

**MEMORANDUM OF UNDERSTANDING**

**IN RELATION TO THE**

**NATIONAL GAS EMERGENCY RESPONSE PROTOCOL  
(INCLUDING USE OF EMERGENCY POWERS)**

**FOR NATURAL GAS SUPPLY SHORTAGES  
AFFECTING JURISDICTIONS WITH INTERCONNECTED GAS  
SUPPLY NETWORKS**

**Date:** June 2005

**Parties:** **The Commonwealth of Australia** (“Commonwealth”)  
**The State of New South Wales** (“NSW”)  
**The State of Victoria** (“Victoria”)  
**The State of Queensland** (“Queensland”)  
**The State of Western Australia** (“Western Australia”)  
**The State of South Australia** (“South Australia”)  
**The State of Tasmania** (“Tasmania”)  
**The Northern Territory of Australia** (“Northern Territory”)  
**The Australian Capital Territory** (“ACT”)

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**Recitals:**

- A. The Council of Australian Governments (“COAG”) has established the Ministerial Council on Energy (“the MCE”) to provide national oversight and coordination of energy sector decision-making and the COAG energy market reform program.
- B. The national gas supply is increasingly interconnected across State and Territory borders. The MCE is seeking to accelerate the development of a more reliable, secure and competitive national gas market.
- C. Also natural gas is increasingly used as a fuel for power generation in jurisdictions participating in the National Electricity Market (“NEM”) and in other jurisdictions.
- D. The MCE has agreed that a formal national response protocol is required in the event of major interruptions to the supply of natural gas in order to minimise the impact on the economy and the community of disruptions to gas and electricity supplies and to provide more coordinated and efficient management of major natural gas supply shortages.
- E. Each jurisdiction (other than the Commonwealth) has legislation which confers Emergency Powers which may be exercised in natural gas emergency situations.
- F. The MCE has agreed that a National Gas Emergency Response Protocol should be developed to ensure natural gas supply interruptions are managed in a nationally consistent manner and that the Protocol should apply to natural gas supply shortages affecting two or more jurisdictions and address both cross-border and intra-jurisdictional arrangements.
- G. The Protocol for responding to major natural gas supply shortages recognises the need for commercial arrangements among gas suppliers and users, to balance gas supply and demand and maintain system integrity, for timely management of natural gas supply shortages.
- H. This memorandum subsumes the arrangements established by the MCE in December 2004 relating to consideration of the exercise of jurisdictional Emergency Powers in the Memorandum of Understanding in relation to Natural Gas Supply Shortages affecting Jurisdictions with Interconnected Gas Supply Networks and the Use of Emergency Powers.
- I. The Parties now intend to abide by the objectives and principles set out in this Memorandum of Understanding.

## **Operative Provisions:**

The Parties agree as follows:

### **PART 1 – PRELIMINARY**

#### **1. Name**

- 1.1 This memorandum may be referred to as the Natural Gas Supply Shortage (National Gas Emergency Response Protocol) Memorandum of Understanding.

### **PART 2 – NATURE OF THIS MEMORANDUM**

#### **2. Memorandum objective**

- 2.1 This memorandum sets out the National Gas Emergency Response Protocol, including:
- (a) the objectives of the Protocol;
  - (b) guiding principles for managing major natural gas supply shortages;
  - (c) providing for communication and consultation between interconnected or affected jurisdictions and use of Emergency Powers by jurisdictions; and
  - (d) establishment of the NGERAC to:
    - (i) advise jurisdictions on efficient and effective management responses (including use of Emergency Powers by jurisdictions) in the event of a major natural gas supply shortage;
    - (ii) assess the risk and impacts of major natural gas supply shortages, work with jurisdictions, energy industry participants and users to develop and test arrangements, protocols and other measures to respond to and mitigate the effect of major natural gas supply shortages, and advise the MCE and jurisdictions accordingly.

#### **3. Memorandum not legally binding**

- 3.1 This memorandum:
- (a) is not legally binding; and
  - (b) records the Parties' intentions to abide by the objectives and principles set out in this memorandum.

## **PART 3 – THE NATIONAL GAS EMERGENCY RESPONSE PROTOCOL**

### **Division 1 – Objectives and Guiding Principles for Managing Major Natural Gas Supply Shortages**

#### **4. Objective of the Protocol**

- 4.1 The objective of this Protocol is to provide for more efficient and effective management of major natural gas supply shortages to minimise their impact on the economy and the community, and thereby contribute to the long term community objective of a safe, secure and reliable supply of natural gas.

