



## Response template for the East Coast Gas System Procedures Consultation

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Confidential: No

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### Comments on the ECGS Procedure changes

Topic	Please Provide Response Here
General comments	<p>As noted in our earlier response to the ECGS Procedures, the new information reporting requirements are onerous given the large volume of data that will need to be provided by participants, and there is also significant overlap with existing requirements. This duplication has been acknowledged by the Australian Energy Market Operator<sup>1</sup> (AEMO) yet the ECGS Procedures have not addressed this. If time constraints mean this duplication cannot be addressed prior to the commencement of the obligations, we would urge AEMO to review this following implementation.</p> <p>We also reiterate our concerns with AEMO's new trading function – 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. We have outlined changes to the framework that would assist with addressing this issue in our separate response to the ECGS Guidelines.</p> <p>In addition to these overarching concerns, we provide comments on practical aspects of the procedures below.</p>

<sup>1</sup> "AEMO agrees that there may be benefit in aligning the MT PASA process with Part 27 obligations but this is not possible in the available time", AEMO, *Impact and Implementation Report (IIR) – East Coast Gas System Procedures*, p. 14.

<p>Medium-term maintenance demand reporting – Section 2.2.2</p>	<p>We note that BB Large User facilities (including gas powered generators (GPG)) will be required to provide details of maintenance work for the next 24 months. It will be very challenging for GPG to provide accurate information on expected gas consumption during maintenance periods.</p> <ul style="list-style-type: none"> <li>• Fundamentally, the dynamic nature of the market means any attempt to forecast when GPG is likely to run over a two-year horizon would be subject to significant uncertainty. This is compounded by the fact that many GPG are fast-start peaking plants which typically only run occasionally and at short notice making it even more difficult for participants to provide meaningful “details of the likely demand during the maintenance period”<sup>2</sup>.</li> <li>• Additionally, GPG may also have partial station outages (e.g. while one unit may need to come offline, another unit at the same station may remain in service), which will affect the operation of the station and further complicates this reporting.</li> </ul> <p>To help address this issue, we strongly recommend AEMO introduce a materiality threshold for the Medium-Term Maintenance Demand reporting obligation as it applies to GPG, such that the details only need to be provided for GPG maintenance work that involves a <u>full station outage</u>.</p>
<p>Cost recovery – Section 5.1</p>	<p>The ECGS Procedures do not adequately explain how the costs of AEMO’s trading activities will be recovered. In determining entities’ trading fund contribution rates, the procedures offer AEMO broad scope to have regard to any relevant factors.<sup>3</sup> We recommend AEMO considers a ‘causer pays’ approach and explicitly set this out in the procedures. For example, in a scenario where a market shortfall exists due to a particular retailer (‘Retailer X’) holding a significant short position and AEMO trades to avert this shortfall, Retailer X should be liable for covering AEMO’s trading costs – these costs should not be smeared across the market. Smearing costs would:</p> <ul style="list-style-type: none"> <li>• diminish the incentive for participants to employ prudent risk management strategies.</li> <li>• penalise customers that had selected a prudent retailer, as they would bear costs arising from other retailers’ failure to effectively manage risks.</li> </ul>

<sup>2</sup> ECGS Draft Procedures Section 2.2.2(b)(iv)

<sup>3</sup> ECGS Draft Procedures Section 5.1(c)(v)