

WORKSHOP: REVIEW INTO EXTENDING THE REGULATORY FRAMEWORKS TO HYDROGEN AND RENEWABLE GASES

ECONOMIC REGULATION, TRANSPARENCY MECHANISMS AND REGULATORY SANDBOX

AEMC
15 DECEMBER 2021

AEMC

Acknowledgement of Country

*In the spirit of reconciliation
we acknowledge the Traditional
Custodians of country throughout
Australia and their connections to land,
sea and community. We pay our respect
to their Elders past and present and
extend that respect to all Aboriginal and
Torres Strait Islander peoples today.*

Before we start, an important notice: Compliance with Competition Law

- The attendees must not discuss, or reach or give effect to any agreement or understanding which relates to:
 - Pricing
 - Targeting markets or customers
 - Tendering processes
 - Boycotting other parties
 - Sharing competitively sensitive information
 - Breaching confidentiality obligations

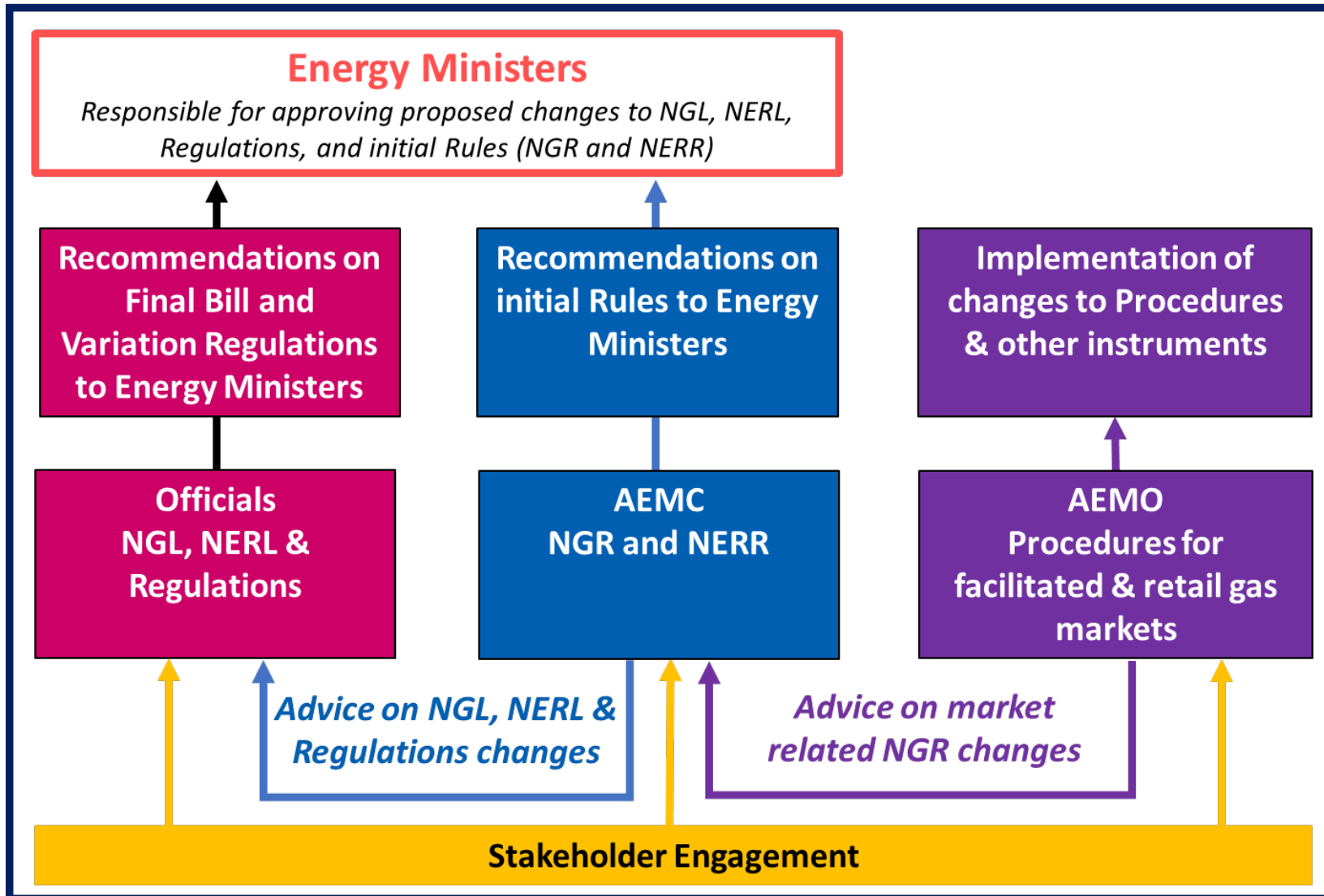
Each entity must make an independent and unilateral decision about their commercial positions.

Forum arrangements

- The workshop is not being recorded
- Please save your questions for the breakout rooms
- Presentations from today will be posted on our website after the workshops
- Please engage respectfully

CONTEXT AND BACKGROUND

National gas and retail regulatory frameworks



Jurisdictional legislation

All jurisdictions

Responsible for amending their own legislative instruments to ensure that:

- they can accommodate hydrogen and renewable gas blends
- they can accommodate the changes to be made to the national framework.

Vic, NT, Tas & WA

Responsible for amending jurisdictional consumer protection legislation.

Hydrogen and renewable gases review – issues covered by review

Economic regulation of pipelines	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	application of the reporting obligations for the Bulletin Board, Gas Statement of Opportunities and Victorian Gas Planning Report
Facilitated gas markets	STTM and DWGM - 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

Today's issues – day 3

Economic regulation of pipelines

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

application of the reporting obligations for the Bulletin Board, Gas Statement of Opportunities and Victorian Gas Planning Report

Facilitated gas markets

STTM and DWGM - 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

Agenda

	Time (AEDT)	Item	Time
1.	12:00 PM	Introduction, Context and Background	15 Minutes
2.	12:15 PM	Pipeline Regulation – Supplier Access to Pipelines	20 Minutes
3.	12:35 PM	Breakout Session 1	20 Minutes
4.	12:55 PM	Pipeline Regulation – Rules for Pipelines	
5.	1:00 PM	Breakout Session 2	20 Minutes
6.	1:20 PM	Pipeline Regulation – Ring Fencing	
7.	1:25 PM	Breakout Session 3	20 Minutes
8.	1:45 PM	Break	10 Minutes
9.	1:55 PM	Regulatory Sandbox	
10.	2:10 PM	Breakout Session 4	15 Minutes
11.	2:25 PM	Transparency Mechanisms	
12.	2:55 PM	Wrap up and Next Steps	

ECONOMIC REGULATION OF PIPELINES

Agenda

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1. Issues for consultation
 2. Supplier access to pipelines
 3. Rules for scheme and non-scheme pipelines
 4. Ring-fencing exemption framework
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Issues for consultation

Supplier access to pipelines

Are additional rules required to:

- facilitate connections by suppliers of natural gas equivalents and constituent gases?
- address the risk that service providers may curtail suppliers of natural gas equivalents and constituent gases ahead of their own affiliate suppliers?