#### **5. Guiding Principles for Managing Major Natural Gas Supply Shortages**

- 5.1 The MCE and jurisdictions will be guided by the following principles when considering the advice of the NGERAC and any potential use of jurisdictional Emergency Powers to address a major natural gas supply shortage:
- (a) in the event of a major natural gas supply shortage the NGERAC (or a sub-committee of the NGERAC) will be convened to consider the situation and provide advice to the MCE and jurisdictions;
  - (b) in particular, the NGERAC would advise whether the natural gas supply shortage can be more efficiently and effectively managed by commercial arrangements among gas suppliers and users;
  - (c) commercial arrangements will be allowed to operate as far as possible to balance gas supply and demand, and maintain system integrity;
  - (d) government intervention in the market would occur as a last resort;
  - (e) Emergency Powers and associated directions for the production, transmission, distribution and allocation of natural gas among users would, time permitting, only be used by jurisdictions after considering any advice, then available, from the NGERAC;
  - (f) jurisdictions are not bound to follow the advice of the NGERAC;
  - (g) Emergency Powers would be exercised by jurisdictions following reasonable endeavours to consult with other interconnected or affected jurisdictions as provided for in this memorandum.

## **Division 2 – Consultation and Exercise of Emergency Powers and Contact Information**

### **6. Designated Minister and Departmental contact information**

- 6.1 Each Party must keep each other Party informed, by written notice, of:
- (a) the Minister responsible for implementing that Party's obligations under this memorandum; and
  - (b) contact information of its Department or government agency principally responsible for responding to major natural gas supply shortages.

### **7. Consultation during any major natural gas supply shortage**

- 7.1 During any major natural gas supply shortage, the officials of each interconnected or affected jurisdiction responsible for dealing with the supply shortage will use all reasonable endeavours to consult with the relevant officials of the other interconnected or affected jurisdictions and the Commonwealth concerning:
- (a) the gas supply shortage; and
  - (b) any exercise (or proposed exercise) of Emergency Powers.

### **8. Opportunity for interconnected or affected jurisdictions to comment on the use of Emergency Powers**

- 8.1 Where it is proposed to exercise Emergency Powers during any major natural gas supply shortage, a government agency or official of the jurisdiction proposing to exercise these powers must use all reasonable endeavours to:
- (a) notify other interconnected or affected jurisdictions and the Commonwealth of the proposed exercise of Emergency Powers;
  - (b) allow a reasonable opportunity for other interconnected or affected jurisdictions and the Commonwealth to provide comments or advice to the relevant government agency or official about:
    - (i) the likely impacts of the proposed exercise of Emergency Powers on the supply and demand for natural gas in interconnected or affected jurisdictions, including natural gas used for the supply of electricity;
    - (ii) whether other action could be taken to manage the gas supply shortage by the relevant government agency or official;
    - (iii) whether action could be taken by other jurisdictions to assist in managing the gas supply shortage, including use of Emergency Powers in those jurisdictions;

- (c) consider any comments or advice provided by other interconnected or affected jurisdictions and the Commonwealth before exercising Emergency Powers.

**9. Interpretations for Division 2**

- 9.1 For the purposes of this Division, **“affected”** includes “potentially affected”.

**Division 3 - The National Gas Emergency Response Advisory Committee (the NGERAC)**

**10. Establishment of the NGERAC**

- 10.1 The National Gas Emergency Response Advisory Committee (the NGERAC) is established by this memorandum.

**11. Membership of the NGERAC**

- 11.1 The NGERAC consists of:

- (a) a member nominated by each Party to this memorandum (through its department or agency contact in Schedule 2);
- (b) one representative nominated by relevant industry or user associations from each of the following natural gas sectors:
  - (i) natural gas producers;
  - (ii) transmission pipeline owners and operators;
  - (iii) distribution network owners and operators;
  - (iv) retailers;
  - (v) retail and wholesale market operators;
  - (vi) users;
- (c) in order to assist consideration of the impact on national electricity supplies of the Protocol and any major natural gas supply shortage - a member nominated by and representing the National Electricity Market Management Company (NEMMCO).

- 11.2 The NGERAC may appoint temporary members to the NGERAC (or sub-committees of the NGERAC) for periods not exceeding 12 months:

- (a) during major natural gas supply shortage events; or

(b) during the development phase of the Protocol in 2005-06.

