



# East Coast Gas System Guidelines

Draft Decision

**Published: 24 April 2023**

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New South Wales | Queensland | South Australia | Victoria | Australian Capital Territory | Tasmania | Western Australia

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## 1. Summary

This Draft Decision on the East Coast Gas System Guidelines (the **Guidelines**) accounts for participants submission to the initiation of consultation that AEMO published on 16 March 2023. The Guidelines are being consulted on under the standard consultation procedure under rule 8 of the National Gas Rules (**NGR**).

AEMO is inviting submission from participants to comment on the Draft Decision to the East Coast Gas System Guidelines by 16 May 2023. AEMO is consulting, in parallel, on the East Coast Gas System Procedures<sup>1</sup> under the ordinary process outlined in rule 135EE.

The Guidelines will reflect any changes to the Procedures during the Procedure consultation.

The proposal is detailed in section 2. The next steps for the consultation are summarised in section 3.

## 2. Draft Decision

AEMO has made its draft decision on the East Coast Gas System Guidelines, which relate to the exercise or performance of AEMO's directions and trading the functions specified in subsection 91AD(1)(e) and (f) of the Minister initiated National Gas (South Australia) (East Coast Gas System) Amendment Act 2023.

The East Coast Gas System Guidelines are made up of the following Guidelines, which explain the processes to be undertaken by AEMO in response to an identified risk or threat:

- (a) Gas Reliability and Supply Adequacy Conference Guidelines
- (b) Directions Guidelines
- (c) Trading Guidelines

The proposed East Coast Gas System Guidelines are attached in Appendix A, which incorporate amendments made on the basis of submissions to this consultation.

AEMO received 7 public and 1 confidential submission to the initiation. The submissions, and AEMO's response, are summarised in Appendix B.

## 3. Next steps for consultation

AEMO's consultation timeline, under rule 8 of the NGR, is outlined below.

**Table 1 Consultation process and timeline**

| Consultation steps                  | Dates         |
|-------------------------------------|---------------|
| Initiation of Consultation          | 16 March 2023 |
| Submissions to Initiation close     | 6 April 2023  |
| Draft Decision Published            | 24 April 2023 |
| Submissions to Draft Decision close | 16 May 2023   |
| Final Decision                      | 13 June 2023  |

<sup>1</sup> See: [AEMO | Implementation of East Coast Gas System Procedures](#)

| Consultation steps | Dates        |
|--------------------|--------------|
| Effective Date     | 27 June 2023 |

## Appendix A. Proposed Guidelines

AEMO's East Coast Gas System Guidelines attached are made up of the following Guidelines:

- (a) Gas Reliability and Supply Adequacy Conference Guidelines
- (b) Directions Guidelines
- (c) Trading Guidelines

## Appendix B. Summary of Submissions

AEMO received the following submissions in response to the initiation of consultation.

### B.1 General comments

| Submitter  | Submission Details   | AEMO Response  |
|--|--|--|
| <b>East Coast Gas System Guideline general feedback</b>                      |  |  |
| <p><b>APGA [Submission to Procedures that relates to the Guidelines]</b></p> | <p><b>Order of directions</b></p> <p>APGA appreciates that AEMO has moved forward with its views on directing shippers before pipeline service providers. Shippers typically have more options in alleviating shortages. Providing directions to pipeline service providers in the first instance instead risks exacerbating the issues leading to shortfalls, and other unintended consequences.</p> <p>APGA recommends that AEMO formalise in the forthcoming Directions Guideline the preference to direct shippers before pipeline service providers, in a way that does not create any boundary to AEMO acting as required at any point in time</p>                                 | <p>AEMO notes that we have not formalised the preference to direct shippers before the pipeline service provider in our Guidelines. The Guidelines under consultation provide clarity on the principles that AEMO may consider when giving directions.</p>   |
| <p><b>APA</b></p>  | <p><b>Section 2.2 Identification of an actual or potential risk or threat</b></p> <p>Consistent with APA’s submission for ECGS procedures, the material capacity impacts of BB facilities are already reflected in new and existing BB reporting obligations: Short Term Capacity Outlook, Extended Daily Capacity Outlook, Linepack Adequacy Flag (LCA Flag), and Medium Term Capacity Outlook. Clarity is sought that by complying with the BB reporting obligations outlined above, APA simultaneously meets the NGR obligation to notify AEMO of events or circumstances that affect, will affect, or may affect the reliability of gas supply within the east coast gas system.</p> | <p>Yes – complying with the Part 18 BB reporting obligations will satisfy some of the Part 27 requirements to submit and update information, as provided for in the BB Data Submission Guide.</p> <p>Section 2.1.3 of the East Coast Gas System (ECGS) Procedures also require a BB reporting entity for a BB facility to provide email notifications of certain events.</p> <p>AEMO has specified in the BB data submission guide and updated the ECGS Procedures the method for complying with the requirements.</p> |
| <p><b>Shell</b></p>  | <p><b>Section 2.2 Identification of an actual or potential risk or threat</b></p> <p>It is unclear what constitutes an actual or potential threat to system security across the jurisdictions. Market participants need much more narrowly defined thresholds so that they can manage their exposures effectively. More narrowly defined thresholds would also help AEMO to manage system security more effectively.</p>   | <p>AEMO understands that it can be challenging for participants to navigate these new reforms with the absence of a gas reliability standard which is an option being considered in stage 2 of the ECGS reforms.</p> <p>AEMO will provide clarity on the nature of the risk or threat in the risk or threat notice that we are required to publish. We note that there are limits to what we can prescribe to be the thresholds of a risk or threat</p>  |