Rules for scheme & non-scheme pipelines

Do the rules need to provide additional guidance on:

- how assessments of service provider proposals to transition to another gas should be undertaken when it has not been mandated by a jurisdiction?
- how government grants and/or concessional finance are to be accounted for?

Ring-fencing exemptions

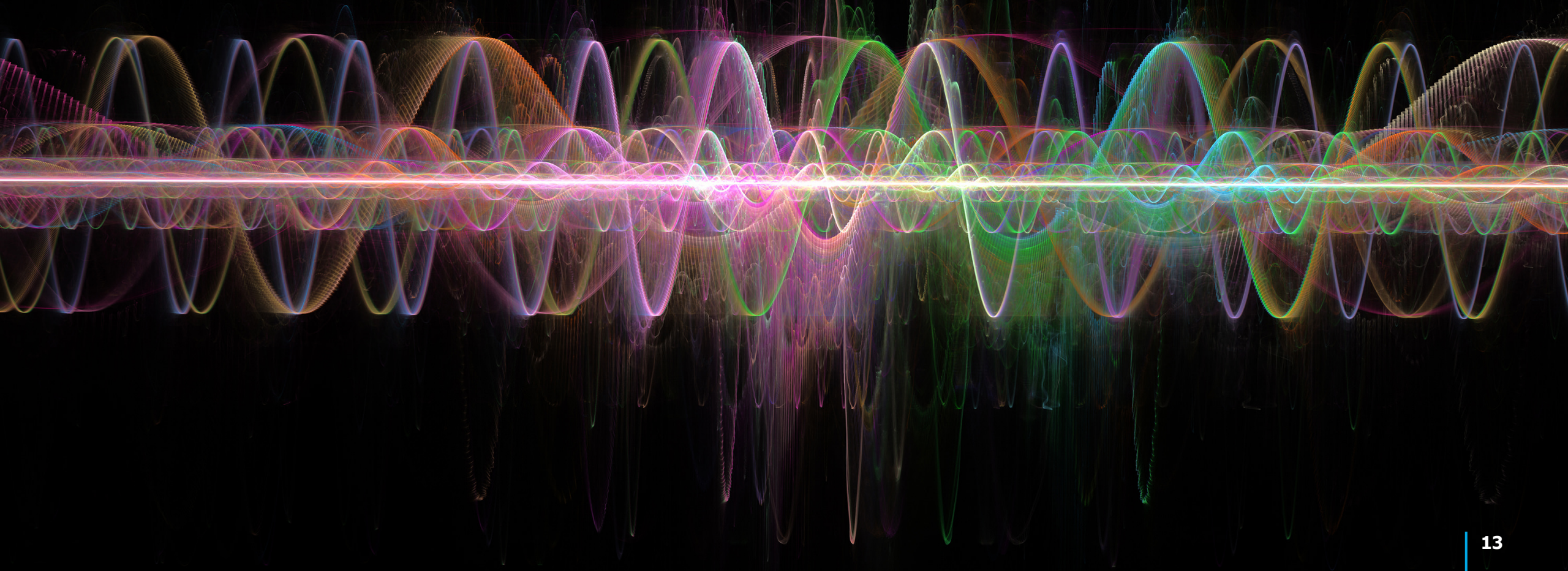
- Is the ring-fencing exemption framework in the rules fit for purpose?
- Should the exemption framework be amended to allow service providers to conduct trials involving the production, purchase or sale of natural gas equivalents and/or constituent gases?

Pipeline gas information

Should the rules be amended to require service providers to publish information on:

- the type of gas they are transporting?
- any firm plans they have to conduct a trial of, or to transition to, a natural gas equivalent or another gas product?

SUPPLIER ACCESS TO PIPELINES



Supplier access to pipelines: Stakeholder feedback

AREA	CONSULTATION QUESTIONS	STAKEHOLDER FEEDBACK
Rules relating to pipeline connections	Is any additional guidance required in the rules to deal with connections by suppliers of natural gas equivalents or constituent gases? Or are the pipeline interconnection principles that are to be implemented as part of the pipeline economic regulation reforms sufficient?	<ul style="list-style-type: none"> Pipeline service providers were the only stakeholders to respond to this question. Service providers generally agreed the proposed pipeline interconnection principles are sufficient to facilitate connections by suppliers of natural gas equivalents and constituent gases. The only service provider that offered an alternative view thought that service providers should have more discretion to refuse connections on legal, economic or operational grounds.
Information to facilitate connections	Should service providers be required to publish information on where connections by suppliers of natural gas equivalents or constituent gases is technically feasible? Or should this just be left to the parties to establish through the connection negotiation process?	<ul style="list-style-type: none"> Stakeholders expressed mixed views on whether service providers should be required to publish information on where a connection would be technically feasible. Those stakeholders that supported the publication, noted that it would help to facilitate connections. A number did, however, acknowledge that it would not replace the need for further discussions as part of the connection negotiations. One stakeholder also suggested service providers be required to report information on the facilities connected to their pipeline and if blending limits are likely to be reached.
Curtailment	Are specific rules required to address the risk service providers may favour natural gas equivalents or constituent gas facilities in which they have an interest by curtailing other facilities ahead of their own?	<ul style="list-style-type: none"> Stakeholders were divided on whether specific rules were required to set out how suppliers of natural gas equivalents or constituent gases should be curtailed. While some service providers supported the inclusion, others were opposed to their inclusion and thought any risk of a service provider favouring an affiliate should be dealt with through contracts and ring-fencing.

Supplier access to pipelines: Adequacy of the pipeline interconnection principles

Background: As part of the pipeline regulatory reforms, the NGR will include a new part that will set out the pipeline interconnection principles that service providers and connecting facilities will need to comply with.

Amongst other things, these principles give a person the right to connect a facility to a pipeline where it is:

- technically feasible and consistent with the safe and reliable operation of the pipeline; and
- the person is prepared to fund the costs associated with the connection.

Policy questions: Can the proposed interconnection principles adequately cater for connections by suppliers of natural gas equivalents or constituent gases, or are changes to these principles required?

Preliminary views: Consistent with the view expressed by the majority of stakeholders, it would appear that the new interconnection principles can cater for connections by suppliers of natural gas equivalents and constituent gases.

