



## **Review of the National Gas Rules and National Gas Procedures**

### **Terms of Reference**

#### **Background**

Energy Ministers have agreed to reform the national gas and retail regulatory frameworks to accommodate hydrogen, biomethane and other renewable gas blends (“gas blends”). These amendments have been identified as a priority in the context of the National Hydrogen Strategy.

The purpose of these reforms is to bring renewable gases and gas blends within the national gas and retail regulatory frameworks. Energy Ministers have agreed that expedited reforms will focus on ‘low-level’ gas blends, such as those that can be safely supplied through existing gas networks. This will include low level hydrogen blends, biomethane and other renewable gases that can be substituted for natural gas (e.g. synthetic methane).

A desktop review of the national gas regulatory framework completed as an action of the National Hydrogen Strategy in 2020-21 found that if these blends were brought into the framework, most elements of the current framework could apply to these blends in the same way they apply to natural gas. The review did, however, find that gaps could potentially emerge that could affect the operation of the Short-Term Trading Markets (STTM), the Victorian Declared Wholesale Gas Market (DWGM) and regulated retail markets. Specifically, the desktop review found that changes to the National Gas Rules (NGR), AEMO made Procedures and other subordinate instruments may be required to ensure that settlement and metering in these markets operate as intended.

Energy Ministers therefore request that AEMO, as operator of these markets, conduct a review to identify any changes to the NGR, AEMO made Procedures and other AEMO made subordinate instruments that may be required if the supply of low level hydrogen blends, biomethane and other renewable gas blends are permitted in gas distribution networks to:

- ensure that settlement and metering in these markets can operate as intended
- address any other material gaps that may emerge in these markets.

Gaps in the national framework that could emerge as a result of the supply of higher level hydrogen blends and 100 per cent hydrogen will not be considered in this review process. These may be considered in a separate review at a later date, subject to a future request from Energy Ministers.

#### **Energy Ministers’ Directed Review**

Pursuant to section 91C of the NGL, Energy Ministers<sup>1</sup> request AEMO conduct a review of the NGR, AEMO made Procedures and any other subordinate instruments made by AEMO in accordance with these Terms of Reference.

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<sup>1</sup> The Energy Ministers are those responsible for energy matters all of whom are members of the legally enduring Ministerial Council on Energy (MCE).

## **Purpose**

The purpose of this review is to determine what changes to the NGR, AEMO made Procedures and other AEMO made subordinate instruments will be required to ensure that the STTM, DWGM and regulated retail gas markets can continue to operate as intended if low level hydrogen blends, biomethane and other renewable gas blends are brought within scope of the national framework.

## **Scope**

In undertaking the review, the AEMO is requested to:

- Identify any changes to the aforementioned instruments that will be required to:
  - ensure that settlement and metering within the STTM, the DWGM and regulated retail markets operate as intended
  - address any other material gaps in these markets that may be identified through consultation with market participants, other market bodies and government officials.
- In identifying these changes, AEMO should have regard to the same types of matters that it is required to consider when making Procedures (i.e. the National Gas Objective and compliance costs for both AEMO and market participants).
- Work with the AEMC on the required changes to the NGR identified through this review.
- Draft the required changes to the Procedures and other AEMO made subordinate instruments and consult on these changes.
- Implement the required changes to the Procedures, other AEMO-made subordinate instruments and, if required, AEMO's systems once the changes to the NGL and NGR are made.

This review should complement, and not duplicate, any similar work AEMO is already undertaking or has previously undertaken (e.g. within the DWGM).

## **Governance, consultation and timeframe**

The Energy National Cabinet Reform Committee agreed on 11 June 2021 that these reforms should be expedited due to the number of hydrogen and biomethane blending projects that have been proposed.

To expedite these reforms, Energy Ministers request that the AEMO conduct this review in parallel with the reviews that are to be conducted by AEMC, the AER, the ERA and legislative reforms led by officials to accommodate hydrogen and renewable gases into the national gas and retail regulatory frameworks.

Energy Ministers request that the AEMO work with the AEMC, the AER, the ERA and officials to align these parallel processes and to share information, findings and resources as necessary. Energy Ministers also request that AEMO participate in a project team that will comprise market bodies and officials working on these processes to facilitate collaboration and streamline decision making, and to report on progress to Senior Officials through its Gas Working Group.

AEMO is requested to:

- Report back to the AEMC on its initial views on the required changes to the NGR in February 2022 and its final views in July 2022, so that these can be reflected in the initial rules to be prepared by the AEMC
- Publish its draft recommendations on the required changes to the Procedures and other AEMO made subordinate instruments in April 2022 and its final recommendations in September 2022, including proposed timing for implementing changes to AEMO's systems and advice on system readiness.
- Implement the required changes to the Procedures and other AEMO made subordinate instruments once the NGL and NGR have been amended.

In this process, AEMO should provide advice on cost impacts in carrying out these reforms to allow consideration of options for how these costs will be best met.