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Manager – Energy Market Reform Team
National Energy Market Branch
Department of Industry, Tourism and Resources
GPO Box 9839
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Dear Manager

RE Response to National Gas Emergency Response Protocol Options Paper

Alinta is the owner and manager of various gas transmission pipelines, gas and electricity distribution networks and power stations throughout Australia and New Zealand, as well as retailing gas and electricity to more than 500,000 customers. Alinta welcomes the opportunity to provide comments on the MCE – National Gas Emergency Response Protocol – Options Paper.

The Options paper seeks feedback from industry regarding three options presented for the management of gas emergencies, these are;

1. Lead Agency option – this option maximises the use of existing institutions and minimises the use of ongoing resources. The Lead Agency is the jurisdiction in which the incident occurs and takes responsibility for coordinating the emergency through a Contact Group.
2. Permanent Committee option – A Permanent Committee of representatives from all Australian Governments, the gas industry and end users would be established to consult on and advise Ministers.
3. Central Agency option - A Central Agency would be established to advise on and manage gas emergencies. The Central Agency may have a similar role to National Electricity Market Management Company (NEMMCO) in managing electricity emergencies and would be in place on an ongoing basis.

Our submission outlines our preference for option 2 for interconnected states, and option 1 for non-interconnected states. We offer a number of comments in relation to the principles of option 2. We have also provided some brief comments in relation to options 1 and 3, however some of our comments in relation to option 2 may equally apply to these other options.

We concur with previous industry association responses that:

- the most critical task to be addressed is to expeditiously develop (and test) arrangements that efficiently address market failures,
- industry and government should aim to develop the framework (including the timetable for testing) within six months, and
- information flows relating to capacity are only required in the event of genuine emergencies.

In addition to the above, the commercial arrangements during the emergency event need to be addressed. Whilst recognising that normal contractual arrangements would in most cases prevail we need to address new commercial relationships created by “emergency orders” requiring delivery of gas to parties whom have no prior commercial relationship. It is important that compensation arrangements are fair and reasonable and reflect the value placed on the security of supply. Consideration should also be given to the compensation for major end users and peaking gas fired generation units that are curtailed to enable continued supply to others.

Permanent Committee Option 2 – preferred for Interconnected States

For interconnected states we support the Permanent Committee (option 2) and the development of the underlying procedures and make the following comments:

- It is more appropriate to convene the Permanent Committee under the MCE than the Australian Energy Markets Commission (AEMC), it is the Ministers who may invoke the emergency powers and who need to approve the pain sharing arrangements. An emergency will impact a wide cross section of the community, the communication and management of the impacts on business and domestic consumers is a role for governments (as well as industry) as opposed to the rule maker, the AEMC.
- As described this option provides a structured, resourced model with a specific ongoing advisory role and is flexible enough to deal with emergencies for interconnected states.
- The National Oil Supplies Emergency Committee appears a reasonable model in relation to the high level Commonwealth Chair to co-ordinate incidents and the weighting of decisions given to the jurisdictions affected. However the higher level of costs resulting from ongoing secretariat may not be warranted.
- We support the concept of sharing the pain in the case of an involuntary gas curtailment. The sharing arrangements in the options paper appear to require the need for harmonising the definitions of and priorities of consumer groupings for curtailment across the jurisdictions. The current jurisdictional curtailment tables are known operational, proven tables and we believe that these should remain. In our view the question should not be about centrally managed curtailment, but more about how the available gas in an emergency should be divvyed up amongst the affected jurisdictions whilst maintaining safety. For example if there are only 100 units of gas from Longford available and normal usage is 300 units across all jurisdictions how should the 100 units be allocated between jurisdictions? Each Jurisdiction can than manage the reduced supply using its existing and proven curtailment processes.
- It is critical to establish a working group under the MCE to define a number of scenarios relating to various producer or transmission failures that may have significant multi jurisdictional supply impacts and to work through the processes of how these will be handled. For example, how will the committee operate from start to finish, how will the gas be divvyed up for each of these scenarios or will national curtailment tables be established. The pain sharing arrangements need to be agreed by the MCE upfront to ensure rapid decision making during an emergency.
- We do not support regular 6 monthly updates to a bulletin board, the gas system is dynamic not static. Information on network constraints and line pack provided for a summer/winter review will be different at the time of an emergency. It is more prudent use of resources to ensure that industry knows what the information requirements will be, is able to provide this rapidly in the event of an emergency and that only information that is relevant for the incident is required.

Lead Agency Option 1 – preferred for Non-interconnected States

- If the Lead Agency Option is to be pursued for interconnected states we note that the options paper is unclear on who is the Lead Agency. In some instances the paper recommends that the jurisdictions affected by the incident becomes the Lead Agency. For the most recent Moomba

event, this is somewhat unclear as to which jurisdiction has the bigger impact and hence should be making the coordinating decisions. In other areas of the paper, the Lead Agency is the jurisdiction in which the event occurred. We suggest that if this option was to be selected a preset asset incident / lead agency matrix is developed to avoid such confusion during the emergency.

Central Agency Option 3

- Alinta concurs with the sentiment in the MCE paper that the Central Agency Option introduces unnecessary overheads that are not economically justified. However if this option is pursued we would require that the establishment of the agency puts the appropriate government and gas industry / end user representatives in the information sharing and advisory role which is ultimately what is required.

For non-interconnected states we support the Lead Agency (option 1) as it retains the present arrangements utilising proven jurisdictional curtailment procedures. Alinta does not see that either Option 2 or 3 would be an improvement on the present arrangements in WA. We note that in the WA jurisdiction there is an industry based WA Gas Emergency Coordination Group aimed at ensuring all parties speak with one voice and enable the sharing of resources to resolve the emergency based on pre agreed terms and conditions.

Should you require any further information regarding this submission, please contact Verity Watson on 03 9265 7738.

Yours sincerely

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Manager Regulation & Government Relations Group