While it has been suggested that service providers may require more discretion, in our view there is already sufficient discretion in the principles for connections to be rejected where it is not technically feasible or consistent with the safe and reliable operation of the pipeline.

The preliminary policy position is that the new pipeline interconnection principles are fit for purpose and that no changes are required.

Supplier access to pipelines: Information to facilitate connections

Background: There is currently no requirement in the NGR for service providers to publish information to facilitate connections. This is, instead, assumed to be dealt with through bilateral connection negotiations.

Policy question: Should service providers be required to publish information on where connections of natural gas equivalents or constituent gases would be technically feasible, or should this be left to negotiations?

Preliminary views: Our preliminary view is that the costs of requiring service providers to undertake an upfront assessment of where it would be technically feasible to connect to a pipeline are likely to outweigh the benefits (at least in the initial stages of the market's development).

However, there could be value in requiring service providers to publish other information that could inform connection decision, such as:

- information on those parts of the pipeline in which natural gas equivalents blends or constituent gases can be supplied and any limits on blending that apply in those parts of the pipeline
- the minimum, maximum and average level of blending that has occurred in the pipeline (or parts of the pipeline) and any curtailment of suppliers that has occurred in the last month (or quarter)
- a register of supply facilities connected to the pipeline and their location.

Supplier access to pipelines: Information to facilitate connections policy options

Policy options:

OPTION 1: NO INFORMATION PROVISION

Under this option, there would be no requirement for service providers to publish information to facilitate connections by suppliers of NGEs or constituent gases. The feasibility of a connection would instead be assumed to be assessed through the connection process.

OPTION 2: LOW COST INFORMATION PROVISION

Under this option, service providers would be required to a range of relatively low cost information to help inform a prospective supplier’s decision about whether it could connect to the pipeline and, if so, where it may be feasible to do so, such as:

- information on those parts of the pipeline in which natural gas equivalents blends or constituent gases can be supplied and any limits on blending in those parts of the pipeline
- the minimum, maximum and average level of blending that has occurred in the pipeline (or parts of the pipeline) and any curtailment that has occurred in the last month (or quarter)
- a register of supply facilities connected to the pipeline (incl. location).

If implemented, this option would require more consideration of precisely what information should be reported.

Preliminary views: Our preliminary view is that Option 2 should be implemented, but we are seeking input from stakeholders on the information that would be useful to potential suppliers, but would not place an undue regulatory burden on service providers.

The preliminary policy position is that Option 2 should be implemented.

Supplier access to pipelines: Need for curtailment rules

Background: The NGR do not currently contain any specific rules on curtailment. This has instead been assumed to be dealt with through the curtailment provisions in contracts.

Policy question: Are rules required to address the risk that service providers may curtail suppliers of natural gas equivalents and constituent gases ahead of their own affiliate suppliers, or can this be left to the ring-fencing arrangements and the prohibition in the NGL on service providers preventing or hindering access?

Preliminary views: The decision in this case will depend on what is done in relation to ring-fencing and if exemptions for trials are allowed. For example:

- If service providers are prohibited from producing, purchasing or supplying natural gas equivalents or constituent gases and no exemptions are available for trials, then there is unlikely to be any value in amending the NGR (i.e. because there would be no risk of a service provider favouring an affiliate).
- If, however, service providers are able to undertake these activities, even just for trial purposes, then there could be value in amending the NGR to either:
 - prohibit service providers from favouring an affiliate through the curtailment process and to require service providers to publish their supplier focused curtailment methodology; or
 - specify the supplier focused curtailment methodology that service providers would be required to comply with.

Supplier access to pipelines: Need for curtailment rules (cont.)

Policy options:

OPTION 1: NO CHANGE TO THE NGR	OPTION 2: AMEND THE NGR BUT PROVIDE SERVICE PROVIDERS WITH SOME DISCRETION IN RELATION TO THEIR CURTAILMENT METHODOLOGY	OPTION 3: AMEND THE NGR TO SET OUT THE CURTAILMENT METHODOLOGY TO BE COMPLIED WITH BY SERVICE PROVIDERS
<p>Under this option, there would be no changes made to the NGR. Reliance would instead be placed on the ring-fencing provisions on the prohibition on service providers preventing or hindering access to a pipeline.</p>	<p>Under this option, the NGR would be amended to:</p> <ul style="list-style-type: none">• prohibit service providers from favouring an affiliate through the curtailment process; and• require service providers to publish their curtailment methodologies, as they relate to the potential curtailment of suppliers of natural gas equivalents and constituent gases.	<p>Under this option, the NGR would set out the methodology that service providers would have to comply with when curtailing suppliers of natural gas equivalents and/or constituent gases.</p>

Preliminary views: Our preliminary view is that Option 2 should be implemented, but we are seeking input from stakeholders on this option and the other options listed above.

The preliminary policy position is that Option 2 should be implemented.

