

9 April 2009

Geoff Houen  
National Energy Market Branch  
Department of Resources, Energy and Tourism  
Via email: [geoff.houen@ret.gov.au](mailto:geoff.houen@ret.gov.au)

Dear Mr Houen

### **ENERGY SECURITY WORKING GROUP – effectiveness of current gas and electricity arrangements**

The Australian Pipeline Industry Association (APIA) welcomes the opportunity to provide comment to the Energy Security Working Group's discussion paper on the effectiveness of current gas and electricity arrangements (the Paper). At this time, APIA will not provide a full submission because of the large number of Government consultation processes currently requiring industry input. However, as APIA members participate in the National Gas Emergency Response Advisory Committee (NGERAC) and are experienced in effectively dealing with disruptions to gas supply, APIA offers the following comments.

APIA considers that having the Australian Energy Market Operator (AEMO) take on a central co-ordinating role might have a positive impact on the management of gas supply disruptions in the East Coast jurisdictions. However, if AEMO is to adopt this role, it must take account of the role of the States in emergency management.

It is appropriate for AEMO to take over the analytical support services VenCorp and Gas Market Company (GMC) currently provide to NGERAC. APIA does not consider it desirable for AEMO to duplicate or take over any functions of NGERAC. Whilst the Paper suggests that AEMO has the resources and expertise to do so, the reality is that AEMO does not physically operate gas pipelines. AEMO's role as operator of the National Gas Bulletin Board and the Short Term Trading Market is one of providing a settlement function. In the case of a cross jurisdictional emergency, AEMO's role would sensibly be participating in the existing arrangements in order to ensure no commercial entity is unreasonably impacted by the market rules. The market rules are predicated on the assumption of normal operating conditions. Other than the specific Victorian market functions, which it currently undertakes, there is no additional requirement for AEMO to manage a cross jurisdictional emergency.

The paper puts forward the possibility of AEMO taking on new functions in relation to emergency management. Before any new functions are undertaken, further justification is required, particularly, in terms of:

- quantified failings in the existing system;
- clear explanation of how the new function will address any failing; and
- demonstrated advantage of a new function over alternative solutions.

The Paper notes on p13 that gas supply emergencies are usually co-ordinated by teleconference between affected jurisdictions and relevant gas facilities. The existing arrangements are highly effective and the affected parties have been able to rapidly respond to any supply disruptions. It is obvious that, as commercial enterprises, it is imperative for all relevant commercial parties to cooperate, in order to continue services to customers as efficiently as possible. This is evidenced by the fact that there have been very few gas supply disruptions in the jurisdictions that AEMO seeks to manage. Clearly, the current system has been successful, as most incidents are unnoticed by consumers. For example, when the Moomba gas facilities failed in August 2008, commercial entities worked cooperatively to manage supply and ensured that all obligations were met.

AEMO does not have the operational experience, expertise, or physical control of facilities to appropriately use technical information in an emergency. AEMO is to be an economic market facilitator. Therefore, the appropriate involvement in emergencies would be coordination and provision of AEMO information to assist efficient emergency management. A central coordinating role by AEMO in emergency management would best be undertaken in the context of AEMO being the primary facilitator of energy markets. This role would be in high-level co-ordination, ensuring information flow and contact with the relevant parties, rather than close involvement in technical emergency management.

This will be an important and relevant role for AEMO and fits with the status of its operations.

In so far as this review is to extend to the Western Australian market, APIA notes that on 18 March 2009, the Western Australian Minister for Energy announced the establishment of a Gas Supply and Emergency Management Committee which will undertake a review of gas supply security and management of gas supply disruptions. The review will examine options for increasing the level of gas supply and mitigating the impact of future gas supply disruptions.

APIA considers that, given the specific characteristics of the WA market, AEMO should review the report the WA Committee's report before deciding to undertake its own review.

APIA is happy to further discuss these issues with the Energy Security Working Group.

Yours sincerely



CHERYL CARTWRIGHT  
CHIEF EXECUTIVE