



AEMC draft recommendations for hydrogen and renewable gases

The AEMC has published draft recommendations for updating the national gas and energy retail regulatory frameworks to include hydrogen and renewable gases.

As requested by Energy Ministers, the AEMC is reviewing the national gas and energy retail regulatory frameworks to assess how these can be amended to include hydrogen and renewable gases as well as natural gas.

The AEMC's draft report sets out 25 draft recommendations on what changes it considers are necessary for the gas sector to embrace the emerging new gases while remaining consistent with achieving the long term interests of consumers.

The Commission has also considered how its draft recommendations support and enable the decarbonisation of the energy market. In addition, it has sought to provide a framework for market participants to continue to innovate in a market that is open to competitive tension and fosters efficiencies that will result in new gas services that customers seek.

The draft recommendations have been made to enable:

- efficient delivery of new services through the operation of markets that enable new entrants to emerge and for efficient investment to be undertaken
- continued innovation in developing new services for customers
- the implementation of recommendations that aim to be fit for purpose and proportionate to the issues they seek to address and achievable for market participants
- clarity on the roles and responsibilities for the quality, safety, reliability, and security of supply of gas, to maintain operational safety of infrastructure and customer equipment and appliances
- existing consumer protections to be maintained during the transition to the increasing use of hydrogen and renewable gases.

Draft recommendations

The draft report sets out the AEMC's recommended changes to the National Gas Rules and National Energy Retail Rules to support the extension of the regulatory frameworks. With these changes, the frameworks will then include natural gas, hydrogen and renewable gases (together referred to as covered gases).

Key draft recommendations are to:

- extend the economic regulatory framework
- extend the market transparency mechanisms of the Gas Statement of Opportunities, the Gas Bulletin Board, the Victorian Gas Planning Report, new AER gas price reporting functions and reporting obligations for non-pipeline infrastructure
- streamline the arrangements for the short term trading market
- adapt the Victorian declared wholesale gas market (DWGM)
- allow new services and commodities to be priced or traded within the retail gas markets
- enable consumers to be informed about the transition to natural gas equivalents
- retain the new regulatory sandbox rules in their current form.

In addition to these draft recommendations the AER has advised that changes should also be made to the:

- exemption framework for minimum ring-fencing requirements

- the regulator's power to impose additional ring-fencing requirements
- and the associate contract approvals process.

As requested by Energy Ministers, the AEMC's draft report sets out the AER's views for consultation.

DWGM distribution connected facilities rule change process

Concurrent and related to this review, the AEMC is undertaking a rule change process to assess a request from the Victorian Minister for Energy, Environment and Climate Change. The rule change request seeks to enable the participation of distribution connected production and storage facilities in the DWGM. While the request does not explicitly target the integration of hydrogen blends and renewable gases, its focus on allowing distribution connected facilities to participate in the DWGM has implications for enabling covered gases to be injected into gas distribution systems in Victoria.

Next steps

A public forum will be held on Friday 1 April 2022 by the Department of Industry, Science, Energy and Resources. AEMC staff will be presenting an overview of the draft recommendations at this forum. Contact renewablegas@industry.gov.au to register.

Written submissions to the draft report are sought by Thursday 19 May 2022.

A final report is expected to be published on 8 September 2022 and a set of rules provided to Energy Ministers for approval by 14 November 2022.

Background about the review

In August 2021, Energy Ministers tasked the AEMC with a review of the National Gas Rules (NGR) and National Energy Retail Rules (NERR) in order to develop initial rules that will extend the regulatory frameworks to include low-level hydrogen blends and renewable gases. In addition, the AEMC is to provide ministers with advice on any changes to the National Gas Law (NGL) and National Energy Retail Law (NERL) required to enable these rules.

The purpose of the AEMC review is to:

1. Identify potential issues in the NGR and NERR that could emerge if other covered gases are permitted to be supplied through existing gas distribution pipelines.
2. Develop draft initial rules to address these issues through a consultative process.
3. Inform jurisdictional officials of any NGL or NERL changes that it considers should be made to achieve the objective of the Energy Ministers.

The AEMC has also been asked to prioritise the changes that need to be made and whether any amendments to the NGR or NERR could be deferred. This prioritisation advice will assist the Energy Ministers in meeting the expedited time frame that has been set for these reforms.

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