Supplier access to pipelines: Breakout room questions

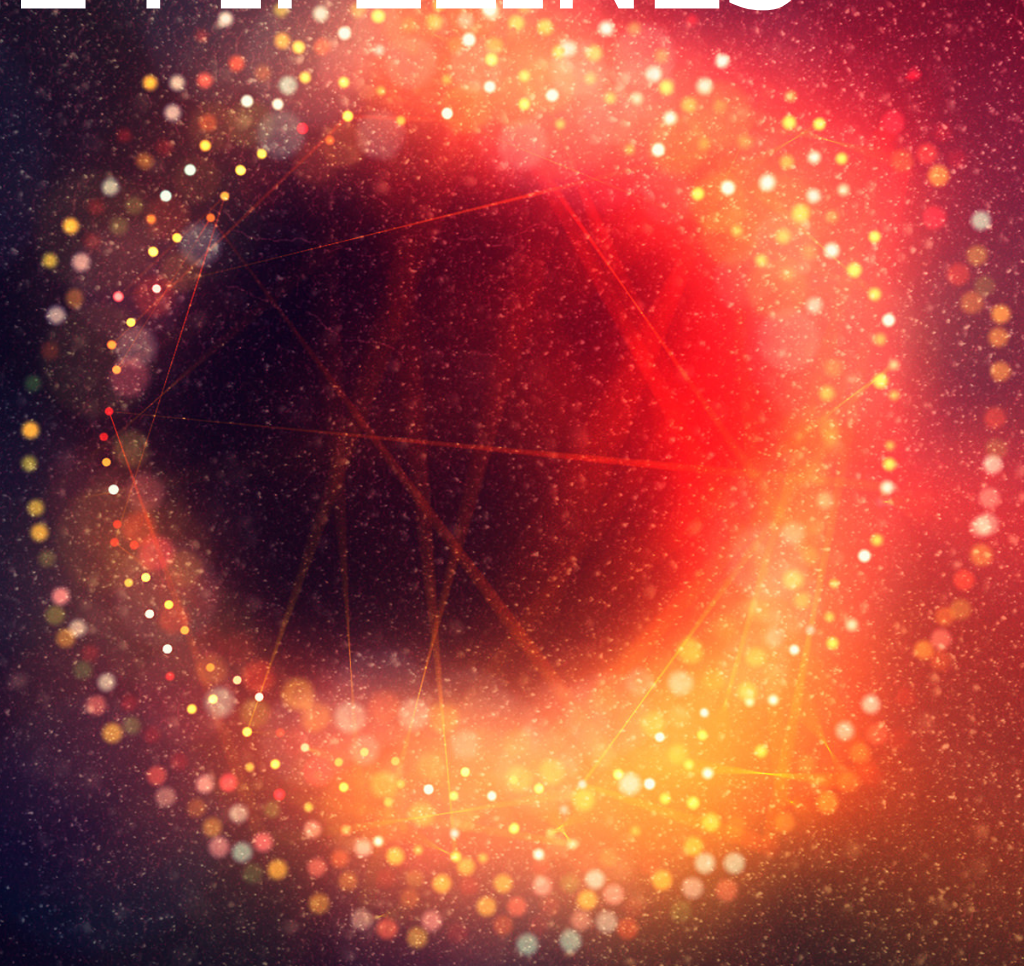
1. **Adequacy of pipeline interconnection principles:** Do stakeholders agree with the proposal to rely on the pipeline interconnection principles being implemented as part of the pipeline economic regulation reforms?
2. **Information to facilitate connections:** Do stakeholders agree with the proposal to implement policy option 2, which would require service providers to publish some relatively low cost information to help inform a prospective supplier's decision about whether it could connect to the pipeline?

If so, what information do you think would be useful to potential suppliers, but not place an undue regulatory burden on service providers?

The information that has potentially been identified includes information on those parts of the pipeline in which natural gas equivalents blends or constituent gases can be supplied, any limits on blending, historic blending levels and the location of current facilities.

3. **Curtailment:** Do stakeholders agree with the proposal to address the risk of service providers favouring an affiliate through the curtailment process by implementing policy option 2 – that is, by:
 - prohibiting service providers from favouring an affiliate through the curtailment process; and
 - requiring service providers to publish their curtailment methodologies, as they relate to the potential curtailment of suppliers of natural gas equivalents and constituent gases?

RULES FOR SCHEME AND NON-SCHEME PIPELINES



Stakeholder feedback on the consultation paper

AREA	CONSULTATION QUESTIONS	STAKEHOLDER FEEDBACK
Additional guidance for regulators and arbitrators	Should the NGR be amended to: (a) provide the relevant regulator and arbitrators with additional guidance on how to assess proposals to transition a pipeline to a natural gas equivalent where a jurisdiction does not mandate the transition? (b) require arbitrators to consider regulatory obligations (including an obligation to transition a pipeline)	<p>The majority of stakeholders supported amending the NGR to:</p> <ul style="list-style-type: none">• provide regulators and arbitrators with additional guidance on how to assess proposals to transition a pipeline to a natural gas equivalent that have not been mandated; and• require arbitrators to consider regulatory obligations. <p>Some stakeholders did, however, note that the framework may not actively encourage the transition unless the expenditure criteria are amended to allow consideration of environmental benefits. Others also noted the importance of considering consumer preferences.</p>
Treatment of government grants	Should the NGR be amended to specify how government grants should be treated?	<p>The majority of stakeholders supported amending the NGR to clarify how government grants are to be treated.</p>

Additional guidance for regulators and arbitrators

Background: Under the current rules applying to scheme pipelines, if a jurisdiction:

- mandates that a pipeline transition to a natural gas equivalent, this will be treated as a regulatory obligation and the regulator would have limited scope to reject proposed expenditure for the transition; and
- does not mandate the transition, the regulator would need to assess any proposed transition by the service provider having regard to the expenditure criteria in the NGR and the National Gas Objective.

Policy questions: There are two policy questions that need to be addressed in this case:

1. Is the regulator or an arbitrator well placed to assess a proposal by a service provider to transition a pipeline to a natural gas equivalent where the transition has not been mandated by a jurisdiction?
2. If so, should the rules provide any additional guidance on how a proposed transition should be assessed?

Additional guidance for regulators and arbitrators (cont.)

Preliminary views: We are yet to form a view on whether regulators and arbitrators are well placed to assess a service provider’s proposal to transition to the supply of a natural gas equivalent where it has not been mandated. We would therefore welcome stakeholder views on this policy question.

If a decision is made that regulators and arbitrators should be able to consider these proposals, then there are three potential policy options that could be implemented.

Policy options:

OPTION 1: NO ADDITIONAL GUIDANCE	OPTION 2: AMEND THE EXISTING EXPENDITURE CRITERIA	OPTION 3: INCLUDE A NEW PROVISION IN THE NGR THAT SETS OUT ALL THE MATTERS TO BE CONSIDERED
Under this option no additional guidance would be provided in the NGR on how an assessment is to be undertaken. The regulator (arbitrator) would therefore just have to assess the proposal having regard to the expenditure criteria in Part 9 of the NGR (the arbitration pricing principles)	Under this option, the capex and opex provisions in Part 9 of the NGR would be amended to provide the regulator with more guidance on how to consider the prudence and efficiency of a proposed transition. The cost provisions in the arbitration pricing principles could also be amended.	Under this option, a new provision would be included in the NGR that would set out all the matters to be considered by a regulator/arbitrator when considering a proposed transition. This rule would, for example, require consideration to be given to consumer interests, all of the costs and benefits associated with the transition (including any trade-offs and opportunity costs, such as stranded assets). It would also require the regulator/arbitrator to engage with the technical regulator and relevant government

Of the options, Option 3 is likely to result in a more fulsome and proper assessment of whether the transition would be consistent with the National Gas Objective, because it would allow a proper consideration of all the costs and benefits, as well as consumer interests. It would also avoid any unintended consequences from amending expenditure criteria.

Our preliminary policy position is that Option 3 should be implemented if a decision is made that a regulator/arbitrator should be able to assess proposals to transition to a natural gas equivalent.

Treatment of government grants and concessional finance

Background: Part 9 of the NGR, which applies to scheme pipelines, sets out how user contributions are to be accounted for. It does not, however, set out how gvt grants or concessional financing should be treated. The arbitration provisions that apply to non-scheme pipelines also provide no guidance on these matters.