**12. The NGERAC Chair**

12.1 The NGERAC Chair will be a representative of a jurisdiction, and will be agreed by the jurisdictions on a permanent or rotation basis.

12.2 However, in the event of a major natural gas supply shortage the member representing the jurisdiction in which the incident causing that shortage occurs would temporarily assume the role and responsibilities of the NGERAC Chair.

**13. Functions and powers of the NGERAC**

13.1 The primary function of the NGERAC is to advise the MCE and jurisdictions on efficient and effective responses to and management of major natural gas supply shortages (including the use of Emergency Powers) consistent with maintaining the integrity of the gas supply system and public health and safety.

13.2 During a major natural gas supply shortage, the NGERAC will be the prime, but not necessarily the exclusive, source of such advice for the MCE and jurisdictions.

13.3 The NGERAC has the following further functions:

(a) to advise the MCE and jurisdictions of the NGERAC's assessment of:

(i) the aggregate natural gas supply and demand balance over a reasonable period, having regard to seasonal peaks in gas demand;

(ii) the likely risk of major shortages to the supply and demand of natural gas;

(b) to identify and collect relevant industry information that can assist the MCE's and jurisdictions' assessment of the likely impacts of major natural gas supply shortages;

(c) to develop guidelines on provision of information on industry supply and demand balances for natural gas for use by the MCE and jurisdictions in the event of major gas supply shortages, including any proposals for legislation to support the timely provision of the information and protect any necessary commercial confidentiality;

(d) to develop advice for governments on circumstances which could trigger the exercise of Emergency Powers, including identification of circumstances where it is not feasible for the market to manage the natural gas supply shortage and/or the integrity and safety of the gas system would be at significant risk;

- (e) to develop advice for the MCE and jurisdictions on efficient natural gas curtailment tables, the development of a national approach to natural gas curtailment tables, efficient options for commercial gas sharing arrangements between inter-connected jurisdictions during major natural gas supply shortages, and any related legislative arrangement that may be needed to implement such arrangements;
- (f) to develop detailed protocols for communication of information and decisions between the MCE, jurisdictions and industry (including users), and develop a National Contact Group of industry (including users) and jurisdiction personnel in the event of a major natural gas supply shortage;
- (g) to advise the MCE and jurisdictions during a major gas supply shortage of voluntary usage reductions (market or contract based), commercial arrangements and other measures for implementing usage reductions which can lessen or avoid the need to mandate reductions under Emergency Powers;
- (h) to conduct simulation exercises to test cross-border emergency response and management procedures;
- (i) to advise the MCE and jurisdictions of any actions to reasonably mitigate threats to gas system integrity and/or public health and safety caused by major natural gas supply shortages;
- (j) to advise the MCE and jurisdictions on the practicality and desirability and means of compensating market participants who are financially disadvantaged by orders or directions under Emergency Powers during a major natural gas supply shortage;
- (k) to advise the MCE and jurisdictions of any other matter the NGERAC considers relevant to the efficient and effective management of the gas supply system in the event of major gas supply shortages and related risk management strategies;
- (l) such other functions concerning natural gas supply shortages and their management as may from time to time be unanimously agreed by the MCE.

**14. NGERAC report**

14.1 The NGERAC will prepare a report for the MCE and jurisdictions by 30 October 2005 covering:

- (a) the implementation of the arrangements for managing major natural gas supply shortages;
- (b) recommendations for any modifications to these arrangements consistent with the objectives and principles of the Protocol;

- (c) the extent to which national legislation could support national and regional management of major natural gas supply shortages;
  - (d) an implementation plan and timetable for the arrangements.
- 14.2 This report will be based on the roles and responsibilities of government, industry participants and users and the matters set out in Schedule 3 to this memorandum.
- 15. NGERAC timetable**
- 15.1 The NGERAC will develop a timetable for carrying out its work program. The timetable will be consistent with the MCE's implementation arrangements for the national energy market reform program.
- 16. Administrative provisions relating to the NGERAC**
- 16.1 The NGERAC is established under the MCE's Standing Committee of Officials (SCO), and the SCO can give the NGERAC directions regarding matters of administration.
- 16.2 The permanent secretariat functions of the NGERAC will be incorporated into the MCE secretariat within the Commonwealth Department of Industry, Tourism and Resources.
- 16.3 Unless the circumstances of a gas emergency dictates otherwise, the NGERAC will report to the MCE through the SCO.
- 17. Meetings of the NGERAC**
- 17.1 The NGERAC will meet:
  - (a) twice yearly; and
  - (b) in the event of a major natural gas supply shortage in one or more jurisdiction; and
  - (c) otherwise as convened by the jurisdictions.
- 17.2 Meetings of the NGERAC will be convened by the jurisdictions.
- 17.3 Decision making by the NGERAC on the provision of advice to Ministers should be by consensus. In the event that consensus cannot be reached in the available time, decisions by the NGERAC can be taken by a simple majority of jurisdictions in attendance and minority views can be reported to Ministers.

