



Review of the Gas Supply Guarantee commences

The Australian Energy Market Commission (AEMC) has commenced a review of the Gas Supply Guarantee with the release of a consultation paper.

Focus of this review

In this review, the AEMC will assess whether the Gas Supply Guarantee (GSG) should continue either in its current or in another form.

To answer this key question, the AEMC will consider the context and circumstances in which the Australian Government introduced the Gas Supply Guarantee.

In addition, the AEMC will have regard to the many changes that have occurred in both the national electricity market and the east coast gas market since 2017.

These changes include market outlooks, regulatory developments, government initiatives and changes in market dynamics through new investments and closures of generators.

This will enable the AEMC to assess whether these changes impact the ability of gas-powered generators to quickly source gas to meet high electricity demand that may arise, for example, during a heatwave.

A range of potential alternative solutions will also be considered. These could range from using mechanisms outside the energy framework such as a memorandum of understanding or an undertaking, to incorporating a mechanism into the energy framework.

If a mechanism should be included in the energy frameworks, this could consist of utilising existing mechanisms and functions, amending existing provisions or creating new specific purpose provisions.

Approach to this review

The AEMC will adopt a two-stage approach to carry out this review. The findings of stage one will determine if stage two is required:

- Stage one will identify if there is a problem and how material the problem is. If the AEMC concludes that there is no longer a problem, or the problem is solved by other mechanisms in place in either the electricity or gas markets, then stage two will not be required and will not go ahead.
- Stage two will identify potential solutions and recommend an implementation and transition plan to the problem established through stage one of the review.

Consultation

In undertaking the review, the AEMC will consult with the Australian Energy Market Operator (AEMO), the Australian Energy Regulator (AER), the Australian Competition and Consumer Commission (ACCC), and industry participants as well as state and territory governments.

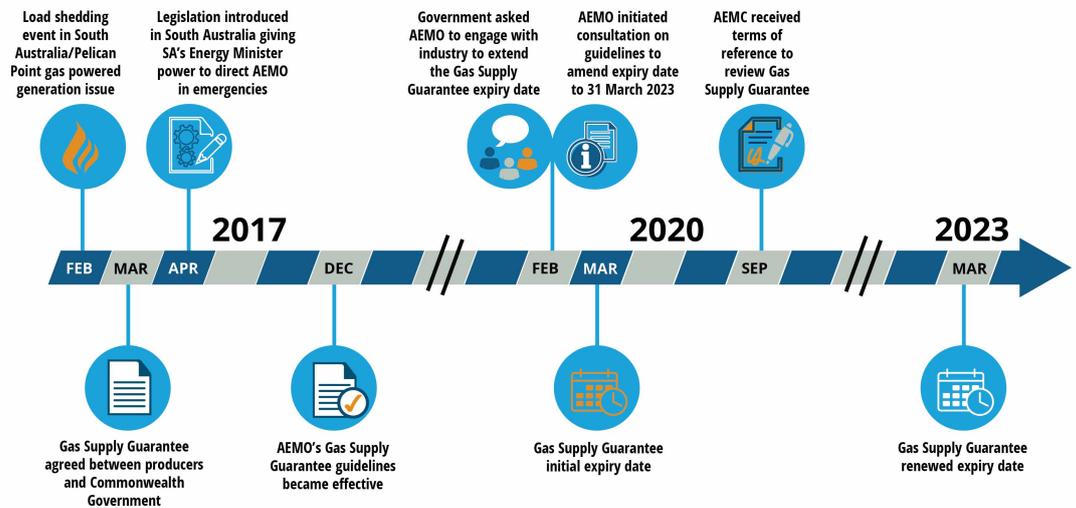
The AEMC invites stakeholders to provide written submissions in response to the consultation paper by **Thursday 15 April 2021**.

A template setting out the questions from the consultation paper is available on the project page of the AEMC website to assist stakeholders in providing their views.

Background

Figure 1 — Gas Supply Guarantee timeline

The timeline below illustrates all the key milestones related to the GSG since its implementation.



What is the Gas Supply Guarantee?

The GSG was initiated by the Australian Government in March 2017 in a package of gas market initiatives that included the Australian domestic gas supply mechanism (ADGSM).

Under the GSG, gas producers and pipeline service providers made voluntary commitments to the Australian Government to supply gas-powered generators to regions under system stress, such as demand spikes during heatwaves.

Specifically, under the GSG, gas producers are to make extra gas available to gas-powered generators through the facilitated gas markets or using bilateral contracts.

In addition, pipeline service providers are to provide interruptible transport agreements for extra supply, coordinate the transfer of gas between pipelines, and transport additional gas as required.

To date, the GSG has not been called upon.

What are the Gas Supply Guarantee guidelines?

To support gas producers and pipeline service providers delivering on these commitments, the Gas Supply Guarantee guidelines were developed by the market operator, AEMO. These guidelines are in operation until March 2023.

Under these guidelines, AEMO monitors gas and electricity market outlooks to help it form a view on the risk of supply shortfalls in gas available to meet the needs of gas-powered generators operating at the capacity required during peak demand periods in the national electricity market.

If AEMO considers that there is, or there may be, a shortfall then a conference of industry participants is convened to resolve the supply inadequacy.

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