| Submitter | Submission Details  | AEMO Response  |
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|           |   | as it will require an AEMO assessment of the circumstances and analysis of a broad range of information and data submitted to AEMO.  |
| APA       | <p><b>Section 2.3 Responses to identified risk or threat</b></p> <p>APA proposes that AEMO provide notification to relevant entities before AEMO's engagement with NGERAC and jurisdictional representatives under 2.3 (c). It is important that relevant entities are kept informed of escalations of identified risk or threat to these entities.</p>   | This is consistent with the outlined approach.   |
| AGL       | <p><b>Section 2.3(a) Responses to an identified risk or threat</b></p> <p>AEMO should always seek an industry response first before utilising its directions power. AGL suggests that the wording of section 2.3(a) of the Guidelines be strengthened to reflect this.</p>  | In response to an <i>identified risk or threat</i> , AEMO will seek an industry response first unless we determine that the nature, timing or circumstances of the <i>identified risk or threat</i> calls for an immediate AEMO response.  |
| Shell     | <p><b>Section 2.3 Responses to an identified risk or threat</b></p> <p>The breadth of potential action that AEMO can take under these guidelines will make it difficult for the industry to respond using existing market mechanisms. This is because any market response could be subsequently over-ridden by AEMO once a threat has been published. We recommend more clarity be included in the guidelines regarding the timing, potential impact, and compensation arrangements resulting from AEMO interventions following a market response.</p>  | This feedback has been incorporated into the Guidelines. Once there is an identified risk or threat, AEMO will allow a reasonable time for an industry response to resolve the issue. Where the identified risk or threat has not been resolved by an industry response, AEMO will consider exercising its directions and/or trading powers while continually monitor for industry response and reassess the need for AEMO intervention.   |
| Shell     | <p>Shell Energy considers the timeline for development and consultation on these guidelines, as well as the procedures, to be inadequate. As a result, it is our view that the East Coast Gas System guidelines and procedures do not fully align with the drivers of market outcomes in the east coast gas system and that AEMO's understanding of the practicalities of the physical market operations is not fully informed. These limitations could be addressed through detailed discussions with industry participants and other stakeholders. If this approach was undertaken we would expect that the information required to fulfill the new AEMO functions could be gathered in a timely manner. In addition, the Guidelines and Procedures would be much more targeted, far less burdensome for participants, and fit-for-purpose in bringing all stakeholders together to avoid gas market reliability and security issues.</p> <p>Shell Energy was disappointed with the outcome from the Procedures consultation which adopted only very limited, non-material feedback from participants and did very little to reduce the burden on the industry. AEMO's references to the requirements of the Rules as the basis for rejecting input and feedback were insufficient, particularly as the industry is yet to see the rules and had no input into their formulation.</p> <p>Shell Energy regards the procedures and guidelines as unnecessarily burdensome and would have preferred to see AEMO lead an industry-wide collaborative approach to identifying any supply or demand remedies for the coming winter. This would then have given regulators and AEMO time to develop a more appropriate gas reliability</p> | <p>AEMO acknowledges that the timeline for the development and consultation on the Guidelines and Procedures is condensed. However, we note that AEMO is required to complete the Guidelines and Procedures before winter 2023.</p> <p>AEMO continues to welcome detailed discussions with industry participants and other stakeholders. AEMO recognises that there may be a need for further consultation once the Procedures and Guidelines are in place.</p> <p>AEMO investigated a number of the options that were put forward regarding the potential duplication of submissions including using the following information:</p> <ul style="list-style-type: none"> <li>• NEM 7-day bids for GPG demand forecasts<br/>As there is no requirement for all generators to provide extended pre-dispatch submissions the GPG forecasts are more likely to be inaccurate. As noted in Table 1, item 2.2 of</li> </ul> |



| Submitter | Submission Details   | AEMO Response   |
|-----------|--|---|
|           | <p>framework for implementation in future years. Shell Energy supports the development of the stage 2 gas reliability framework and looks forward to working with AEMO on this essential, longer term reform.</p> <p>We also note that the procedures and guidelines may result in unnecessary AEMO intervention to balance supply and demand when the existing market mechanisms could have provided a more efficient outcome. This dynamic could risk fostering non-commercial and inefficient market outcomes, such as reducing the incentive for gas consumers to forward contract for gas supply. An example of this is the lack of a clear threshold for AEMO intervention. Without a clear threshold, the market will be unable to fully understand the circumstances in which intervention may occur. This could lead to market participants not using existing market mechanisms to close their positions, further exacerbating system adequacy risk.</p> | <p>the Government Information Paper<sup>2</sup> the Part 27 Rules also require a breakdown of the proportion of the expected daily gas demand to be purchased for that gas day:</p> <ul style="list-style-type: none"> <li>○ from a market or gas trading exchange administered by AEMO; and</li> <li>○ under a gas supply agreement.</li> </ul> <ul style="list-style-type: none"> <li>• MT PASA for GPG maintenance<br/>The Part 27 Rules require maintenance to specify the anticipated impact on the expected daily gas demand, something that is not able to be easily obtained from the MT PASA.</li> <li>• Demand forecasts submitted to DWGM and STTM<br/>As noted in Table 1, item 2.1 of the Government Information Paper the Part 27 Rules require the proportion of expected daily gas demand to be purchased for that gas day:             <ul style="list-style-type: none"> <li>○ from a market or gas trading exchange administered by AEMO; and</li> <li>○ under a gas supply agreement.</li> </ul> <p>AEMO investigated utilising existing market scheduling processes to obtain this information, however as the obligation to provide this data is limited to Part 27 Retailers AEMO could not ensure that a full and accurate data set could be achieved.</p> </li> <li>• Pipeline forecasts outside of the markets<br/>Similar to the demand forecasts in the markets there is a requirement to provide a breakdown of how the demand forecast will be met. AEMO also does not have visibility to ensure that all demand forecasts are submitted to pipeline operators.</li> </ul> <p>While the data sets have a lot of overlap, and in many cases will provide similar outcomes in the assessments, further reform and analysis is required to minimise any potential burden on industry. AEMO supports further investigation into the reduction of duplicate data</p> |

