

# Review into extending the regulatory frameworks to hydrogen and renewable gases

## STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in the consultation paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

### SUBMITTER DETAILS

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Bioenergy Australia

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**DATE: 2<sup>nd</sup> December 2021**

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### PROJECT DETAILS

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**NAME OF RULE CHANGE:** Review into extending the regulatory frameworks to hydrogen and renewable gases

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**PROJECT CODE:** EMO0042

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**PROPONENT:** Energy Ministers

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**SUBMISSION DUE DATE:** 2 December 2021

Bioenergy Australia (BA) is pleased that the national gas regulatory framework is being reviewed to extend to hydrogen and renewable gases. We are supportive of changes to enable injection of hydrogen and renewable gases but wish to emphasise the importance of developing a regulatory environment that is flexible and supportive of new project development, and not so restrictive that it stifles industry growth.

### QUESTION 1 – CHAPTER 1 – INTRODUCTION

1. Do you agree with the Commission's preliminary position on the scope of this review?	Yes, we agree with the AEMC's preliminary position on the scope of this review.
2. Are there additional areas in the NGR or NERR that should be excluded or included in the current review? If so, why?	No, not that we have identified.

### QUESTION 2 – CHAPTER 2 – ASSESSMENT FRAMEWORK

3. Do you agree with the Commission's proposed assessment framework for this review?	Yes, we agree with the proposed assessment
4. Are there any criteria the Commission should or should not consider as a part of its assessment framework??	No comment.

### QUESTION 3 – CHAPTER 3 – SUPPLIER ACCESS TO PIPELINES

5. Do you think that any additional guidance is required in the NGR to deal with connections by suppliers of natural gas equivalents or constituent gases, or are the new draft interconnection rules sufficient? If you think additional guidance is required, please set out what guidance you think is required.	The connection principles include production project proponents indicating their ability to pay for the entire connection cost. However, it may make economic sense for networks to be able to invest in those costs or otherwise procure renewable gases for themselves as a way of mitigating the risk of asset utilisation decline as demand to decarbonise imposes higher costs for end users. Innovative regulatory responses to this issue are occurring overseas and the Commission should examine them.
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<p>6. Do you think service providers should be required to publish information on where connections by suppliers of natural gas equivalents or constituent gases would be technically feasible, or should this just be left to negotiations?</p>	<p>BA suggests this be left to negotiations</p>
<p>7. Do you think that any specific rules are required in the NGR to deal with the risk that service providers may favour their own natural gas equivalents or constituent gas facilities by curtailing other facilities ahead of their own, or do you think this should be dealt with through ring-fencing arrangements?</p>	<p>In dealing with the risk, the NGR could include a specific prohibition against a service provider acting in such manner rather than an outright prohibition through the ring fencing provisions.</p>

#### QUESTION 4 – CHAPTER 3 – RING-FENCING ARRANGEMENTS

<p>8. Do you think the ring-fencing exemptions in the NGR should be amended to accommodate trials by service providers? Why?</p>	<p>It is the priority of BA that policies do not impede industry growth or stifle project development. With that in mind, we seek consideration of the impact that ring fencing requirements will have on trial projects. It is likely that the costs of meeting such requirements would impede investment in this space. We request consideration of a new mechanism, such as exemptions for low risk trial and demonstration projects.</p>
<p>9. If so, do you think there should be any limit on the volume service providers should be able to producer, purchase or sell (e.g. up to the unaccounted for gas level)?</p>	<p>This seems reasonable.</p>
<p>10. Do you think any other changes need to be made to the ring-fencing provisions in the NGL or NGR to accommodate natural gas equivalents or constituent gases?</p>	<p>No comment.</p>

#### QUESTION 5 – CHAPTER 3 – RULES FOR SCHEME PIPELINES

<p>11. Do you think Part 9 of the NGR should be amended to provide the regulator with additional guidance on how to assess service provider proposals to transition to natural gas equivalents in those cases where a jurisdiction does not mandate the transition? If so, please explain what changes you think need to be made and why.</p>	<p>No comment.</p>
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12. Do you think Part 9 of the NGR should be amended to clarify how government grants or funding are to be treated for regulatory purposes?	No comment.
13. Do you think any of the other rules that will apply to scheme pipelines under the new regulatory framework need to be amended to accommodate pipelines hauling natural gas equivalents or constituent gases?	No comment.