Policy questions: Should the NGR be amended to specify how government grants and/or concessional financing should be treated?

Preliminary views: Consistent with the view expressed by most stakeholders, we think there would be value in removing any ambiguity about how government grants (including ARENA grants) are to be treated for regulatory purposes, by amending the NGR to treat these grants in the same way as user capital contributions.

While not identified in the consultation paper, we also think there could be value in providing the regulator or arbitrator some discretion to determine whether or not to take into account any concessional financing a service provider may have obtained (e.g. from CEFC) when determining the cost of service provision. We are, however, interested in stakeholders view on this issue.

Our preliminary policy position is that the NGR be amended to:

- **set out how government grants are to be treated**
- **provide the regulator with some discretion as to how concessional financing is treated**

Rules for scheme and non-scheme pipelines: Breakout room questions

1. Additional guidance for regulators and arbitrators:

- a. Do stakeholders think that regulators and arbitrators are well placed to assess a proposal by a service provider to transition a pipeline to a natural gas equivalent where the transition is not mandated? If not, who do you think is best placed to undertake this assessment?
- b. If a decision is made that regulators and arbitrators can assess these proposals, do stakeholders think that Option 3 should be implemented, which would involve the inclusion of a rule that sets out all the matters to be considered when undertaking such an assessment? Or is one of the other options more appropriate?
- c. If Option 3 was to be implemented, should it, in the case of a scheme pipeline, be considered:
 - a. as part of a proposed access arrangement?
 - b. through a separate process to the access arrangement process?

2. Treatment of government grants and concessional finance: Do stakeholders agree with the proposals to amend the NGR to:

- set out how government grants are to be treated?
- provide the regulator with some discretion as to how concessional financing is treated?

RING-FENCING EXEMPTION FRAMEWORK

Ring-fencing exemptions: Stakeholder feedback

AREA	CONSULTATION QUESTIONS	STAKEHOLDER FEEDBACK
Ring- fencing exemption framework	<p>Should the ring-fencing exemption framework be amended to allow service providers to conduct trials involving the production, purchase or sale of natural gas equivalents or constituent gases?</p> <p>If so, should there be any limit on the size of a trial?</p>	<ul style="list-style-type: none">• While pipeline service providers and some other stakeholders supported the inclusion of an exemption from ring-fencing for trials (and in some cases, beyond the trial stage), there was strong opposition to this from a number of retailers and consumer groups.• Those that supported an exemption for trials stated that the ring-fencing arrangements may ‘unnecessarily stifle or restrict proposed investments in renewable gas projects (particularly for trials and demonstration projects)’.• Those that were opposed to the provision of an exemption for trials noted the critical role played by the ring-fencing arrangements in terms of delineating between contestable and non-contestable activities. They were also of the view that customers shouldn’t pay for production and blending via regulated charges.• On the issue of whether there should be any limit on trials, a number of stakeholders supported the application of a volumetric limit, while others thought there should be no limit.

Ring-fencing exemptions: Background

Background: The NGL sets out minimum ring-fencing requirements, which includes:

- (a) a prohibition on service providers carrying on the related business of producing, purchasing or selling gas, but not to the extent necessary: (i) for a pipeline's safe and reliable operation; or (ii) for balancing services;
- (b) a prohibition on marketing staff taking part in a related business; and
- (c) a requirement for the service provider to keep separate accounts.

Exemptions from these requirements can be obtained under the NGR. A service provider can, for example, obtain an exemption from the prohibition on carrying on a related business, if the regulator is satisfied:

- a. Either: (i) the pipeline is not a significant part of a jurisdictional pipeline system, or (ii) the service provider does not have a significant interest in the pipeline and doesn't actively participate in its management or operation; and
- b. the cost of compliance outweighs the public benefit; and
- c. the service provider has established internal controls that substantially replicate the effect achieved if a related business were divested to a separate entity and dealings subject to the controls applied to associate contracts.

It is important to note that even if a service provider does not obtain an exemption, an associate can still undertake a related business. If this occurs, the associate contract provisions in the NGL will apply to the arrangements. These provisions prohibit a service provider from entering into an associate contract (unless approved by the regulator) that:

- will have an anti-competitive effect; or
- is inconsistent with the competitive parity rule (i.e. the associate must be treated as if it was an unrelated business).

Ring-fencing exemptions: Policy issues

Policy questions: The key policy questions to be addressed in this case are whether:

- the ring-fencing exemption framework is fit for purpose?
- the exemption framework should be amended to allow service providers to conduct trials involving the production, purchase or sale of natural gas equivalents and/or constituent gases?

Preliminary views: We do not currently have a view on these matters, so are seeking stakeholder feedback and the input of regulators on these questions.

Ring-fencing exemptions: Breakout room questions

1. Should exemptions from the prohibition on service providers producing, purchasing or selling natural gas equivalents or constituent gases (and the prohibition on sharing marketing staff) be available for trials?
2. If so:
 - a. Why is an exemption considered necessary?
 - b. Why couldn't service providers just establish an associate entity to conduct the trials and have any contracts properly assessed by the regulator under the associate contract provisions?
 - c. What would be the benefits of an exemption for consumers?
3. If an exemption from ring-fencing for trials is to be provided for in the NGR:
 - How would the exemption work and what would occur at the end of the trial?
 - How could a trial be defined, and should it be subject to a volumetric and/or time limit?
 - Would the costs of the trial be passed onto consumers?

REGULATORY SANDBOX FRAMEWORK

Agenda

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1. Issues for consultation
 2. Opt-outs and additional protections
 3. Consultation
 4. Pre-conditions
-

Regulatory sandboxes – ISSUES FOR CONSULTATION

Opt-outs

Is it practicable for a retail customer to opt out of a change of product trial? If not:

- should the requirements for explicit informed consent be amended to require the trial proponent to advise potential trial participants that they will be unable to opt out during the trial?
- should the AER have the power to extend a change of product trial if retail customers cannot practicably opt out of the trial?

Consultation

Are any changes required to consultation requirements for change of product trials?