<sup>2</sup> Department of Climate Change, Energy, the Environment and Water. AEMO East Coast Gas System Framework - Information Paper, February 2023. At [https://www.energy.gov.au/sites/default/files/2023-02/AEMO%20East%20Coast%20Gas%20System%20Framework%20-%20Information%20paper\\_publication%20February%202023.docx](https://www.energy.gov.au/sites/default/files/2023-02/AEMO%20East%20Coast%20Gas%20System%20Framework%20-%20Information%20paper_publication%20February%202023.docx). Viewed: 17 April 2023.

| Submitter            | Submission Details  | AEMO Response  |
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|                      |   | <p>being submitted and aligning requirements across markets where possible.</p> <p>With regards to the potential for the procedures and guidelines to result in unnecessary AEMO intervention to balance supply and demand when the existing market mechanisms could have provided a more efficient outcome, AEMO's proposed approach is to allow existing market mechanisms to provide a response. Where it is practicable to do so, AEMO will signal to the market where there is an identified risk or threat and seek an industry response before acting.</p>  |
| <p><b>EUAA</b></p>   | <p><b>AEMO facilitate the provision of information to the market on how directions may influence end use customers</b></p> <p>We understand that an AEMO direction could relate, for example, to a required reduction in consumption for a period of time in a particular jurisdiction. In the case of Victoria, the rules around how that reduction would be shared across all users would be governed by the State Government curtailment rules. We are not aware of the rules in other States. We would encourage AEMO to facilitate the publication of the different State rules in the one place on the AEMO website so end users are better informed of how a direction might impact on them.</p>   | <p>AEMO is investigating this further to assess whether this is possible.</p>  |
| <p><b>EUAA</b></p>   | <p><b>Market intervention report</b></p> <p>We would submit that waiting 4 months for a detailed report may undermine user support for the powers. If our members' operations are going to be curtailed they need to have timely confidence that AEMO is making a balanced decision. This is important in getting stakeholder support for the measures. With a 4-month reporting timetable, AEMO could intervene on a cold day in late May and the report is not published until late September, by which time AEMO could have intervened on multiple occasions. We would submit that reporting under the guidelines should reflect or better the current RERT reporting process – some information in the next week and more detailed information soon after the end of the quarter.</p>   | <p>The 4 month period is specified in the Rules. However, this feedback has been incorporated in the Procedures, noting that AEMO will use best endeavours to publish an interim report within 1 month and no later than 4 months from the end of the exercise of a direction or trading function.</p>   |
| <p><b>Origin</b></p> | <p>As noted in our response to the initial reform proposal, Origin has material concerns around the appropriateness of the Australian Energy Market Operator (AEMO) participating in a market it is responsible for operating. This is largely because AEMO would effectively be competing with market participants in procuring gas and there may be a level of information asymmetry between those parties that could distort efficient market outcomes and reduce participants' commercial incentives to manage their own risk. The Guidelines have a crucial role to play in this respect, given they will govern the operationalisation of AEMO's new function. At a high-level we consider the requirements set out in the Guidelines should ensure:</p> <ul style="list-style-type: none"> <li>• AEMO interventions (directions or trading) are used as a last resort, with the market given adequate time to resolve any issues prior to active involvement by AEMO;</li> <li>• any procurement by AEMO of gas / services is done so on a competitive basis; and</li> </ul> | <p>Noted. The Guidelines are broadly consistent with the high-level requirements set out by Origin.</p> <p>When exercising a directions power, AEMO will consider whether an industry response will resolve the identified risk or threat. Similarly, before exercising a trading power, AEMO will consider whether the gas or service AEMO is seeking to trade or procure is likely to be provided by market participants without AEMO intervening.</p> <p>When tendering services from industry, AEMO may establish a panel of suppliers. For transparency, AEMO will generally publish on its website, the expression of interest to industry that will outline the service that AEMO may be seeking and the relevant terms and conditions that panel suppliers will need to meet. Further, AEMO will</p> |

| Submitter | Submission Details  | AEMO Response  |
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|           | <ul style="list-style-type: none"> <li>any actions taken by AEMO, and the associated costs are transparent to the market.</li> </ul> <p>It is in this context that we have comments on aspects of the Guidelines below.</p> | <p>publish the panel pre-approved agreement and the details of any agreements that it enters into, subject to commercial in confidence arrangements.</p> <p>AEMO is required to publish a trading notice as soon as practicable after exercising a trading function. The trading notice is intended to provide industry with transparency of any trading actions AEMO takes and may include information on:</p> <ul style="list-style-type: none"> <li>The type of trade such as trading in a market, purchasing or selling gas, or procuring a service from a relevant entity.</li> <li>The location of the trade.</li> <li>The total cost to the trading fund.</li> <li>The type of trade such as AEMO entering into a trade, or a previously agreed trade being used to address an identified risk or threat</li> </ul> |

