>1</sup>

The rule change request also notes that 'the new disclosure obligations only apply to a subset of participants and are limited in nature.'<sup>2</sup> Further to our above comments in relation to complexities involved in modifying capacity outlook reporting definitions and in segmenting pipelines, we do not agree with the presumption that these changes could be immediately implemented by industry (without any implementation delay) upon publication of the final AEMO Procedures. This is particularly the case in relation to the STCO and MTCO where key matters which substantially define the reporting requirements—such as the obligation of a term such as 'daily capacity' or the way in which a pipeline is to be segmented—are proposed to be contained in the Procedures rather than the NGR.

We propose than an appropriate implementation timeframe for industry participants of between 4 and 6 months (noting the need for further consideration and discussion on matters such as pipeline segmentation) be provided from the time all relevant AEMO

<sup>&</sup>lt;sup>1</sup> Energy Senior Officials, Rule change request – East coast gas system Projected Assessment of System Adequacy (PASA), p. 45.

<sup>&</sup>lt;sup>2</sup> Ibid, p. 45.

Procedures (and any other relevant subordinate instruments) are finalised to the commencement of participants reporting to AEMO. We agree that a further time period between the commencement of reporting to AEMO and the publication of the first PASA is a prudent approach to allow time for any necessary refinement of the PASA modelling approach based on new types of input data.