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Manager – Energy Market Reform Team
National Energy Market Branch
Department of Industry, Tourism and Resources
GPO Box 9839
Canberra ACT 2601

18 March 2005

Dear Sir/Madam,

Re: National Gas Emergency Response Protocol Options Paper

The Australian Gas Light Company (AGL) is pleased to have the opportunity to comment on the National Gas Emergency Response Protocol Options Paper (the *Options Paper*).

AGL believes that industry should manage situations to the greatest extent possible, with government intervention limited to situations where the market is unable to clear itself or system security is under threat.

However, AGL considers it is appropriate to establish a permanent committee of representatives of Australian governments, the gas industry and end users to deal with the management of gas emergency issues on an ongoing basis. Accordingly, AGL supports the Permanent Committee Option (option 2) put forward in the Options Paper.

In developing the Permanent Committee Option, the tasks that need to be undertaken include:

- The development of terms of reference for the Permanent Committee, taking into account jurisdictional interdependencies and how events with an interjurisdictional impact will be managed;
- Clearly documenting the procedures to be followed by the Permanent Committee in an emergency management manual, including escalation procedures;
- Harmonisation of curtailment tables across jurisdictions and networks to ensure consistency where possible and that the “pain” is shared equally by different jurisdictions;
- Procedures for handling confidential information that will be made available to the Permanent Committee, some members of which will be drawn from industry. One option is to utilise an organisation such as an existing gas market operator to do the necessary work for the Permanent Committee.

In developing the Permanent Committee Option, certain principles are critical

In resolving this detail, certain principles are critical. These principles were outlined by AGL in its submission on the National Gas Emergency Response Protocol Issues Paper and, for ease of reference, are set out below.

1. *Clear principles and process defining when and how jurisdictional powers will be invoked and when intervention will end.*

Intervention would typically be required where the system security is at risk or where the market is unable to clear itself through commercial arrangements. It is important to all affected parties that there be a clear statement of the circumstances under which intervention would occur. Clear principles and processes should be developed in consultation with industry.

2. Clarity in relation to the principles that will apply once jurisdictional powers are invoked.

3. Ensure participants commercial arrangements are kept whole in the event of an emergency.

In the event of emergencies where governments direct the flow of gas, retailers need to have the ability to recover costs. Any cost recovery mechanism should be capable of operating across all jurisdictions.

4. Introduction of escalation procedures

AGL supports a process that allows the industry to manage situations to the greatest extent possible before government intervention occurs and allows market responsiveness through demand side management and the trading of gas to manage the situations across regions.

Industry is best placed to make decisions on how to move gas across regions and manage this movement in a way that is cost effective.

AGL suggests that an appropriate mechanism would be the introduction of escalation procedures that provide clear principles and processes for intervention according to the severity of the event.

The implementation of effective escalation procedures should result in better management of emergency situations by providing certainty to participants and governments as to how situations will be managed and by improving the information flows. There are procedures currently available that can be drawn on as the basis for any multi-jurisdictional process.-

The escalation procedures would set out a number of levels of emergency event and detail for each level the actions and information required. The lowest level of escalation procedure would involve a description of the event, duration, market impact, and actions to be taken by participants to prepare to manage the situation if the severity of the situation was to escalate. Each higher stage would involve further action such as reducing load.

The Permanent Committee would be responsible for the management of the escalation procedures. Similar escalation procedures already exist in other markets and have proven to be effective in managing emergency situations.

The Permanent Committee would also be responsible for dealing with confidential information supplied by industry on both a periodical and emergency basis. While AGL recognises that in an emergency there may be a need to share information on supply and demand, it is important that the level of disclosure is appropriate and there is a recognition of and protection of commercially sensitive information.

Next steps

While AGL supports the Permanent Committee Option, there is considerable detail to be resolved. Industry has valuable and extensive experience and is best placed to work with governments to work out the next level of detail.

Accordingly, AGL suggests the formation of an industry and government working group to progress the development of the National Gas Emergency Response Protocol.

If you have any queries, please do not hesitate to contact Peter Geers, Manager Wholesale Gas Strategy, on (03) 92017564.

Kind regards,

Michael Fraser

Group General Manager Merchant Energy