## B.2 Gas reliability and supply adequacy conference guidelines

| Submitter | Submission Details  | AEMO Response  |
|-----------|---|--|
| APA       | <p><b>Section 3.3 Scope of conference</b></p> <p>APA seeks confirmation that the Gas Supply Guarantee (GSG) guidelines and conferences will be extinguished as the East Coast Gas Procedures and Guidelines will now cover the same objectives and conferences. Having both the GSG and East Coast Gas conferences will lead to confusion amongst industry if the GSG is retained.</p>  | <p>Yes – the ECGS Reforms will replace the GSG. The ECGS Reforms include the equivalent of the GSG but now apply to the east coast gas system.</p>                     |
| APA       | <p><b>Section 3.4 Invitation to a conference</b></p> <p>APA requests AEMO to provide operational details of the gas supply risk or threat prior to an assessment conference where practicable, even if only high-level details of the threat/risk are available. The information shared prior to an assessment conference will allow a higher degree of participants' contribution during the conference to provide more specific and accurate information, resolving the issue more efficiently.</p> <p>APA suggests the notification period prior to the conference be at least one hour, where practicable, to enable participants to be prepared and consulted internally as noted above.</p> | <p>AEMO will share details of the purpose of a conference when giving a conference notice.</p> <p>The one-hour notification is already included in the Guidelines.</p> |

| Submitter | Submission Details   | AEMO Response   |
|-----------|--|---|
| Shell     | <p><b>Section 3.4(a) Invitation to a conference</b></p> <p>The option should remain for anybody to attend conferences if they wish, it is not clear that AEMO would have foresight of the effect that actions agreed with a subgroup of participants might have on others.</p>   | <p>Assessment conferences are designed to allow AEMO to consult with relevant entities that AEMO considers can assist in the assessment of an identified risk or threat an associated proposed directions and options that may mitigate or resolve the identified risk or threat.</p> <p>AEMO has updated the Procedures to produce a brief summary of the conference within 1 business day and is investigating the approach to conferences further.</p>   |
| EUAA      | <p><b>Section 3.4 Invitation to a conference</b></p> <p>We understand there will be two conferences:</p> <ul style="list-style-type: none"> <li>• Assessment conference – designed to discuss data and assess what AEMO’s options might be</li> <li>• Industry conference – to communicate decisions AEMO makes Membership of the former is narrower than the latter. We would submit that it is important that large users who are market participants be invited to join the assessment conference to ensure AEMO and the supply side hear the view of end user customers on any potential actions being considered.</li> </ul>  | <p>Assessment conferences are designed to allow AEMO to consult with relevant entities that AEMO considers can assist in the assessment of an identified risk or threat an associated proposed directions and options that may mitigate or resolve the identified risk or threat. If AEMO is of the view that large users will be able to assist, they will be invited.</p> <p>The Procedures have been amended to note that we will publish a record of the information obtained at a conference as a meeting note no longer than 1 business day following the conference. This will ensure that stakeholders have transparency of the details discussed in the assessment conference.</p> |
| Shell     | <p><b>Section 3.4(c) Invitation to a conference</b></p> <p>The number of representatives from an organisation should be determined by the organisation based on the level of expertise that may be required to resolve actions and issues.</p>   | <p>This feedback is broadly consistent with the Guidelines. We would like to draw attention to section 3.4(c) of the Guidelines which notes:</p> <p>Attachment A - If necessary, more than one representative from an invited organisation may attend a <i>conference</i>, but where practicable, only one representative from the organisation should speak on behalf of the organisation.</p>   |
| Shell     | <p><b>Section 3.4(e) Invitation to a conference</b></p> <p>Given the high penalty exposure of participants for not attending a conference, Shell Energy considers it necessary that AEMO should more clearly define the protocol for making contact regarding short notice conferences. A clear definition of ‘short notice’ should be included in the guideline (eg. less than 24 hours). Direct contact with participants must be pursued. Without a response from the participant it is impossible for AEMO to be certain that a conference notice has been received. Contact with participants should request a response within a defined timeframe to confirm receipt. Without this response AEMO should be required to progressively broaden its attempts to contact the relevant participant.</p> <p>Passive notices are not sufficient for the circumstances being considered in this section. Shell Energy’s preference is for contact to be made in person by telephone call to ensure that contact is made and confirmed. AEMO must pursue and keep</p> | <p>A definition of ‘short notice’ has been incorporated in the Guidelines.</p> <p>Regarding conferences that are held:</p> <ul style="list-style-type: none"> <li>• at short notice;</li> <li>• outside of business hours; and/or</li> <li>• multiple times within a day;</li> </ul> <p>AEMO will request that the entity confirm receipt of the conference notice. AEMO will also use best endeavours to ensure the conference notice has been received by the participant.</p>  |