17.4 Subject to this memorandum, the NGERAC may establish rules concerning its operation as it considers appropriate, including rules concerning frequency of meetings, convening of meetings, chairing and making of decisions.

**18. Meetings of sub-committees of the NGERAC**

18.1 The NGERAC may appoint sub-committees to:

- (a) respond in relation to major natural gas supply shortages in one or more jurisdictions; or
- (b) consider a specific issue or matter relating to responses to and management of major natural gas supply shortages.

18.2 Meetings of NGERAC sub-committees may be convened by jurisdictional members of the sub-committee.

**19. Miscellaneous**

19.1 Communication with industry in regard to orders or directions under Emergency Powers will be undertaken by jurisdictions.

**Division 4 - Management of major gas supply shortages in jurisdictions with isolated gas networks**

**20. Management by jurisdiction with assistance from the NGERAC if sought**

20.1 For the avoidance of any doubt, management of major gas supply shortages in isolated jurisdictions whose gas network(s) are isolated from those in other jurisdictions does not invoke the Protocol and cause a meeting of the NGERAC.

20.2 Such major gas supply shortages may be managed entirely within the relevant jurisdiction under its existing procedures.

20.3 The relevant jurisdiction may convene the NGERAC to consult other jurisdictions and seek advice.

## **PART 4 – GENERAL**

### **21. Commencement**

21.1 This memorandum is effective when executed by all Parties.

### **22. Execution by counterparts**

22.1 This memorandum may be executed in any number of counterparts, all of which taken together will be deemed to constitute one and the same document.

### **23. Variation or amendment**

23.1 This memorandum may be varied or amended by agreement in writing executed by all Parties.

23.2 Variations or amendments to this memorandum may be executed in any number of counterparts, all of which taken together will be deemed to constitute one and the same document.

### **24. Review**

24.1 This memorandum may be reviewed at any time by agreement of the Parties.

### **25. Withdrawal**

25.1 A Party may withdraw from this memorandum by giving at least one month's notice in writing to the other Parties of its intention to do so. Such notice must state the date on which the withdrawal will be effective.

25.2 This memorandum will continue in force between the remaining Parties according to its terms notwithstanding the withdrawal of one or more Parties from it.

### **26. Termination of the MOU dated December 2004**

26.1 The Natural Gas Supply Shortages affecting Jurisdictions with Interconnected Gas Supply Networks and the Use of Emergency Powers Memorandum of Understanding (dated December 2004) is terminated, and the arrangements under that memorandum are subsumed by this memorandum.

## PART 5 – INTERPRETATION

### 27. Definitions

27.1 In this memorandum, unless the contrary intention appears:

**“Designated Minister”**, in relation to a Party, means the Minister signing this memorandum or the last Minister notified by that Party under paragraph 2.4(a) of this memorandum;

**“Emergency Power”** means a power conferred by a Law specified in Schedule 1 (including any replacement or additional Law which confers a similar power) within a jurisdiction, exercised or exercisable in response to a Natural Gas Supply Shortage in that jurisdiction;

**“jurisdiction”** means the Commonwealth of Australia, New South Wales, Victoria, Queensland, Western Australia, South Australia, Tasmania, the Northern Territory or the Australian Capital Territory;

**“Law”** means an Act passed by the Parliament of a Party or a regulation, by-law, ordinance, code or other instrument made under such an Act;

**“major natural gas supply shortage”** means a situation where the available supply of gas in two or more jurisdictions with an interconnected gas supply network, is, or is likely to become, materially less than is sufficient for the reasonable requirements of customers using natural gas in the jurisdictions;