## QUESTION 6 – CHAPTER 3 – RULES FOR NON-SCHEME PIPELINES

<p>14. Do you think the arbitration principles applying to non-scheme pipelines should be amended to:</p> <ul style="list-style-type: none"> <li>a) require the arbitrator to take into account any regulatory obligation that a pipeline may be subject to?</li> <li>b) provide the arbitrator with greater guidance on how to assess proposals by a service provider to transition to transporting a natural gas equivalent where the transition is not mandated?</li> <li>c) clarify how government grants are to be treated?</li> </ul>	<p>No comment</p>
<p>15. Do you think any of the other rules that will apply to non-scheme pipelines under the new regulatory framework need to be amended to accommodate pipelines hauling natural gas equivalents or constituent gases?</p>	<p>No comment</p>

## QUESTION 7 – CHAPTER 3 – PIPELINE GAS INFORMATION

<p>16. Do you think service providers should be required to publish information on:</p> <ul style="list-style-type: none"> <li>a) the type of gas they are licensed to transport in their user access guides and, in the case of scheme pipelines, the access arrangement and access arrangement information? Why?</li> <li>b) any firm plans to conduct either a trial or to transition the pipeline (or part of the pipeline) to a natural gas equivalent or other gas product? Why?</li> </ul>	<p>BA is of the view that it would be beneficial for service providers to publish information on the type of gas they are licensed to transport and their plans for trials and transitions. This would provide market transparency.</p>
<p>17. Do you think this information should also be reported on the AEMC's Pipeline Register?</p>	<p>BA would be supportive of having this information reported on the AEMC Pipeline Register.</p>

## QUESTION 8 – CHAPTER 4 – EXTENSION OF THE TRANSPARENCY MECHANISMS TO NATURAL GAS EQUIVALENTS

<p>18. Except for blending facilities are there any other facilities or activities involved in the supply or use of natural gas equivalents that are not already captured by:</p> <ul style="list-style-type: none"> <li>c) the BB facilities listed in rule 141 of Part 18 of the NGR?</li> <li>d) the DWGM registration categories in rule 135A of Part 15A of the NGR?</li> </ul>	<p>No comment.</p>
<p>19. If the information to be reported by facilities involved in the production, transportation, storage, compression and or use of natural gas equivalents is to be based on the information reported by their natural gas counterparts, are any amendments required to reflect differences in the physical characteristics of these facilities compared to natural gas facilities for:</p> <ul style="list-style-type: none"> <li>a) the Bulletin Board reporting obligations in Part 18 of the NGR?</li> <li>b) the GSOO content in rule 135KB of Part 15D of the NGR?</li> <li>c) rules 323-324 in Part 19 of the NGR?</li> <li>d) the compression and storage reporting obligations in Part 18A of the NGR?</li> <li>e) the price information to be published by the AER in proposed rule 140B in Part 17 of the NGR?</li> </ul>	<p>We consider that the exemption provisions should be extended to cover facilities involved in the production, transportation, storage, compression and or use of natural gas equivalents</p>
<p>20. Should blending facilities be treated as production facilities for the purposes of the Bulletin Board, GSOO and VGPR, or should specific reporting obligations be developed for these facilities? Why? If you think specific reporting obligations are required, what should these be?</p>	<p>Yes, we consider that blending facilities could be treated as production facilities for the purposes of the Bulletin Board, GSOO and VGPR once they have reached a certain size – apply a method of agegation.</p>
<p>21. Are there any other gaps in the NGR that have not been identified that would need to be addressed if the five transparency mechanisms were to be extended to natural gas equivalents? Why? If you think there are other issues, what are they and what amendments are needed?</p>	<p>No comment</p>