Pre-conditions

Should there be additional pre-conditions for trial waivers for a change of product trial involving another gas product? For example, in relation to the assessment of the safety, security and reliability impact of a change of product trial

Regulatory Sandboxes

AREA	POLICY ISSUE	STAKEHOLDER FEEDBACK
Opt-outs and additional protections	<p>The trial project guidelines to be made by the AER must provide for processes by which, and grounds upon which, a person to whom a trial waiver is granted must allow a retail customer to opt out of a trial project. It does not appear practical for an individual customer to have a choice in gas product for a change of product trial as there will only be the test product supplied during the trial.</p> <p>Should the explicit informed consent provisions be amended to include information that a participant cannot opt out during the trial project?</p> <p>Should the AER have the power to extend a 'change of product' trial if retail customers cannot opt out of the trial?</p>	<p>Most stakeholders agreed that the opt-out arrangements are not practicable for a change of product trial. Jemena considered the sandbox arrangements would not be used for trials of natural gas equivalents.</p> <p>The majority of stakeholders considered additional protections are required for customers, however, views varied on the type of protections. AGIG and ATCO supported changes to the explicit informed consent provisions for change of product trials to require trial proponents to inform customers that they will not be able to opt out of the trial.</p> <p>EnergyAustralia and the AER raised concerns about price increases for customers participating in trials and considered that there should be no price increases for change of product trial participants compared to customers being supplied with natural gas.</p>
Consultation	<p>The draft regulatory sandboxing rules require the AER to carry out publication consultation for trial waivers unless satisfied the proposed project is unlikely to have an impact on other registered participants and unlikely to have a direct impact on retail customers other than those who provide explicit informed consent to participate. The trial project guidelines must specify the procedures by which the public consultation will be carried out.</p> <p>Should the AER be required to publicly consult on trial waiver applications for change of product trials?</p> <p>Should the AER's powers to extend trial projects be made subject to receiving consent from all participating customers?</p>	<p>A number of stakeholders stated an expectation that sufficient community consultation would be undertaken and that the trial receive broad support prior to its commencement. Most stakeholders who responded on this issue considered that the AER's existing discretion in relation to consultation is appropriate and does not require change (Jemena, Alinta) or that any changes to consultation requirements need further consideration (AGL).</p> <p>EnergyAustralia considered that retailers will need to be informed of customers who may be impacted by trials so they can manage complaints and direct customers to networks (trial proponents).</p>

Regulatory Sandboxes

AREA	POLICY ISSUE	STAKEHOLDER FEEDBACK
Pre-conditions	<p>The draft regulatory sandbox rules require the AER to consider the safety, security and reliability impacts of a trial waiver before making its decision on the trial waiver.</p> <p>Should approval from the relevant jurisdictional technical regulator be a pre-condition to granting a trial waiver or trial rule for a change of product trial involving an other gas product?</p>	<p>Stakeholders expressed differing views as to whether additional pre-conditions should be introduced for change of product trials.</p> <p>Some thought the current assessment of safety, security and reliability impacts by the AER before making decisions and jurisdictional safety requirements should be sufficient to ensure necessary protections are in place for change of product trials and cautioned against introducing new requirements that may be a barrier to innovation (Jemena, ATCO).</p> <p>The AER supported strengthening consumer protections for change of product trials including amendments to the proposed regulatory sandbox framework to require approval from the technical regulator as a pre-condition.</p> <p>Rheem considered that additional requirements should be introduced for change of product trials including a requirement to display warning notices on appliances and a requirement for a safety assessment prior to conversion to a new gas type.</p>

Opt-outs and additional protections

Policy issue: Whether it is practical to allow trial participants to opt out during a change of product trial and, if not, whether additional protections are required for trial participants entering such trials (e.g. changes to explicit informed consent requirements and/or limitations on the AER's ability to extend a trial).

Analysis: It is not practical for individual trial participants to opt out during a change of product trial as, once a product is being supplied in a network or part of a network, all customers connected in that trial area will receive the same product during the trial. Our preliminary position, which is supported by stakeholder feedback, is that there should be additional protections for customers ahead of participating in a change of product trial. We do not consider the AER's discretion to extend trials requires amendment.

OPTION ONE: REQUIRE EXPLICIT INFORMED CONSENT FROM ALL TRIAL PARTICIPANTS

A trial proponent would be required to obtain explicit informed consent from all trial participants before commencing the trial

OPTION TWO: REQUIRE EXPLICIT INFORMED CONSENT FROM ALL TRIAL PARTICIPANTS UNLESS THE AER OTHERWISE AGREES

A trial proponent would be required to obtain explicit informed consent from all trial participants before commencing the trial unless the AER otherwise agrees

The preliminary policy position we prefer is option two because it provides additional protections to customers in relation to change of product trials but retains flexibility for the AER to agree otherwise having regard to the specific circumstances of the relevant trial.

Consultation requirements

Policy issue: Whether the AER should be required to undertake public consultation for all change of product trials.

Analysis: The draft regulatory sandboxing rules require the AER to carry out publication consultation for trial waivers unless satisfied the proposed project is unlikely to have an impact on other registered participants and unlikely to have a direct impact on retail customers other than those who provide explicit informed consent to participate. The draft regulatory sandboxing rules do not include specific requirements in relation to how distributors who are proponents of trial projects are required to communicate the nature and impact of trials with retailers with whom they shared customers.

Our preliminary position is that:

- **the proposed consultation requirements under the draft sandboxing rules provide appropriate protection to customers and registered participants;**
- **as customer relationships are generally managed by retailers, further consideration is required in relation to whether retailers whose customers are participating in trials need further information from trial proponents on the potential impact of trials on their customers.**

Pre-conditions to approval of trial waivers or trial rules

Policy issue: Should approval from the relevant jurisdictional technical regulator be a pre-condition to the AER granting a trial waiver or the AEMC making a trial rule for a change of product trial?

Analysis: The draft regulatory sandboxing rules require the AER to consider the safety, security and reliability impacts of a trial waiver before making its decision on a trial waiver. Our preliminary position is that this requirement should be supplemented, in the case of a change of product trial, with a requirement that the relevant jurisdictional technical regulator has approved the trial.

Our preliminary policy position is that approval of the relevant jurisdictional regulator should be a pre-condition to the AER granting a trial waiver or the AEMC making a trial rule.

MARKET TRANSPARENCY MECHANISMS

(APPLICABLE IN EAST COAST AND NT ONLY)

Agenda

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1. Overview of Stakeholder Feedback
 2. Gas Statement of Opportunities (GSOO) and Victorian Gas Planning Report (VGPR)
 3. Bulletin Board
 4. AER Price Reporting
 5. Information to Facilitate Access to Unregulated Infrastructure
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Stakeholder Feedback

AREA	POLICY ISSUES	STAKEHOLDER FEEDBACK
Extension of transparency mechanisms to natural gas equivalents	Should the existing transparency mechanisms in the NGR be extended to facilities involved in the supply of natural gas equivalents?	Stakeholders generally supported the extension of the existing transparency mechanisms in the NGR to natural gas equivalents.
Extension of transparency mechanisms to constituent gases	Should the existing transparency mechanisms in the NGR be extended to facilities involved in the supply of constituent gases?	<p>Most stakeholders considered that the extension of the existing transparency mechanisms to constituent gases should be deferred until the market develops, given the costs associated with reporting obligations.</p> <p>There were, however, some exceptions to this, with:</p> <ul style="list-style-type: none">• two stakeholders advocating the extension occur as part of this process (AGL and PIAC); and• AEMO suggesting that the GSOO and VGPR could be extended as part of this process, but the extension of the Bulletin Board deferred.