**“the NGERAC”** means the National Gas Emergency Response Advisory Committee established under this memorandum;

**“the NGERAC Chair”** means the Chair of the NGERAC;

**“the Protocol”** means the National Gas Emergency Response Protocol in Part 3 of this memorandum;

### 28. Interpretation

28.1 In this memorandum, unless the contrary intention appears:

- (a) a reference to this memorandum or another instrument includes any variation or replacement of either of them;
- (b) a reference to a Law or other law includes relevant consolidations of, amendments to, re-enactments of or replacements of that Law or law;
- (c) the singular includes the plural and vice versa;
- (d) an expression importing a natural person includes a jurisdiction, firm, a body corporate, partnership, joint venture, an unincorporated association or an authority;

- (e) if a word or phrase is specifically defined in this memorandum, then other parts of speech and grammatical forms of that word or phrase have corresponding meanings;
- (f) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taken by novation) and permitted assigns; and
- (g) a reference to a body (including, without limitation, an institute, association or authority), whether statutory or not:
  - (i) which ceases to exist; or
  - (ii) the powers or functions of which are transferred to another body, is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

**29. Headings**

- 29.1 Headings are inserted for convenience and do not affect the interpretation of this memorandum.

## **SCHEDULE 1 – PRINCIPAL GAS SUPPLY AND EMERGENCY LEGISLATION**

### **New South Wales**

Gas Supply Act 1997  
Pipelines Act 1967  
Energy Administration Act 1987  
State Emergency and Rescue Management Act 1989

### **Victoria**

Gas Industry Act 2001  
Gas Safety Act 1997  
Essential Services Act 1958  
Emergency Management Act 1986

### **Queensland**

Petroleum and Gas (Production and Safety) Act 2004  
Gas Supply Act 2003  
State Counter Disaster Organisation Act 1975 (Part 3)

### **Western Australia**

Fuel, Energy and Power Resources Act 1972  
Energy Coordination Act 1994

### **South Australia**

Gas Act 1997  
Essential Services Act 1981  
Emergency Management Act 2004

### **Tasmania**

Gas Act 2000

### **The Northern Territory**

Energy Pipelines Act 2003  
Energy Pipelines Regulations

### **Australian Capital Territory**

Utilities Act 2000  
Emergencies Act 2004  
Gas Safety Act 2000  
Gas Pipelines Access Act 1988

**SCHEDULE 2 – DEPARTMENT/AGENCY CONTACTS**

<p><b>Commonwealth</b></p> <p>Head of Division Energy and Environment Division Department of Industry, Tourism and Resources</p>	<p><b>New South Wales</b></p> <p>Director-General Department of Energy, Utilities and Sustainability</p>
<p><b>Victoria</b></p> <p>Executive Director Energy and Security Division Department of Infrastructure</p>	<p><b>Queensland</b></p> <p>Director-General Department of Energy</p>
<p><b>Western Australia</b></p> <p>Coordinator of Energy Office of Energy</p>	<p><b>South Australia</b></p> <p>Executive Director Micro-Economic Reform and Infrastructure Department of Treasury and Finance</p>
<p><b>Tasmania</b></p> <p>General Manager Infrastructure Policy Department of Infrastructure, Energy and Resources</p>	<p><b>The Northern Territory</b></p> <p>Director, Mining and Energy Services Department of Business, Industry and Resource Development</p>
<p><b>Australian Capital Territory</b></p> <p>Director Office of Sustainability Chief Minister’s Department</p>	

### **SCHEDULE 3 – MATTERS FOR REPORT BY THE NGERAC**

The report is to cover the following matters:

1. The extent to which commercial arrangements should continue during a major natural gas supply shortage before government intervention is required, having regard to the following:
  - (a) Government intervention in the gas market in the event of an incident would occur as a last resort after it has become clear that commercial arrangements have failed or will fail and would be based on the need for the use of Emergency Powers to manage the gas incident.
  - (b) The NGERAC would advise jurisdictions on the point at which commercial arrangements are assessed to have failed. Jurisdictions would take the final decision on commencing formal curtailment procedures and invoking Emergency Powers (following the inter-jurisdictional consultation provided for in the MoU). The NGERAC's assessment would be based on information provided by industry.
2. The development of information provision requirements as follows:
  - (a) Industry would provide information on gas supply/demand to the NGERAC (eg via a bulletin board). The NGERAC would inform industry of Government decisions regarding allowing commercial arrangements to handle the incident or the use of Emergency Powers and directions on gas supply/demand allocation.
  - (b) Information would be provided periodically under normal conditions, for the purpose of updating supply security assessments, and continuously (eg four hourly) after an incident and during an emergency. It may be advantageous for the NGERAC to assess gas supply security under peak winter and summer demand conditions. Such assessments would be undertaken prior to winter/summer, say in April and October respectively, based on updated information provided by industry.
  - (c) The information provided must be sufficient to enable the NGERAC to assess the implications of an incident and the actions necessary to establish and maintain a balance of gas supply/demand during the emergency, consistent with objectives under the MOU and Protocol.

