



**Australian Government**  
**Department of Industry,  
Science and Resources**

DEPUTY SECRETARY

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**Regulation Impact Statement – Strengthening the Australian Domestic Gas Security Mechanism (ADGSM) – Second Pass Final Assessment**

I am writing in relation to the attached Regulation Impact Statement (RIS) prepared for Strengthening the ADGSM.

I am satisfied that the RIS addresses the points raised in your letter of 15 September 2022. Specifically:

1. *What is the policy problem you are trying to solve?*
  - Additional detail concerning the composition of stakeholder groups has been included.
  - The likely impacts of a gas shortfall on households has been identified.
  - The RIS includes more detail on the magnitude of the problem, including a comparison of annual domestic gas consumption in Australia with the expected shortfall for 2023.
2. *Why is government action needed?*
  - An overview of the ADGSM within the context of broader and complementary regulatory measures has been added.
  - The description of the market failure has been expanded.
3. *What is the likely net benefit of each option?*
  - A regulatory administrative burden estimate, consistent with OBPR's Regulatory Burden Measurement Framework has been included.
  - Appendix B (now Appendix D) has been elaborated.
  - The interpretation of data at Table 8 has been improved.
4. *What is the best option from those you have considered?*
  - The introductory text now sets out the analysis and assessment used to select the recommended options.
  - The RIS explains the reason for modelling on a per-event basis, and the extent to which the options may be assessed under different use scenarios.

## 5. Consultation

- The RIS includes further explanation of how consultation informed refinement of the option set.
- The RIS notes that, consistent with previous consultations on the ADGSM, written submissions received with consent to publish will be published on the department's website.

## 6. Implementation and Evaluation

- This section now includes a summary table of preferred options, and relevant implementation risks and mitigations.
- The regulatory requirement for the ADGSM to be reviewed in 2025 has been explained in the RIS.
- The RIS specifies the performance indicators to be used for monitoring impacts to each stakeholder group.

## 7. Other Issues

- A plain language glossary has been inserted.
- The rationale for using netback prices instead of overseas landed gas prices has been explained.
- The disclaimer you identified has been removed.

The regulatory savings are estimated to be \$229.97 million per year compared to the status quo ADGSM assuming a June 2022 pricing scenario. At June 2022 prices, the status quo ADGSM has a regulatory burden of \$380.24 million per year compared to a burden of \$150.21 million per year for the recommended option. These regulatory burdens are only realised in the event the ADGSM is activated. In circumstances where the mechanism continues to act as a back-stop and is not activated, these burdens will not arise.

Accordingly, I am satisfied that the RIS is now consistent with the principles for Australian Government policy makers as specified in the *Australian Government Guide to Regulatory Impact Analysis*.

I submit the RIS to the Office of Best Practice Regulation for formal final assessment ahead of its use to inform a final decision.

As my staff have discussed with OBPR officers, there are a number of diplomatic and legal risks associated with publishing the RIS. A full diplomatic and legal risk assessment of the RIS has not been possible in available timeframes. I intend to progress this assessment in parallel to your second pass assessment, and will update you if any changes to the attached RIS are needed to mitigate risk to the Commonwealth or people of Australia prior to publication.

Yours sincerely



Jane Urquhart  
Deputy Secretary  
Department of Industry, Science and Resources  
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