| Submitter          | Submission Details  | AEMO Response  |
|--------------------|---|--|
|                    | <p>records of direct contact attempts with participants that it considers are necessary to attend a conference.</p>   | <p>Conference notices will be given to relevant entities and other persons required or invited to attend the conference using the contact details contained in the Part 27 register. Entities have an obligation to maintain up to date contact details for the register.</p>  |
| <p><b>APA</b></p>  | <p><b>Section 3.5 Discussion at a conference</b><br/>                     APA seeks to confirm with AEMO the granularity of the information that AEMO might request during the conference. Specifically in 3.5(d)(i) –‘pipeline nominations and any additional and unutilised capacity’. APA’s understanding is only pipeline aggregate of nominations/capacities will be required, not specific shipper information which is commercial in confidence information.</p>   | <p>Commercial in confidence information should not be disclosed during conferences.<br/><br/>                     If a relevant entity would like to share commercial in confidence information that would be relevant to AEMO’s assessment of a risk or threat, they should communicate that information to AEMO outside of the conference.</p>   |
| <p><b>ACCC</b></p> | <p><b>Section 3.5(d) Discussion at a conference</b><br/> <b>Potential disclosure of information that could have an anti-competitive impact</b><br/>                     Clause 3.5(d) of the draft guidelines states that AEMO may invite production, storage and pipeline operators to these conferences and ask them to provide information on:<br/>                     (a) production and storage facility current deliveries, available capacity and the capability to provide additional gas by location<br/>                     (b) pipeline deliverability, nominations and any additional and unused capacity.<br/>                     The ACCC is concerned that some of these operators may be direct competitors and that the type of information that they are asked to report could be used to facilitate coordinated conduct between market participants<br/>                     Clause 3.6.3(c) of the draft procedures refers to relevant entities having to review and validate information on their gas outlook provided to AEMO, but it is unclear from the drafting whether relevant entities would be expected to:<br/>                     (a) discuss their gas outlook in the industry wide conference, or<br/>                     (b) just state that the information they have provided AEMO is still correct, or if it is not that they will provide AEMO updated information bilaterally, which would not give rise to this concern. If market participants are required to do the former, then it could result in the sharing of market sensitive information with direct competitors, which as noted above could facilitate coordinated conduct between market participants.<br/>                     While it would be open to market participants in both of these two cases to indicate the information is confidential and provide it bilaterally to AEMO, we think there would be value in:<br/>                     (a) The procedures and guidelines being amended to make it clear that market sensitive information that could have an anti-competitive impact should not be disclosed in the GSAR conferences. Rather, it should only be disclosed to AEMO on a bilateral basis.<br/>                     (b) Adopting a similar safeguard to that employed in the conditional authorisation that AEMO was granted in November 2022, which is to require a competition lawyer to attend each GSAR Conference. To the extent that there are any grey areas on the</p> | <p>AEMO has updated the Procedures to produce a brief summary of the conference within 1 business day and is investigating the approach to conferences further.<br/><br/>                     The Guidelines and Procedures have been updated to make it clear that market sensitive information should not be disclosed in the conferences and should be communicated to AEMO on a bilateral basis.<br/><br/>                     Noting that the Rules require AEMO to give a conference notice to the ACCC and employees or officers of the ACCC may attend conferences convened by AEMO, AEMO considers that the measures in the Guidelines and Procedures, including AEMO’s competition law protocol, will ensure the conferences are conducted in a manner that mitigates the risk of breaching the CCA and other legal instruments. Given these measures, AEMO does not currently intend to seek ACCC authorisation for these conferences, however AEMO will continually monitor the conduct of conferences and further consider whether ACCC authorisation should be sought if needed.</p> |

| Submitter           | Submission Details   | AEMO Response   |
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|                     | <p>sensitivity of information, the competition lawyer could advise parties prior to them sharing it.</p> <p><b>Potential for a sub-set of market participants to have greater access to information</b></p> <p>The second concern we have relates to the potential for AEMO to conduct GSAR conferences with a sub-set of industry participants and not to make the information available to the rest of the market in a timely manner.</p> <p>For example, clause 3.5(d) of the guidelines refers to AEMO potentially conducting conferences with specific relevant entities or classes of relevant entities (such as production, pipeline and/or storage facility operators) to ascertain whether there is a reliability or supply adequacy threat.</p> <p>While we can see the merit in this type of assessment conference, we are concerned that it could result in some market participants having information not otherwise available to the rest of the market, which could confer an unfair competitive advantage on these attendees and may also result in some form of 'insider trading'.</p> <p>Similar concerns were raised in our original submission on these reforms and we noted it could potentially be addressed by requiring information on potential threats to be published and made available to all market participants, including any information discussed at the conferences. While the amendments to the NGR appear to provide for this to occur, clause 3.6.4 of the draft procedures appears to provide AEMO up to 20 business days to publish this information.</p> <p>We are concerned that 20 business days would not provide the transparency that is required to address the risks set out above. We would therefore suggest that this be amended to require the information to be published as soon as practicable after the conference and no later than 1 business day after the conference. To meet this timeframe, a short minute could be published that briefly describes the nature of the potential risk or threat and any potential solutions that were identified in the meeting.</p> |   |
| <p><b>Shell</b></p> | <p><b>Section 3.5 Discussion at a conference</b></p> <p>Shell believes competition law risk is inadequately covered by the guidelines. Shell recommends AEMO seek further input on these risks given the level of communication and information sharing that could be required during conference calls.</p>  | <p>See response above to ACCC submission.</p> <p>AEMO has clarified language in the Guidelines in relation to disclosing information in a conference. Market sensitive information must not be disclosed at a conference.</p> |
| <p><b>Shell</b></p> | <p><b>Section 3.5 (h) Discussion at a conference</b></p> <p>We support the language in this clause being clarified so that a participant can indicate information is confidential and therefore AEMO cannot share the information publicly.</p> <p><b>Suggested amendment:</b></p> <p>AEMO <del>may</del> <b>must</b> engage directly with the participant outside of the conference</p>   | <p>This feedback has been incorporated in the Guidelines.</p>   |