GSOO and VGPR

Background: Part 15D of the NGR, which is in the process of being amended, sets out the information to be included in the GSOO and the powers AEMO has to collect information for the purposes of preparing the GSOO.

The planning review provisions in Part 19 of the NGR set out the information to be included in the VGPR and the obligations that registered participants (specified in Part 15A of the NGR) have to provide AEMO with information to prepare the VGPR.

Policy issues: The key policy question to be addressed in this case is whether the GSOO and VGPR should extend to facilities involved in the supply of natural gas equivalents and constituent gases?

Preliminary view: Our preliminary view is that it would be consistent with the objectives of the GSOO and VGPR to extend their application to facilities involved in the supply of natural gas equivalents and constituent gases.

This will require a number of changes to Parts 15A, 15D and 19 of the NGR.

The preliminary policy position is that the GSOO and VGPR should extend to the facilities involved in the supply of natural gas equivalents and constituent gases.

GSOO information

Forecast information that could be reported by facilities involved in the supply of NGEs and constituent gases

INFORMATION	NATURAL GAS EQUIVALENTS	CONSTITUENT GASES
Information to be reported by producers (to be extended to include blending facilities)		
Reserves and resources	?	?
Production forecasts	✓	✓
Contracted production	✓	✓
Annual and peak day capacity of, and constraints affecting production facilities	✓	✓
Committed and proposed new or expanded production facilities	✓	✓
Information to be reported by transmission pipelines		
Annual and peak day capacity of, and transmission constraints	✓	✓
Committed and proposed new or expanded pipelines and augmentations	✓	✓
Information to be reported by storage facilities		
Peak day capacity of, and constraints on, storage facilities	✓	✓
Committed and proposed new or expanded storage facilities	✓	✓

VGPR information

Forecast information that could be reported by facilities involved in the supply of NGEs and constituent gases

INFORMATION	NATURAL GAS EQUIVALENTS	CONSTITUENT GASES
Information to be reported by producers (to be extended to include blending facilities)		
Available and prospective gas supply and the source of supply	✓	✓
Annual and monthly production forecasts	✓	✓
Gas supply projects	✓	✓
Information to be reported by pipelines		
Annual and monthly forecasts	✓	✓
Pipeline capacity	✓	✓
Transmission and distribution projects (including extensions and expansions)	✓	✓
Availability of equipment, details of any constraints and proposed maintenance	✓	✓
Information to be reported by storage facilities		
Annual and monthly forecasts	✓	✓
Storage capacity	✓	✓
Storage operating parameters	✓	✓
Storage projects	✓	✓
Availability of equipment, details of any constraints and proposed maintenance	✓	✓

Bulletin Board

Background: Part 18 of the NGR, which is currently being amended, requires operators of production facilities, transmission pipelines, stand-alone compression facilities and storage facilities with a nameplate rating of 10 TJ/day to provide AEMO a range of operational and market related information for publication on the Bulletin Board. It will also soon require operators of LNG export and import facilities, large users and parties to gas supply and gas swap agreements to provide information for the Bulletin Board.

Policy issues: The key policy questions to be resolved in this case are whether:

- a. the BB should extend to facilities involved in the supply of natural gas equivalents and constituent gases?
- b. distribution connected suppliers and blending facilities should be required to register and report some basic standing information on their facilities for publication on the Bulletin Board, irrespective of nameplate capacity?
- c. distribution pipelines transporting a blend should be required to report information on blending levels and any curtailment of NGE or constituent gas suppliers that has occurred in the last month (or quarter)?

Preliminary view: Our preliminary view is that it would be consistent with the objectives of the Bulletin Board to amend Part 18 of the NGR to extend its application to natural gas equivalents and constituent gases and require the information in (b) and (c) to be reported.

The preliminary policy position is that the Bulletin Board should extend to the facilities involved in the supply of natural gas equivalents and constituent gases and distribution connected suppliers and distribution pipelines should be required to publish some limited information

Bulletin Board

Basic standing information distribution connected suppliers and blending facilities could be required to report

INFORMATION	NATURAL GAS	NATURAL GAS EQUIVALENTS	CONSTITUENT GASES
Nameplate rating	✓	✓	✓
Receipt or delivery points at which the facility is connected	✓	✓	✓

Information that distribution pipelines where a blend is supplied could be required to report

INFORMATION
Those parts of the pipeline in which natural gas equivalents blends or constituent gases can be supplied
Any limits on blending that apply to the pipeline (or parts of the pipeline)
The minimum, maximum and average level of blending that has occurred in the pipeline (or parts of the pipeline) in the last month (or quarter)
Any curtailment of natural gas equivalents or constituent gas suppliers that has occurred in the last month (or quarter)

Bulletin Board information that could be reported

INFORMATION	NATURAL GAS EQUIVALENTS	CONSTITUENT GASES
Production facility operators with nameplate rating ≥ 10 TJ/day (Blending facilities could be subject to similar obligations but amended to account for injections & withdrawals from these facilities)		
Nameplate rating and detailed facility information	✓	✓
Short term capacity outlook (7 day outlook) and material intra-day changes	✓	✓
Medium term capacity outlook (12 months)	✓	✓
Nominations and forecast use of production facilities (7 days)	✓	✓
Actual daily production data	✓	✓
Facility development projects	✓	✓
Transmission pipelines and stand-alone compression facilities with nameplate rating ≥ 10 TJ/day		
Nameplate rating and detailed facility information	✓	✓
Short term capacity outlook (7 day outlook) and material intra-day changes	✓	✓
Linepack Capacity Adequacy indicator flag	✓	✓
Medium term capacity outlook (12 months)	✓	✓
Nominations and forecast use of production facilities (7 days)	✓	✓
Actual daily flow data (or daily production data for compression)	✓	✓
Facility development projects	✓	✓
Uncontracted pipeline capacity and list of shippers with primary firm capacity	✓	✓

Bulletin Board information that could be reported (cont.)

