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Dear Stuart,

AEMC draft determination – ECGS Projected Assessment of System Adequacy

Jemena welcomes the opportunity to respond to the Australian Energy Market Commission's draft 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 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 leveraging existing information reported by market participants, and streamlining redundant reporting obligations. We appreciate that the AEMC has taken onboard many of the concerns and suggestions raised by stakeholders during earlier consultation phases.

The following submission outlines Jemena's response to the AEMC's draft rule.

'Daily capacity' definition for BB production facilities

Jemena is concerned that the draft rule creates an obligation that some BB production facility reporting entities may be unable to comply with, and we reiterate our previous submission that the proposed change to the 'daily capacity' definition for BB production facilities needs to account for the circumstances of 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 entities provide 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 future 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 field operator may not have the same incentive as the production facility owner to provide the necessary information (on a timely basis) for BB reporting purposes, yet the production facility owner would be liable for complying with the reporting obligation. This is inconsistent with the regulatory principle that risk should be allocated to the party best positioned to manage it.

We also note that the Australian Competition and Consumer Commission has previously recommended,¹ and Energy Ministers have agreed to further investigate,² means of reducing barriers faced by gas producers in obtaining third-party access to infrastructure including gas processing facilities. It is therefore more likely that instances of this misalignment between parties required to report to the BB (production facility operators) and field operators may increase in the future. Further, where a gas field is serviced by two production facilities and the field operator has the ability to redirect gas flow from one production facility to another, it is unclear how a third-party access production facility in such circumstances may discharge its 'daily capacity' reporting obligation if it cannot determine in advance the volume of gas that will be directed by the field operator for processing.

Additionally, in circumstances where AEMO intends to make directions to increase gas production at a gas field in response to a forecast gas supply shortfall in the east coast market, AEMO's engagement with the third-party BB production facility operators would not be relevant, and AEMO should instead be engaging with the field operators directly.

We consider that the draft rule has not sufficiently taken into account the circumstances of BB production facilities which are operated on a third-party access basis. We ask that the Commission 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 reporting obligation.

One potential approach could be to amend the definition of 'daily capacity' for BB production facilities to explicitly reference limitations known to the facility operator, as suggested in blue below:

daily capacity means:

- (a) for a production facility, the quantity of gas that can be injected into one or more pipelines from the facility on a gas day, taking into account any limitations known to the BB reporting entity, such as gas field performance, that may impact the availability of gas supply;

This would enable the facility operator to rely on the nameplate rating of its facility (or, where applicable, maintenance or other constraints affecting the performance of its own equipment) in the absence of information from the third-party gas field operator. Alternatively, consideration could be given to providing exemptions for BB production facilities that offer third-party access.

¹ ACCC Gas Inquiry 2017-2025 interim report, January 2022, p. 69.

² Energy Ministers Communique, 12 August 2022, p. 4.

Exemption framework under Part 18

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 as it deems necessary.

The draft rule proposes to carry over the Part 27 exemption framework (as well as transitioning exemptions that have already been granted under Part 27) to the new Part 18—an approach Jemena supports—however the draft rule only does this in relation to those former Part 27 reporting obligations. In contrast, Part 18's exemption provisions (set out in rule 164), which under the draft rule would continue to apply to those current Part 18 obligations, 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.

To reduce the complexity of the proposed new Part 18 and to improve the flexibility of the exemptions framework in supporting fit-for-purpose reporting by market participants, 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 new 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.

Guidance on definition of pipeline segments and modelling regions

Jemena acknowledges that AEMO may be better positioned to define pipeline segments and modelling regions for the purposes of PASA. However, this approach introduces considerable uncertainty for reporting entities, particularly in relation to cost impacts. Depending on how pipeline segments are defined, the draft rule's capacity outlook reporting requirements could result in substantial implementation costs for pipeline facility operators, as well as ongoing incremental costs associated with additional pipeline capacity modelling.

To ensure that the final rule is likely to result in outcomes which are consistent with the long-term interests of gas consumers, the Commission should consider incorporating into the rule a clear statement of expectations around AEMO's approach to defining pipeline segments and modelling regions, noting the AEMC's expectation that AEMO would adopt a similar approach to that which is currently taken for reporting BB pipeline nameplate ratings, set out at clause 6.1(g) of the BB Procedures. This would help provide greater certainty and a clearer envelope of expected costs arising from the rule change.

Implementation timeframe proposed by AEMO

Jemena is supportive of AEMO's preferred implementation timeline outlined in its ECGS Projected Assessment of System Adequacy High Level Implementation Assessment, published on 21 August 2025. This extended implementation timeline will provide AEMO sufficient time to undertake industry consultation, which is a critical step in defining the fit-for-

purpose inputs for PASA reports, and enable market participants to adopt the necessary system changes to accommodate new reporting requirements with mitigated delivery risks.

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,



Ana Dijanosic
General Manager Regulation