3. Information required for decision making should be as follows:

### **Supply**

*Producers* – current and potential (short-term) output at each plant

*Transmission Pipelines* – current throughput and available capacity (assuming injections are available), for both forwardhaul and backhaul between specified locations, and current and potential linepack

*Storage* – current injections/withdrawals and available withdrawals

*Retailers/Traders* – current and available deliveries by market (city gate)

*Distribution systems* – any delivery constraint problems (capacity, pressure etc)

Indications of any timing issues (e.g. supply ramp-up rates) or other constraints should also be provided.

### **Demand**

*Transmission Pipelines* – current and projected “normal” withdrawals over the next seven days

*Distributors* – current and projected “normal” withdrawals over the next seven days, by curtailment category

*Retailers/Traders* – current and projected “normal” withdrawals over the next seven days and estimates of the levels of voluntary curtailment that are still available.

All information would be provided by the relevant industry participants in confidence and would not be provided to other participants other than in aggregate form. The NGERAC would seek advice from the Australian Competition and Consumer Commission regarding compliance of these information provision arrangements with the *Trade Practices Act 1974*.

The report should be prepared on the following basis:

4. Roles and responsibilities of Governments would be as follows:

- (a) Each jurisdiction’s role would be to monitor the progress of any gas incident drawn to its attention through jurisdictional channels, to determine the extent and probable effects the incident may have on the jurisdiction, to determine if and when intervention may be required, and to initiate communication with other jurisdictions and the Commonwealth and the NGERAC under the MOU.
- (b) Once the NGERAC has been convened it would assume responsibility for co-ordinating information and the provision of advice, and all jurisdictions would take on responsibilities as members of the NGERAC. Communications responsibilities are described below.
- (c) Jurisdictional officials would manage the exercise of Emergency Powers, including:
  - (i) Advising Ministers (including the Commonwealth Minister), the Governor, the Premier/Chief Minister, and the Parliament on the extent and probable effects of any natural gas supply disruption.

- (ii) Preparing proclamations for submission to the Governor and drafting regulations to control gas supply and demand.
  - (iii) Ensuring processes and plans are in place to manage the exercise of Emergency Powers in an efficient manner.
- 5. Roles and responsibilities of market participants and end-users:
  - (a) In the event of a gas incident with the potential to threaten system security, under jurisdictional emergency management plans the gas system operator (GSO) where the incident occurs would notify relevant parties including Government, the NGERAC and all affected upstream and downstream production, storage, transmission, distribution and retail gas system operators.
  - (b) If the Protocol is invoked, gas system operators and end users may take on responsibilities as members of the NGERAC and provide supply/demand and system capability information to the NGERAC. Communications responsibilities are described below.
  - (c) Each Natural Gas System Operator is responsible for the management of gas supply disruptions and the consequent effects within their section of the natural gas system. This management would be in accordance with its own response plan, the protocols of jurisdictional emergency plans and directions from the NGERAC via jurisdictional officials (acting on behalf of the relevant Ministers) and after receiving advice (where it is available and time permitting) from the NGERAC.
  - (d) Transmission, distribution and/or retail system operators, as appropriate, would notify customers of involuntary curtailment requirements under existing communication arrangements.
- 6. Gas sharing arrangements:
  - (a) Gas curtailment (involuntary) could be based upon either jurisdictional curtailment tables, or a national curtailment table if and when developed.
  - (b) In the case of jurisdictional curtailment tables, the NGERAC should advise on harmonising the definitions of, and priorities accorded to, essential services.
  - (c) The NGERAC should advise on developing a national curtailment table for jurisdictional consideration.