### B.3 Directions guidelines

| Submitter | Submission Details  | AEMO Response  |
|-----------|---|--|
| Shell     | <p><b>Section 4.1 a) and b) Purpose of a direction</b></p> <p>Shell re-iterates that it is only the capacity within the LNG pipeline networks that are connected to the East Gas Network that can affect the reliability and adequacy of the East Coast Gas System. Any storage capacity in pipelines beyond this point is unable to contribute to addressing reliability and adequacy risks in the East Coast network. This consideration should be detailed in the procedures and guidelines, in consultation with relevant participants, to guide AEMO decision making and any response to an event.</p>   | <p>AEMO is aware there may be BB facilities where there is a limited, or no, ability to have gas flow to support domestic demand which may be a result of constraints such as the location of the facility within the east coast gas system. AEMO welcomes feedback from industry to develop these constraints to be included in the assessment models. Development of these models will assist AEMO in determining the best course of action when assessing potential mitigations for an identified risk or threat.</p>   |
| APA       | <p><b>Section 4.1 Purpose of directions</b></p> <p>AEMO to give a written direction to relevant entities': APA seeks confirmation that where practicable AEMO will conduct a conference/consultation first before issuing a written direction.</p>  | <p>Where practicable AEMO will conduct a conference prior to a direction, depending on the urgency of a resolution.</p> <p>This is included in the outlined approach.</p>  |
| Shell     | <p><b>Section 4.3 Giving of directions</b></p> <p>Shell Energy recommends AEMO consult very closely with 3rd party operators of gas processing plants and pipelines prior to issuing directions to these facilities. These facilities face significant operational risks that may be inadvertently exacerbated by directions if not properly considered. Maintenance operations and asset integrity need to be managed in real time with only the facility operator fully aware of the potential impact of directions. The ability of 3rd party operators to communicate this information to AEMO so that it can effectively determine how best to direct these facilities will likely prove difficult. We recommend that AEMO rely on the operational expertise of these parties to ensure that operational risk and asset integrity risks to processing plants and pipelines are minimised, rather than attempting to implement operational decisions via directions based on potentially incomplete information and expertise.</p> | <p>This feedback aligns with the ECGS Procedures and Guidelines. As required by the NGR, AEMO will consult with a relevant entity before giving a direction to the extent AEMO considers appropriate given the nature, timing or circumstances of giving a proposed direction.</p> <p>AEMO will consult with a view to maximising the likelihood that actions undertaken in accordance with the direction will mitigate the identified risk or threat, including identifying in advance any issues or concerns the relevant entity may have with the terms of the proposed direction or its ability to comply with it.</p> |
| Shell     | <p><b>Section 4.4 Principles AEMO may consider when giving directions</b></p> <p>Shell Energy supports aligning the considerations for gas market directions with electricity market considerations. In particular AEMO should be required to consider the ability of the relevant entity to comply with the direction, taking into account risks and constraints.</p> <p>It remains unclear how directions will work when all BB shippers (off-takers) from a facility have maximised their nominations. For example, if AEMO directs a producer to increase production but no market participants have a contract to buy the increased volume of gas. If this is a circumstance where AEMO's trading powers will be used, we recommend comprehensive details of this process be included in the guidelines along with other circumstances AEMO considers relevant for exercising its trading function. Clearly defining the circumstances and process to be used by AEMO when exercising</p>  | <p>This feedback aligns with the information paper, the ECGS Procedures and Guidelines.</p> <p>When exercising our directions function, AEMO will take a principle based approach as outlined in the Guidelines. When issuing directions, we will consider who can take title to the gas and if our direction results in a breach to contractual limits, participants can refer to the compensation framework.</p>   |

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|           | its trading function will provide clear guidance to participants and support continued efficient market operation.   |   |
| APA       | <p><b>Section 4.4 Principles AEMO may consider when giving directions</b></p> <p>1. APA appreciates that AEMO has given consideration to consulting with the relevant entities prior to issuing directions, considering who has title to the gas and issuing dual directions to the shippers and facility operators. As APA has communicated in previous submissions and verbally to AEMO and the Commonwealth Government, an industry led response to supply adequacy events is critical to ensuring the most efficient and effective outcome is followed which results in the least consequential impacts.</p>   | Noted.  |
| APA       | <p><b>Section 4.4 Principles AEMO may consider when giving directions</b></p> <p>2. APA notes that in emergency response situations involving safety, jurisdictional entities consult with the relevant entities prior to issuing directions. Considering a supply adequacy event or shortfall is not a safety event, it is conceivable there is time to consult or advise an entity before issuing a direction.</p>   | AEMO will typically consult prior to a direction where there is time to do so.  |
| APA       | <p><b>Section 4.4 Principles AEMO may consider when giving directions</b></p> <p>3. APA's preference of the Directions Process in Fig.2 is for the facility operator and shipper consultations (and directions) to be as close to simultaneous as possible or in the case of directions, the direction is sent simultaneously to the shipper and facility operator. This is to ensure that the relevant parties have consistent information and are responding as required without significant time lapse which may create divergent responses.</p>  | Noted. AEMO's intention is that this will be the process that is followed, and AEMO will generally consult with, and if necessary direct, facility operators prior to BB shippers – to ensure that directions are as effective as possible.   |
| APA       | <p><b>Section 4.4 Principles AEMO may consider when giving directions</b></p> <p>4. Clarification is required on whether AEMO considers suspending Capacity Trading &amp; Auction's Day Ahead Auction (DAA) process and/or Short Term Trading Market (STTM) or Declared Wholesale Gas Market (DWGM) functions for a required period to preserve a particular pipeline flow direction. APA acknowledges AEMO might direct APA on existing or new nominations for a specific shipper(s); however, the broader market movements and associated flow impacts are outside of APA's control. The scenario may play out where shippers that are not included in AEMO's direction make nominations and, as a result, change the pipeline flow.</p> | <p>Market suspension for AEMO's other functions is covered by:</p> <ul style="list-style-type: none"> <li>• Rule 347 of Part 19 of the NGR, which specifies the conditions for suspension of the DWGM.</li> <li>• Rule 656 of Part 25 of the NGR, with the delay or cancellation of the capacity auction being specified in the Capacity Transfer and Auction Procedures.</li> <li>• Subdivision 6 of Part 20 of the NGR specifies the Administered Market States that can occur within the STTM.</li> </ul> <p>Part 27 prevails to the extent of any inconsistency with another rule.</p> <p>AEMO's intention is to consult with, and direct, facility operators prior to BB shippers – to ensure that directions are as effective as possible. These initial directions are likely to include clarification of what changes to operation can be accepted.</p> |



