

From:
To:
Cc:
Subject: Draft NGR for H2 - Additional info from ATCO
Date: Tuesday, 1 November 2022 8:12:10 PM

Dear Meredith and James

Further to ATCO's submission in response to draft NGR amendments for renewable gases and our subsequent conversation on 18 October, we have outlined more details below on the points raised in our submission.

Ring fencing – ATCO's request for a grace period for restrictions relates to those associates that may now take part in a related business. ATCO have contemplated this may apply to its ATCO Australia business, which is currently seeking to develop a 10MW hydrogen production facility. Marketing staff utilised by this business, as a potential hydrogen producer, will now need to be segregated ATCO Gas Australia, as the pipeline service provider. The grace period would allow consideration of the current business structure, obtaining legal advice and implementing any necessary reorganisation of staff and external agencies.

Transitional provisions – It is noted that the exemption for ATCO Gas Australia in Schedule 6, Part 2, subrule 2(4) has been drafted differently to that for Australian Gas Networks (AGA) and Jemena (JGN). The projects for AGA and JGN seem to be defined at a higher level, combining all of the production, sale, purchase and blending activities that will be conducted at a single location into a single project definition. By contrast, ATCO's projects have been split into three separate trial projects and are more tightly defined by reference to the use or purpose of the trial activities. These differences have most likely arisen through differences in the descriptions of the projects.

Instead of maintaining the separation of ATCO's hydrogen projects, which would require further revision to the description of the trial projects as well as the drafting of the prescribed requirement (to cover ATCO's anticipated activities for these projects), ATCO would like to see a consistent approach in drafting across all the exemptions. It is suggested that the proposed approach replace the current drafting in Schedule 6 Part 2 subrule 2(4) for ATCO Gas Australia projects:

Column 1	Column 2	Column 3
Designated entity	Designated trial project	Prescribed requirement
ATCO Gas Australia Pty Ltd (ACN 089 531 975)	Hydrogen demonstration activities located at Prinsep Road, Jandakot, WA. These activities include: <ul style="list-style-type: none">the Clean Energy Innovation Hub (CEIH), a demonstration facility utilising a microgrid set up of renewable electricity and storage to produce	<ul style="list-style-type: none">Carrying on a related business of producing, purchasing and selling hydrogen and providing blend processing services (section 139 of the NGL)Marketing staff restrictions (section 140 of the NGL).

	<p>renewable hydrogen by electrolysis.</p> <ul style="list-style-type: none"> • the Hydrogen Refueller Station Project that uses renewable hydrogen from the CEIH (and potentially other sources) to supply hydrogen-powered vehicles. • the Hydrogen blending project to blend renewable hydrogen from the CEIH (and potentially other sources) with natural gas and inject the gas blend into a subsection of the natural gas distribution network 	
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In addition, ATCO will be showcasing the use of hydrogen in two other activities, a hybrid hydrogen home and fuel cell. These activities fall within the Hydrogen demonstration activities located at Prinsep Road, Jandakot and will utilise hydrogen from the CEIH (and potentially other sources). The revised drafting of the designated trial project will allow for these consequential demonstration activities as well as the potential future purchase of hydrogen for the demonstration projects and the sale of any excess hydrogen from the CEIH.

Revised drafting under the “prescribed requirements” is also suggested. The current drafting is unclear as to whether it applies to both limbs of NGL 140. We understand the intent is for the exemption to be to NGL 140 generally and therefore have revised the wording to reduce any uncertainty.

We also consider the “internal controls” condition in Schedule 6, Part 2, subrules 2(2)(a) and (b) to be unnecessary and should be deleted. We do not consider it necessary or appropriate to require such measures for these trial projects and that the requirement goes against the intent of the exemption. In any event, the drafting of the “internal controls” condition is unclear and should be consistent with the drafting of proposed r 34(3)(c). In addition to remedying the drafting inconsistencies, the drafting would at a minimum need to clarify that these “internal controls” are only referring to the associate contract controls in ss 147 and 148, only apply in respect of the provision by the service provider of a pipeline service and would only be required “where appropriate”. If this condition is retained, we would request the AEMC provide some written guidance on this condition to provide further clarity.

Happy to discuss

Kiran Ranbir

Manager Energy Policy and Government Strategy

ATCO, Australia

A. 12/2 Mill St, Perth, Western Australia, 6000
81 Prinsep Road, Jandakot, Western Australia, 6164

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