7. Communication protocols to support the above as follows:
  - (a) Under jurisdictional emergency management plans, gas system operators would report a gas incident with the potential to threaten system security to relevant parties including Government.
  - (b) The affected jurisdiction would consult with other interconnected or affected jurisdictions and the Commonwealth in accordance with the MOU and advise the need to convene the NGERAC.
  - (c) The NGERAC would receive supply/demand information from the Gas System Operators (GSOs) and review system capability.
  - (d) The NGERAC would consider whether commercial arrangements can continue to manage the incident and the need to invoke the Emergency Powers.
  - (e) If the NGERAC considers that it is necessary to advise Ministers to declare an emergency, the NGERAC would advise also on control actions and, subject to jurisdictional endorsement, communicate these to GSOs via jurisdictional officials.
  - (f) The GSOs would implement the control actions.

The cycle from (c) to (f) would be repeated.

8. The communications mechanism could be a secure access bulletin board or website, with a structure for inputting the information listed in paragraph 3 above. This could be updated periodically for the purpose of conducting summer/winter supply/demand assessments. After an incident it would be updated frequently to reflect the impact of the incident. It would provide immediate access to the information to all members of the NGERAC.
9. Other matters to be considered by the NGERAC include:
  - (a) the need for permanent secretariat arrangements to support the NGERAC: options include support by a working group of industry participants; the Ministerial Council on Energy through the Commonwealth Department of Industry Tourism and Resources (DITR); or specific operators with market support functions such as VENCORP, GMCO or REMCO.
  - (b) the role of the NGERAC in process development and review for the functions specified in this document.
  - (c) mechanisms for emergency planning and for testing the agreed arrangements. Planning would involve selection of a range of possible gas supply incidents and desk-top determination of the optimum responses to each incident under the gas sharing arrangements, while testing would simulate the responses to one such incident. The NGERAC could undertake emergency planning and initiate and manage emergency simulations.

- (d) Requirements for amendment of emergency management procedures within jurisdictions.

### **GLOSSARY OF TERMS FOR SCHEDULE 3**

**Commercial arrangements (management)** – the arrangements under which gas is bought and sold, typically bilateral contracts, and the supporting mechanisms whereby gas supply and demand are co-ordinated on a short-term basis. The mechanisms include the processes for: gas nominations by retailers/traders to producers and pipelines; gas allocation to buyers after delivery; voluntary or market-based curtailment; imbalance management; and settlement.

**Control actions** – actions taken to restore gas supply demand balance: an increase in or redirection of gas production; and/or curtailment of users.

**Curtailment** – reduction of gas usage by end users, that is, usage at a level below their level under normal market conditions.

**Gas producer** – any party that produces pipeline specification natural gas from naturally occurring hydrocarbon reserves, including those in coal beds.

**Gas system operators** – operators of any part of the gas supply chain, including producers, transmission and distribution network operators, storage operators, retailers and traders.

**Isolated network** – a network in which an emergency occurs is isolated if its gas supply-demand balance cannot affect, or be affected by, the supply demand balance in another jurisdiction.

**Market operators** – the operators of retail and/or wholesale gas markets in New South Wales (GMCo), Victoria (VENCORP), and South Australia/Western Australia (REMCO).

**Retailer/Trader** – any party that purchases gas from a gas producer, including generators and industrial/commercial gas users.

**Execution Page:**

**SIGNED** as a Memorandum of Understanding.

Signed by the Honourable Ian Macfarlane MP )  
Minister for Industry, Tourism and Resources for )  
the Australian Government )  
On the      day of May 2005 )

Signed by the Honourable Frank Sartor MP )  
Minister for Energy and Utilities in the State of New South Wales )  
On the      day of May 2005 )

Signed by the Honourable Theo Theophanous MP )  
Minister for Energy Industries in the State of Victoria )  
On the      day of May 2005 )

Signed by the Honourable John Mickel MP )  
Minister for Energy in the State of Queensland )  
On the      day of May 2005 )

Signed by the Honourable Alan Carpenter MLA )  
Minister for State Development and Energy in the State of )  
Western Australia )  
On the      day of May 2005 )

Signed by the Honourable Patrick Conlon MP )  
Minister for Energy in the State of South Australia )  
On the      day of May 2005 )

Signed by the Honourable Bryan Green MHA )  
Minister for Infrastructure, Energy and Resources in the State )  
Tasmania )  
On the      day of May 2005 )

Signed by the Honourable Kon Vatskalis MLA )  
Minister for Mines and Energy in the Northern Territory )  
On the      day of May 2005 )

Signed by Mr Jon Stanhope MLA )  
Chief Minister of the Australian Capital Territory )  
On the      day of May 2005 )