INFORMATION	NATURAL GAS EQUIVALENTS	CONSTITUENT GASES
Storage facility operators with nameplate rating ≥ 10 TJ/day		
Nameplate rating and detailed facility information	✓	✓
Short term capacity outlook (7 day outlook) and material intra-day changes	✓	✓
Medium term capacity outlook (12 months)	✓	✓
Nominations and forecast use of production facilities (7 days)	✓	✓
Actual daily storage data	✓	✓
Facility development projects	✓	✓
Uncontracted pipeline capacity and list of shippers with primary firm capacity	✓	✓
Allocation arrangements		
Information on allocation methodology and associated information at BB allocation points	✓	✓
Parties to contracts		
Sellers in short term gas supply agreements and gas swaps with contract quantity of at least 1 TJ to report price and non-price terms and conditions	✓	✓
Sellers in secondary trades of transportation and storage capacity to report prices and non-price terms and conditions	✓	✓

AER Gas price reporting

Background: As part of the transparency reforms, the NGL and NGR will be amended to provide for the AER to publish a range of gas price information once the ACCC’s Gas Inquiry ceases (expected 2025).

Policy issue: The key policy question to be resolved in this case is whether the AER’s new price reporting function should extend to the price of NGEs and constituent gases?

Preliminary view: The AER’s price reporting function should extend to the price of natural gas equivalents and constituent gases, noting that this function will not be exercised until 2025 at the earliest. This will require a number of changes to Part 17 of the NGR.

Information that could be reported

INFORMATION	NATURAL GAS EQUIVALENTS	CONSTITUENT GASES
Prices under gas supply agreements	✓	✓
Prices under gas swap agreements	✓	✓
Non-price information	✓	✓

The preliminary policy position is that the AER’s price reporting functions should be extended

Information to facilitate access to infrastructure not subject to economic regulation

Background: As part of the pipeline regulation reforms, the NGR will be amended to include Part 18A. This new part will require stand-alone natural gas compression and natural gas storage facility operators to publish standing terms, actual price information and a range of other information to facilitate access to this infrastructure.

- Policy issue:** The key policy questions to be resolved are whether these provisions should extend to:
- compression and storage facilities involved in the supply of natural gas equivalents and constituent gases?
 - blending facilities if they are not subject to economic regulation?

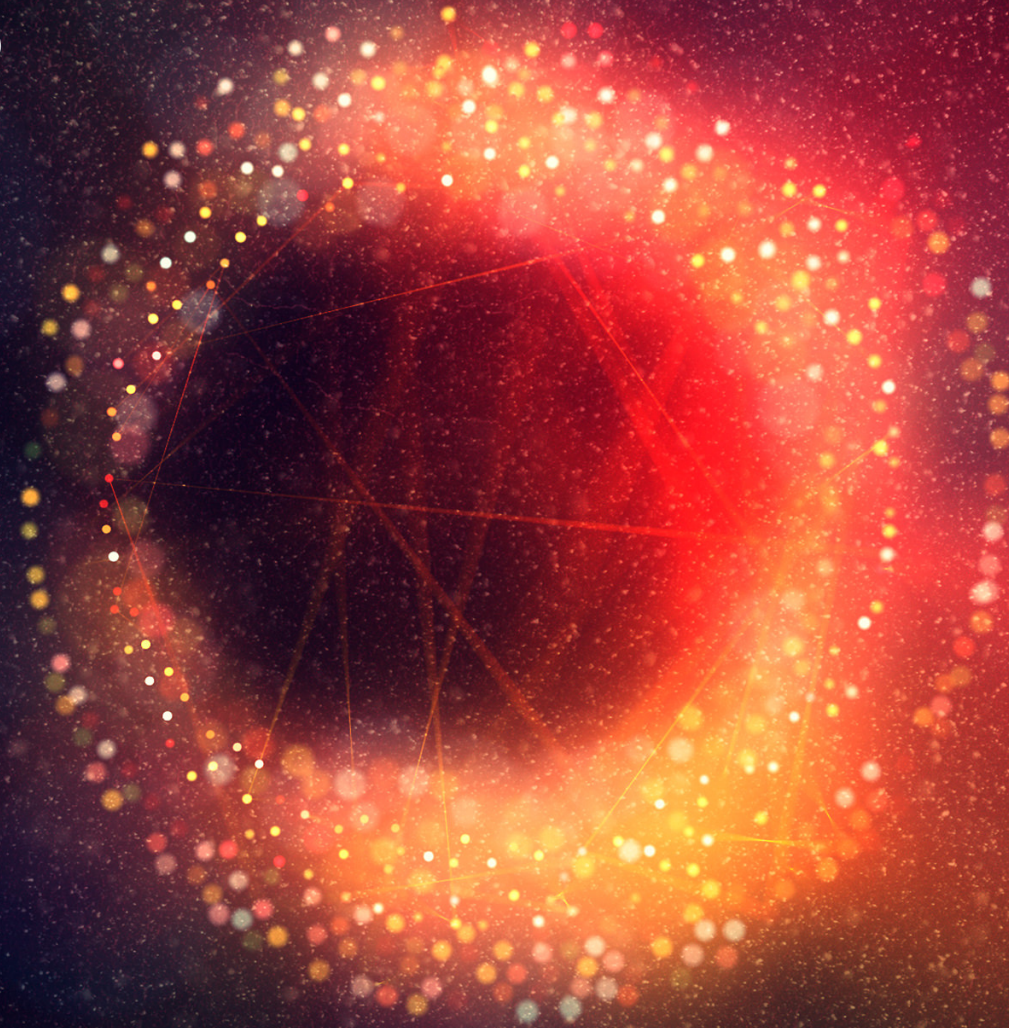
Preliminary view: Compression and storage facilities involved in the supply of natural gas equivalents and constituent gases, and blending facilities (if not subject to economic regulation) should be subject to Part 18A reporting obligations to facilitate access to these facilities.

Information that could be reported:

INFORMATION	NATURAL GAS EQUIVALENTS (stand-alone compression and storage facilities & blending facilities)	CONSTITUENT GASES (stand-alone compression and storage facilities)
Standing terms and conditions for services offered by facilities (including standing prices)	✓	✓
Methodology used to calculate standing prices	✓	✓
Actual prices paid and key non-price terms	✓	✓

The preliminary policy position is that the Part 18A should extend to compression & storage facilities involved in the supply of natural gas equivalents and constituent gases, and blending facilities

WRAP UP AND NEXT STEPS



Wrap up



Slides from each of the forums will be on the AEMC website in the next few days.
For any queries or additional information please contact James.



The draft rule determination for the DWGM rule change and draft report for the hydrogen review will be published at the end of March 2022.



Thanks for your participation over the last three days.



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Review into extending the regulatory frameworks to hydrogen and renewable gases

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Link to project page ([here](#))

DWGM distribution connected facilities rule change

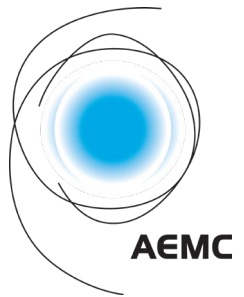
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