## QUESTION 9 - CHAPTER 4 – EXTENSION OF THE TRANSPARENCY MECHANISMS TO CONSTITUENT GASES

<p>22. Do you think the following transparency mechanisms should be extended to the facilities and activities involved in the supply of constituent gases as part of the initial rules package or should the application of one or more be deferred until a later process? Why?</p> <p>A) The Bulletin Board B) The GSOO C) The VGPR D) The compression and storage terms and prices E) The AER’s gas reporting functions.</p>	<p>We suggest limiting application of the identified transparency mechanisms to facilities and activities involved in the supply of constituent gas to minimise costs of regulatory burdens at initial stages of industry development.</p>
<p>23. If you think the transparency mechanisms should be extended as part of the initial rules package:</p> <p>a) What facilities do you think need to be captured? b) Do you think the facilities and activities involved in the supply of constituent gases should be subject to equivalent reporting obligations as their natural gas counterparts, or are some modifications required to reflect differences in the physical characteristics of these facilities?</p>	<p>No comment</p>
<p>24. Are there any other gaps in the NGR that have not been identified that would need to be addressed if the transparency mechanisms were to be extended to constituent gases? Why? If you think there are other issues, what are they and what amendments are needed?</p>	<p>No comment</p>

## QUESTION 10 - CHAPTER 5 – TRADING NATURAL GAS EQUIVALENTS IN THE FACILITATED GAS MARKETS

<p>25. Do you think natural gas equivalents should be traded through the facilitated markets, or outside of the facilitated markets?</p>	<p>Yes, we consider that NG equivalents should be traded through the facilitated markets, the same way natural gas is traded through the facilitated markets as it provides participants with a well-established transparent and efficient market-based mechanism to trade imbalances, purchase gas on a short-term basis and efficiently allocate gas during system constraints and emergencies.</p>
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26. What do you consider are the implications of these two options, in terms of required regulatory changes, costs of implementation and potential market inefficiencies?	Biomethane facilities will be small compared to natural gas production facilities and the regulatory burden associated with registration and data provision need to take this into account. Otherwise, they pose regulatory barriers to entry and participation in the market.
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### QUESTION 11- CHAPTER 5 – FACILITATED MARKETS REGISTRATION CATEGORIES

27. If natural gas equivalents are to be integrated into the facilitated markets, are new registration categories required to accommodate facilities and participants involved in the creation of these products, including through the injection of blends into the distribution system?	Where appropriate, existing definitions could be expanded to accommodate facilities and participants involved in the creation of NG equivalents as this option would automatically flow through the rules.
28. If flows associated with distribution-connected blending facilities are not scheduled in facilitated markets, are new registration categories required for blending facilities and associated participants or can they be exempted from registration?	No comment.

### QUESTION 12- CHAPTER 5 – UNACCOUNTED FOR GAS IN THE FACILITATED MAKRETS

29. Do you think initial trials involving the injection of natural gas equivalents into the distribution system should be accommodated by amending jurisdictional arrangements for UAFG?	We strongly support jurisdictional arrangements for UAFG to allow gas distributors to offset UAFG with NG equivalents.
30. f so, how will this impact the operation of the matched allocation mechanism (as used by the distributor in the Sydney STTM hub)?	No comment
31. What changes would be required to UAFG arrangements in the DWGM?	No comment

### QUESTION 13 - CHAPTER 5 – SETTLEMENT ISSUES IN THE FACILITATED MARKETS

32. If distribution connected blending facilities are not integrated into the facilitated markets, what settlement issues may arise?	No comment.
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33. If distribution injections and corresponding end use consumption need to be excluded from settlement, how should excluded consumption be treated? What factors might affect this?	No comment.
34. If distribution connected blending facilities are integrated into the facilitated markets, are settlement issues in the STTM likely to be relatively straightforward to resolve? Why?	No comment.
35. How should facilities exempted from registration, or that fall below a materiality threshold, be treated under settlement arrangements in the facilitated markets?	No comment.

