



**THE HON CHRIS BOWEN MP
MINISTER FOR CLIMATE CHANGE AND ENERGY**

MC22-001341

The Hon Anthony Albanese MP
Prime Minister
Parliament House
CANBERRA ACT 2600

Dear Prime Minister

In response to the current challenges facing the east coast energy market, Energy Ministers have agreed to a package of priority reforms to establish a more secure, resilient and flexible east coast gas market.

Given the significant risk of gas supply shortfalls forecast for 2023 by the Australian Competition and Consumer Commission (ACCC) and the Australian Energy Market Operator (AEMO), Energy Ministers consider this work to be a matter of urgency and have agreed to seek your approval to a Regulation Impact Statement (RIS) exemption for a component of this package. This exemption is consistent with requirements outlined in the Office of Best Practice Regulation's Regulatory Impact Analysis Guide for Ministers' Meetings and National Standard Setting Bodies.

The exemption is sought in relation to measures to extend the powers and functions of AEMO under the National Gas Law (NGL), to ensure it can address system security and reliability issues ahead of winter 2023. This work will extend AEMO's existing powers in Victoria to the east coast gas market more broadly, providing AEMO with a range of tools to identify and manage supply shortfall risks in the east coast gas market.

These expanded powers would ensure AEMO can:

- obtain the information it requires to identify if there are shortfall risks emerging in the east coast gas supply demand outlook (e.g. supply injections, storage levels, southern gas flows);
- issue notifications to the east coast gas market about identified issues and the outcome that needs to be achieved to address emerging shortfalls (e.g. extra volumes/day required to flow south over a defined period); and
- as a last resort, direct market participants to take or refrain from actions.

It is imperative that these powers are in place ahead of winter 2023, in order to address the gas shortfalls that have been forecast by both the ACCC and AEMO:

- the ACCC's July 2022 Gas Inquiry Interim Report forecasts that the east coast gas market is at risk of a 56PJ shortfall in 2023 unless more gas from Queensland LNG producers can be supplied to the domestic market. This shortfall is equivalent to 10 per cent of east coast demand and represents a significant energy security risk.

- AEMO's Gas Supply and System Adequacy Risks Report aligns with the ACCC's forecasts and predicts a heightened risk of peak day shortfalls in winter 2023, particularly if demand for gas powered generation is high (as it has been in 2022).

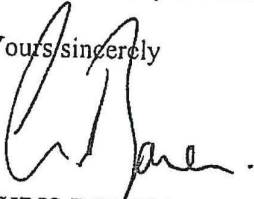
Without these reforms, AEMO will not have sufficient visibility of or powers to intervene in the east coast gas market, to ensure reliable supply. Without this supply certainty, it is likely that the high prices and volatility currently being experienced will be repeated in winter 2023, in addition to the risk of gas curtailment if shortfalls occur.

In order to have these powers in place in time to address winter 2023 shortfall risks, final law changes will need to be agreed by Energy Ministers in October, in order for NGL amendments to be introduced to the South Australian parliament prior to end-2022. As such, there is insufficient time to adequately prepare and consult on a RIS ahead of a decision being made in October 2022. Stakeholder consultation on the legislative package will however occur to inform legal drafting and the decision of Energy Ministers.

Energy Ministers therefore request that you grant an exemption from the RIS requirements for these amendments on the basis of urgent and unforeseen circumstances. Consistent with the Regulatory Impact Analysis Guide for Ministers' Meetings and National Standard Setting Bodies, a RIS will be completed within 12 months of the commencement of the regulations.

Thank you for your consideration of this request.

Yours sincerely



CHRIS BOWEN