

19 May 2022

Renewable Gas Policy Team

Department of Industry, Science, Energy and Resources

Via email: renewablegas@industry.gov.au

Energy Networks Australia's response to the "Review into extending the natural gas regulatory framework – Officials paper."

Energy Networks Australia welcomes the opportunity to respond to the *Extending the national gas regulatory framework to hydrogen and renewable gases and blends - Proposed changes to NGL, NERL and National Regulations Consultation Paper* released on 31 March 2022.

Energy Networks Australia is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

Table E.1 of the Paper outlines the refined approach to extending the national framework to covered gases. The approach addresses four questions:

1. How would a product become a covered gas?
2. What would jurisdictions be responsible for?
3. Application of the NGL.
4. Application of the NERL?

ENA supports the approach to extend the national gas law framework and is providing comments on some of the specific details and drafting as part of the proposed framework.

- » ENA supports the definition of the covered gases and how the definition will be applied in the NGL. The proposed definition addresses some of the inadequacies of the earlier approach that used Natural Gas Equivalents, Constituent Gases and Other Gas Products. These appear not to have been defined in the draft NGL modifications.
- » The reforms appear to have been drafted for a fully mature hydrogen or renewable gas market, while in reality, this market is still emerging. The reforms may have unintentional consequences by impeding investment in hydrogen or renewable gas production or infrastructure projects during trial and demonstration stages. This may lead to higher costs of hydrogen and renewable gas production and/or delivery. These unintentional consequences should be further explored and minimised in the legislative drafting.
- » Additional reforms – possibly through supportive national and jurisdictional policies – may be needed to develop more effective competition in this market. The proposed reforms on their own will not develop a market but enable this market by expanding the definition of covered gas. Early investment in market development may achieve better outcomes for consumers through competition.

- » The proposed approach is for automatic ring-fencing of blending facilities. Further consideration should be given on whether this approach, with the option of exemptions, is the best approach to develop the market (given our response above).
 - The definition of a Blend Processing Facility (Sec 2 of the proposed Amendments) may need additional clarification. It is unclear whether the current definition assumes the facility includes hydrogen or renewable production and/or blending that renewable gas into the pipeline or network. In the former case, automatic ring-fencing may be appropriate as it encourages competition of renewable gas production (although an argument could be made for pilot and demonstration projects whose purpose is to develop a renewable gas market). In the latter case, this blending is similar to current blending facilities that are parts of networks and pipelines and it may not be appropriate to ring-fence those facilities.
 - The proposed reform does include provisions for exemptions and class exemptions but it is unclear whether this will support the development of this emerging market or become an impediment.
 - The AER already appears to have the powers to impose additional ring-fencing obligations or conditions on exemptions for the minimum ring-fencing requirements. Imposing additional obligations may reduce the AER's ability to be flexible and use discretion where this is warranted in a rapidly evolving emerging market. It is unclear what the benefit to the AER and gas distribution networks would be if these new powers were provided to the regulator.
- » The current reforms appear focussed on a fully mature hydrogen and renewable gas market. The transition from natural gas to blended gas to 100 per cent hydrogen will have different technical, economic and social costs. The potential of transitional arrangements in the NGL should be investigated and introduced as required.
- » It is unclear how the new gas definitions will be applied to the NERL. The proposed approach only allows for Natural Gas Equivalents to be subject to the NERL/NERR. While this may be appropriate to ensure customer protections, it is unclear how these definitions will provide a pathway for other covered gases (e.g. 100 % hydrogen) in the NERL. This links to the previous point about the potential requirements for transitional arrangements.
- » Further, the definition of Natural Gas Equivalents does not appear to have been included in the proposed national framework. It appears that approving the types of gases that can be supplied will remain the responsibility for each jurisdiction.

We have provided response to the consultation questions in the attachment. Should you have any queries please contact ENA's Head of Renewable Gas, Dr Dennis Van Puyvelde, dvanpuyvelde@energynetworks.com.au.

Yours sincerely,



Dominic Adams
General Manager, Networks