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| <p>APA</p>    | <p><b>Section 4.4 Principles AEMO may consider when giving directions</b></p> <p>5. If AEMO directs a specific shipper to transport its existing firm park volumes, the shipper's firm transport MDQ might not be sufficient to move all the directed volume on a gas day. These products are independent and a shippers' firm park MDQ and firm transport MDQ do not always equal. In such circumstances, AEMO's direction should be structured to engage and exhaust all shippers with firm contracted but unutilized transport capacities before resorting to interruptible services.</p> <p>In addition, due to the construct of the CT&amp;A DAA and auction service priority obligations in NGR 651, facility operators are obligated to give schedule firm and auction services over lower tier services. Consequently, within day firm or interruptible services cannot be confirmed until post the DAA on a gas day. If AEMO doesn't suspend the CT&amp;A DAA, but provides a direction relying on lower tier services, AEMO needs to provide clarity as to which part of the NGR prevails in those circumstances – Part 25 or Part 27 and relief to facility operators for complying with one part of the NGR over the other.</p>           | <p>AEMO's directions may not always be able to account for contract specifics. AEMO must, to the extent AEMO considers appropriate given the nature, timing or circumstances of giving a proposed direction, consult with the relevant entity on the proposed direction.</p> <p>Part 27 prevails to the extent of any inconsistency with another rule.</p>  |
| <p>APA</p>    | <p><b>Section 4.4 Principles AEMO may consider when giving directions</b></p> <p>6. Diamantina Power Station (DPS) – APA's BB large user facility – is unconnected to the National Electricity Market and the sole power supply to Mt Isa and Cloncurry townships and mines such as Mt Isa Mines. Significant safety issues are a possibility if gas supply for power generation is interrupted. Due to DPS criticality in providing stable power supply, APA requests DPS and its gas supplies to be excluded from the directions provisions</p>   | <p>AEMO must, to the extent AEMO considers appropriate given the nature, timing or circumstances of giving a proposed direction, consult with the relevant entity on safety or technical issues relevant to compliance with the direction.</p> <p>AEMO must, to the extent AEMO considers appropriate given the nature, timing or circumstances of the identified risk or threat, have regard to safety not being compromised.</p> <p>A reduction in gas supplies to DPS would be a threat that forms part of the gas supply adequacy and reliability framework.</p>  |
| <p>Jemena</p> | <p><b>Section 4.4 Principles AEMO may consider when giving directions</b></p> <p>The Guideline notes that the NGR limits AEMO's ability to give a direction in relation to gas which is required to meet obligations under certain long term LNG export contracts.</p> <p>We acknowledge that AEMO may not necessarily be aware of whether gas it intends to direct may be subject to this exclusion under the NGR. The same is true for other relevant entities which may be issued a direction—such as pipeline operators, which transport gas owned by a third party and which may or may not ultimately be used to meet a third party's obligation under certain long term LNG export contracts.</p> <p>Pipeline operators would not be in a position to comply with a requirement in an AEMO direction to notify AEMO if they consider that the natural gas which might otherwise be subject to the direction falls within the exclusion. Only the owner of the gas is likely to be able to properly assess whether the gas may fall within the exclusion.</p> <p>We therefore suggest that the wording in a direction as proposed on pp.14-15 of the Guideline be amended to clarify that the directed relevant entity only needs to notify</p> | <p>The Rules require that AEMO must not give an east coast gas system direction in relation to natural gas owned or controlled by a relevant entity that exports natural gas as LNG unless the natural gas is not long-term contract gas within the meaning of guidelines made under regulation 13GF of the Customs (Prohibited Exports) Regulations 1958 of the Commonwealth.</p> <p>AEMO agrees that this extends to the transport of long-term contract gas and has incorporated this into the Guidelines. In addition, the obligation to notify has been amended so that it applies to the extent a relevant entity is aware that gas falls within the exclusion.</p> |

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|           | AEMO that the gas is subject to the exclusion where that relevant entity is the owner of the gas. |               |

## B.4 Trading guidelines

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| <p><b>Shell</b></p>  | <p><b>Section 5 Trading Guidelines</b></p> <p>Shell Energy does not agree that AEMO should operate in the market as a participant, using its trading powers, in order to resolve issues concerning reliability and adequacy of the East Coast gas system. Rather, Shell Energy believes AEMO’s powers to initiate an industry response and to issue directions are sufficient for this purpose. We are concerned that any interference in market mechanisms and the uncertainty arising from ill-defined intervention will distort market behaviour. This will dampen market signals and the ability for the market to resolve issues on its own, increasing risks over the longer term.</p> | <p>We note that Part 27 of the NGR and the ECGS amendment Act 2023 are quite broad in its provision for AEMO to trade in natural gas and gas services to maintain and improve the reliability or adequacy of the supply of natural gas within the east coast gas system. Despite having the option to trade in the market or enter bilateral trades, AEMO has a preference for procuring services from industry given the potential for distortionary outcomes.</p> <p>As noted in the Guidelines, AEMO will give regard to whether an industry response is possible or if a direction would mitigate the risk or threat before exercising its trading power.</p> <p>AEMO agrees that these powers provide AEMO with the ability to provide transparency of a potential or actual risk or threat, increasing the likelihood of an industry response.</p> |
| <p><b>AGL</b></p>    | <p><b>Section 5.2 Trading function</b></p> <p>What services is AEMO procuring and how will the procurement process be managed to ensure that any services procured are competitive and transparent?</p>  | <p>The services that AEMO may procure will be dependent on the <i>identified risk or threat</i>. When tendering services from industry, AEMO may establish a panel of suppliers. For transparency, AEMO will generally publish on its website, the expression of interest to industry that will outline the service that AEMO may be seeking and the relevant terms and conditions that panel suppliers will need to meet. Further, AEMO will publish the panel pre-approved agreement and the details of any agreements that it enters into, subject to commercial in confidence arrangements.</p>  |
| <p><b>Origin</b></p> | <p><b>Section 5.3 Principles AEMO will consider when performing its trading function</b></p> <p>We are supportive of including an overarching set of guiding principles to govern AEMO’s trading function, as set out in Section 5.3 of the Guidelines. Our view of several of the key principles is noted below.</p> <ul style="list-style-type: none"> <li>AEMO states its preferred trading method is to procure services from industry rather than to undertake purchases/sales of gas. We support this approach and consider it will assist with minimising the level of potential</li> </ul>   | <p>Noted.</p> <p>The Guidelines are broadly consistent with Origin’s comment in relation to AEMO exercising its trading function after providing industry with a reasonable period to respond.</p> <p>Feedback on broadening the principle of trading on a competitive and transparent basis has been incorporated in the Guidelines. Feedback</p>   |

