



AEMC recommends rules for hydrogen and renewable gases

The Australian Energy Market Commission (AEMC) has recommended to Energy Ministers that changes be made to the national gas and retail regulatory frameworks to enable the natural gas sector to evolve to using hydrogen and renewable gases to support Australia's emissions reduction plans.

The final rules report for the Review into extending the regulatory frameworks to hydrogen and renewable gases sets out the AEMC's recommended final rule changes to the National Gas Rules (NGR) and National Energy Retail Rules (NERR) that will support and implement the changes to the relevant laws that have been agreed by Energy Ministers.

In making these recommendations the AEMC has considered how to support the long term interests of consumers and enable the decarbonisation of the gas sector. 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 foster efficiencies that will result in new gas services that customers seek.

The final recommendations and associated recommended final rules 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
- 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.

Final recommendations

The AEMC's key final recommendations and recommended final rules:

- Enable access to pipelines and support investment by extending the economic regulatory framework.
- Support competition through improvements to the ring fencing framework.
- Extend the market transparency mechanisms to enable informed and efficient decision making.
- Streamline operational arrangements for the STTM
- Adapt the Victorian DWGM (to work in conjunction with the DWGM distribution connected facilities rule change).
- Allow new services and commodities in the retail gas markets.
- Enable consumers to be informed about a change in the type of gas supplied.
- Retain the draft regulatory sandbox rules in their current form to enable trial projects involving other covered gases.

As the hydrogen and renewable gas industry is presently small, the AEMC has considered how its recommendations can be implemented in a cost effective manner while still enabling the industry to prepare for the inclusion of lower emissions fuels. To enable this change to occur, the AEMC has sought to provide the clarity and certainty on the broad form and direction of the regulatory framework needed by regulators, market participants, gas users and investors. This forward-looking approach will aid informed and efficient

operational and investment decisions in the sector which will ultimately be in the long term interests of consumers.

Background about the review

In August 2021, Energy Ministers tasked the AEMC with a review of the NGR and NERR in order to develop initial rules that will extend the regulatory frameworks to include hydrogen blends and renewable gases. In addition, the AEMC was asked to advise ministers on any changes to the National Gas Law (NGL) and National Energy Retail Law (NERL) that it considered were required to enable these rules.

The purpose of the AEMC's review has been 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 National Gas Law or National Energy Retail Law changes that it considers should be made to achieve the objective of the Energy Ministers.

The AEMC was also 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.

For information contact:

Director, **Meredith Mayes** meredith.mayes@aemc.gov.au

Senior Adviser, **James Tyrrell** james.tyrrell@aemc.gov.au

Media enquiries: media@aemc.gov.au

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