#### QUESTION 14 - CHAPTER 5 – METERING AND HEATING VALUES IN THE FACILITATED MARKETS

36. Does the NGR restrict distributors' ability to calculate heating values in different parts of the distribution system to accommodate the different uses of natural gas equivalent gases in the facilitated markets?	Heating values should be managed by the gas networks
37. Are amendments required to the NGR to facilitate the determination of more granular heating values and any other matters relating to the metering provisions for the DWGM?	

#### QUESTION 15 - CHAPTER 5 – GAS SPECIFICATION IN THE FACILITATED MARKETS

38. In relation to the STTM, do you think Part 20 of the rules should be amended to clarify that AS 4564 – 2005 can be augmented or replaced to accommodate blending in certain parts of STTM distribution systems? Are any other changes required, including to accommodate impacts on connected transmission pipelines?	We support the clarification that AS 4564 – 2005 can be augmented or replaced to accommodate blending in certain parts of STTM distribution systems.
39. In relation to the DWGM, do you think Part 19 of the rules should be amended to give AEMO (or another party) the ability to directly determine the gas specification on distribution systems?	We consider that Part 19 of the NGR should be amended to give AEMO the ability to directly determine the gas specifications on distribution systems, like it currently does on the DTS. However, any drafting should provide for flexibility to allow AEMO to delegate and assign responsibilities to a third party where appropriate.



## QUESTION 16 - CHAPTER 5 – BLENDING CONSTRAINTS IN THE FACILITATED MARKETS

40. Who should be responsible for the creation of natural gas equivalent blends and ensuring that these remain consistent with a revised gas specification?	The operator of a blending facility should be responsible for the creation of NG equivalent blends
41. In the DWGM, should AEMO be given operational control over the distribution system to manage blending constraints? If so, what changes to the rules would be required?	No comment

## QUESTION 17 - CHAPTER 5 – OTHER IDENTIFIED ISSUES IN THE FACILITATED GAS MARKETS

42. Do the identified issues in the NGR and changes required cover all necessary changes to facilitate the trade of natural gas equivalents in the DWGM and STTM?	No comment
43. Are there any other issues the Commission should be aware of?	No comment
44. Are all of these changes required now for natural gas equivalents? Could some of these changes be made at a later date, or when other gas products are taken into consideration?	No comment
45. Are there any transitional issues?	No comment

## QUESTION 18 – CHAPTER 6 – INITIAL IDENTIFIED ISSUES IN THE REGULATED RETAIL MARKETS

46. Are changes to the retail market registration provisions required to accommodate natural gas equivalents?	No comment
47. Are there any other changes required to the retail market provisions in the NGR to accommodate natural gas equivalents?	No comment

## QUESTION 19 – CHAPTER 6 – OTHER POTENTIAL ISSUES IN THE REGULATED RETAIL MARKETS

48. Are there any issues the AEMC should consider in relation to the recovery of the cost of the renewable component of the natural gas equivalent from retail customers, for a natural gas equivalent?	This should be dealt with by the distributor
49. Are there any issues the AEMC should consider in relation to retail competition and consumer choice as a consequence of the introduction of natural gas equivalents?	Not that we can think of
50. How are these issues impacted by jurisdictional policies in relation to mandated renewable gas targets or mandated green value in a gas stream? Are any changes to the NGR and NERR needed, either now or in the near future, to address any concerns about competition, consumer choice and cost pass through of renewables in the retail market.	No comment

