



## AEMC to review how rules can accommodate hydrogen and renewable gases

The Australian Energy Market Commission (AEMC) has published a consultation paper on its review into extending the regulatory frameworks to include hydrogen and renewable gases. Stakeholders are invited to make a submission by 2 December 2021.

### Terms of reference

In August 2021, Energy Ministers tasked the AEMC with a review of the National Gas Rules (NGR) and National Energy Retail Rules (NERR) in order to develop initial rules that will extend the regulatory frameworks to include low-level hydrogen blends and renewable gas blends (natural gas equivalents). In addition, the AEMC will provide ministers with advice on any changes to the National Gas Law (NGL) and National Energy Retail Law (NERL) required to enable these rules.

### Scope of the review

The purpose of the AEMC review is to:

1. Identify potential issues in the NGR and NERR that could emerge if natural gas equivalents are permitted to be supplied through existing gas distribution pipelines.
2. Develop draft initial rules to address these issues through a consultative process.
3. Inform jurisdictional officials of any NGL or NERL changes that it considers should be made to achieve the objective of the Energy Ministers.

The AEMC has also been asked to prioritise the changes that need to be made for the initial rules and whether any amendments to the NGR or NERR could be deferred. This prioritisation advice will assist the Energy Ministers in meeting the expedited time frame that has been set for these reforms.

### Issues for consultation

The AEMC has identified a range of issues that it would like to engage with stakeholders on. As set out in the consultation paper, these include:

- economic regulation of pipelines — issues on the operation of economic regulation, ring-fencing arrangements and the rights of natural gas equivalents and constituent gases suppliers to connect to pipelines
- market transparency mechanisms — the application of the reporting obligations for the Bulletin Board, Gas Statement of Opportunities and Victorian Gas Planning Report
- facilitated gas markets (the Victorian declared wholesale gas market and the short term trading market) — potential changes to registration categories, managing settlement and allocation and trading natural gas equivalents and constituent gases through the facilitated markets
- regulated retail markets — potential changes to registration categories, impacts on settlement, metering and billing
- consumer protections — managing issues the sale and supply of a natural gas equivalents that may arise between retailers, distributors and customers such as pricing, notification requirements and billing data
- regulatory sandbox framework — how this new framework can be used for trial projects using natural gas equivalents.

The Commission is seeking stakeholder input on its assessment of these aspects of the NGR and NERR and whether there are additional issues that this review should consider.

### Key dates

The key dates for this review process are as follows:

- Submissions to the consultation to be received by: 2 December 2021
- Draft report with draft rules published: 31 March 2022
- Submissions to the draft report and rule to be received by: 12 May 2022
- Final report with draft initial rules published: 8 September 2022
- Final initial rules sent to Energy Ministers for approval by: 14 November 2022

### Background

On 20 August 2021, Energy Ministers agreed that the national gas regulatory framework should be amended to bring biomethane, hydrogen blends and renewable gas blends within its scope. They also agreed that the amendments should initially focus on natural gas equivalents and be expedited to ensure that:

- regulatory barriers do not restrict proposed investments in projects involving the supply of these products or the facilities and activities involved in their supply
- existing regulatory arrangements and protections continue to work as intended where these products are supplied.

Energy Ministers identified these amendments as a priority because a number of trials of natural gas equivalents are expected to commence in 2021 and 2022, and there is currently uncertainty surrounding whether provisions in the NGL, including the definition of natural gas, may present a barrier to these trials.

The AEMC's review is part of a suite of reviews that will be conducted concurrently. The other reviews are:

- Jurisdictional officials, who are responsible for identifying and developing the changes required to the NGL, NERL and regulations made under the NGL and NERL.
- AEMO, who is responsible for reviewing its procedures and other subordinate instruments for the facilitated and regulated retail gas markets and will also inform the AEMC of any changes it considers necessary to the NGR.

The AEMC is also concurrently undertaking a rule change process focused on including distribution connected facilities into the Victorian declared wholesale gas market (DWGM). More information on the rule change can be found on the project page at:

<https://www.aemc.gov.au/rule-changes/dwgm-distribution-connected-facilities>.

### Next steps

A public forum is being held on **22 October 2021**, please email [renewablegas@industry.gov.au](mailto:renewablegas@industry.gov.au) if you would like to register.

Submissions to the consultation paper are due on **2 December 2021**.

Stakeholders are encouraged to use the stakeholder submissions template when providing feedback to the consultation paper.

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21 October 2021