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|            | <p>market distortion that could otherwise arise through AEMO’s direct trading in the market.</p> <ul style="list-style-type: none"> <li>• AEMO notes it will consider whether the gas or service it is seeking to trade or procure is likely to be provided by market participants without AEMO intervening. This principle should be strengthened to explicitly outline the trading function will only be used as a last resort measure where industry has been given a reasonable period of time to respond to the threat and industry response is unlikely. As we noted above, this should be a core principle of the framework and reflects the intent of refinements made to the Draft Bill outlined by Energy Ministers in the February 2023 Information paper.</li> <li>• AEMO explains that where it procures services from industry this will be done on a competitive and transparent basis. We consider this principle could be broadened such that where AEMO exercises any of its trading functions it will do so on a competitive and transparent basis. In relation to this, we also recommend amending the language in Section 5.9 to state that AEMO will inform industry, where appropriate, on the manner of its trades – this is necessary to ensure the market has clear visibility of traded prices and quantities.</li> </ul> | <p>on amending language in Section 5.9 of the Guidelines has been incorporated in the Guidelines.</p>  |
| <p>APA</p> | <p><b>Section 5.7 Tendering for services from industry</b></p> <p>Further clarification is required as to what type of market notices and within what timeframe will be issued by AEMO to invite market participants into the tender process. For example, is it fair to assume AEMO will notify an operator for each ‘impacted’ facility? If AEMO holds BB Shippers only tender, AEMO must consider whether those Shippers have an existing transportation agreement with the relevant facility operator. In contract carriage markets having existing and executed contractual rights is critical. Without these APA is unable to carry out its obligations including scheduling, and transportation of the gas molecules.</p>   | <p>AEMO will specify what is required and assess the responses that are received.</p>  |
| <p>APA</p> | <p><b>Section 5.8 Bilaterally purchasing or selling gas or services</b></p> <p>Where AEMO decides to enter into bilateral contracts for gas services (eg. transportation or storage services), please be cognisant that such agreements take time to negotiation and establish in hydrocarbon accounting systems. Consequently, these need to be established ahead of time if to be used by AEMO to exercise their trading function.</p>   | <p>Agreed.</p>   |
| <p>APA</p> | <p><b>Section 5.9 Market trading</b></p> <p>When AEMO performs both a ‘market participant’ and a ‘market operator’ role, is any contract AEMO enters into still enforceable like any with other counter-party, and does AEMO manage any conflicts of interests?</p>  | <p>Despite having the option to trade in the market or enter bilateral trades, AEMO has a preference for procuring services from industry given the potential distortionary outcomes that could occur.</p> |

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| AGL       | <p><b>Section 5.9 Market trading</b></p> <p>Considering AEMO would effectively be a market competitor when trading in the short-term trading market or the Declared wholesale gas market, participants request competition advice on how to communicate/share information with that in mind. Participants are very concerned to abide by all CCA requirements.</p>  | <p>AEMO notes that when exercising trading powers, there is a preference for the services model which would limit the issues that arise from AEMO being a direct market competitor. To the extent AEMO was to trade directly in the market, AEMO would assess this in detail, and ensure clear guidelines and transparency of the process before doing so.</p>   |
| Origin    | <p><b>Practical considerations of AEMO's trading function</b></p> <p>We have identified a number of practical matters that we consider require further clarification in the Guidelines.</p> <ul style="list-style-type: none"> <li>• AEMO should provide detailed examples of market situations / scenarios that demonstrate when and how its trading function (and its associated approaches) could be used. These examples would play an important role in helping industry to understand how AEMO's new function will operate in practice and the conditions that could lead to AEMO intervention.</li> <li>• It is crucial the guidelines explain how AEMO would allocate gas purchased to prevent a shortfall. Would AEMO directly sell gas to those participants identified as holding a short position or would AEMO simply offer that gas into the STTM / DWGM at zero cost? If the approach depends on the market / system circumstances, AEMO should outline relevant considerations.</li> <li>• Further guidance on the contractual arrangements AEMO will rely on to purchase / transport gas is required. Will AEMO seek to negotiate and establish Master Bilateral Gas Supply Agreements with counterparties? Or is AEMO expecting all counterparties to agree to its standard terms?</li> </ul> | <p>We note that it's difficult to provide scenarios to assess what possible trading options would be available in the absence of a threat. AEMO would evaluate tender responses on their ability to demonstrate how the service being offered would mitigate an identified risk or threat.</p> <p>By utilising the services model, an existing market participant is taking on the obligation to ensure gas is made available through existing market mechanisms. AEMO sees merit in further developing scenarios to provide additional transparency on how AEMO will perform its functions and the basis on which gas is made available to relevant entities at the location of a risk or threat.</p> <p>AEMO's preference is to utilise the services model which avoids the need for AEMO to enter into bilateral agreements. To the extent that AEMO determines a need to enter into bilateral agreements, AEMO will seek to negotiate an agreement that can mitigate the risk or threat.</p> |