## QUESTION 20 - CHAPTER 7 – CONSUMER PROTECTION FRAMEWORK

<p>51. Do you consider that changes are required to the consumer protection framework to reflect the physical properties of natural gas equivalents compared to natural gas? Specifically:</p> <ul style="list-style-type: none"> <li>a) Should retailers be required to notify existing customers prior to the transition from the supply of natural gas to a natural gas equivalent that the customer is now being supplied with the natural gas equivalent and the changes the customer may see in relation to the quantity of gas metered at their premises following the transition?</li> <li>b) Should the model terms and conditions for standard retail contracts and the minimum requirements for market retail contracts be amended to make clear if the supply of gas under that contract is a supply of natural gas or a natural gas equivalent?</li> <li>c) Should retailers who receive requests for historical billing data from a customer be required to state in the billing information provided if there was a transition from natural gas to a natural gas equivalent during the billing history period for which information is requested, and the date at which the transition occurred?</li> <li>d) If the natural gas equivalent to be supplied has a different heating value from natural gas, should there be a requirement for retailers to issue a bill based on an actual meter read for customers with accumulation (non-interval) meters before supply is transitioned to a natural gas equivalent?</li> </ul>	<p>A) We support this proposal as it would promote transparency and build social acceptance for renewable gas with customers. In our renewable gas projects to date, we have undertaken significant stakeholder engagement programs including notifying all affected customers before the change to a renewable gas blend. We intend to continue with this process, but as markets for NG equivalents grow this will require more cooperation from retailers who often hold customer contact details.</p> <p>B) Yes, we support this proposal.</p> <p>C) Yes, we support this proposal.</p> <p>D) The proposal would provide for more accurate billing for customers, however it comes at a cost that might outweigh the benefits.</p>
<p>52. Are there any other gaps in the consumer protection framework that arise because of the difference in the physical properties of natural gas and natural gas equivalents?</p>	<p>No comment</p>
<p>53. Do you consider that customers should be informed if price variations occur because of the transition to natural gas equivalents?</p>	<p>Yes, this would seem fair</p>
<p>54. How should the risks of 'off spec' natural gas equivalents be allocated under the NERL and NERR? Is the existing allocation of risk for the quality of natural gas appropriate if distributors have responsibility for creating the natural gas equivalent (for example, through the operation of blending facilities)? What is the appropriate mechanism for managing loss suffered by customers as a result of 'off spec' natural gas equivalents?</p>	<p>This should be managed by the distributor.</p>

## QUESTION 21 - CHAPTER 8 – REGULATORY SANDBOX ARRANGEMENTS

<p>55. Is it practicable for a retail customer to opt out of a change of product trial? If not:</p> <ul style="list-style-type: none"> <li>a) should the definition of explicit informed consent be required to provide information that the customer is unable to opt out of the trial for the period of the trial?</li> <li>b) should the AER have power to extend a change of fuel trial if retail customers cannot practicably opt out of the trial?</li> </ul>	<p>We would not see it as practicable for a retail customer to opt out of a change of product trial.</p>
<p>56. Are any changes to the consultation requirements regarding proposed trial waivers for change of product trials needed? For example, on the AER public consultation requirements for change of product trials.</p>	<p>No comment</p>
<p>57. Should amendments be made to specify certain pre-conditions to the granting of a trial waiver for a change of product trial involving the sale and supply of an 'other gas product'? If so:</p> <ul style="list-style-type: none"> <li>a) should the applicant be required to provide this approval as part of its application for a trial waiver?</li> <li>b) should the rule change proponent for a trial rule be required to provide this approval as part of its request for the rule?</li> </ul>	<p>We consider that the AER's assessment of the safety, security and reliability impacts of a trial waiver before making its decision on a trial waiver for a change of product trial involving the sale and supply of an 'other gas product' should be sufficient to ensure there are necessary protections in place.</p>
<p>58. Are there any other gaps that would arise in the proposed regulatory sandbox framework if it is extended to natural gas equivalents, other gas products and constituent gases?</p>	<p>No comment</p>