



## Response template for the East Coast Gas System (ECGS) Guidelines Consultation

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Review comments submitted by: Origin Energy

Confidential: No

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### Comments on the ECGS Guidelines

| Topic   | Please Provide Response Here  |
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| General comment   | As we stated in our earlier submission on the ECGS Guidelines, Origin has material concerns around the appropriateness of the Australian Energy Market Operator (AEMO) participating in a market it is responsible for operating.   |
| Provision of explanatory scenarios to illustrate how AEMO's trading function will work in practice. | <p>In our earlier submission we outlined that it would be beneficial for AEMO to provide detailed examples of market situations that demonstrate when and how its trading function (and associated approaches) could be used. AEMO has noted that it is <i>difficult to provide scenarios to assess what possible trading options would be available in the absence of a threat</i>, but also later commented that, <i>it sees merit in further developing scenarios</i>.</p> <p>Given the trading function is a new intervention power that has the potential to introduce inefficiencies, diminish commercial incentives and give rise to significant market distortions, it is critical that AEMO's trading activities are predictable and transparent. Participants and consumers will bear the cost of AEMO's activities, and so need to be able to understand when and how AEMO will intervene in the market. Detailed examples</p> |

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|   | <p>/ scenarios would help provide the necessary practical detail to accompany the high-level principles set out in the Guidelines, and have been adopted in other regulatory guidelines to assist with stakeholder understanding and compliance. We therefore remain of the view that practical examples should be developed for incorporation in the Guidelines.</p>   |
| <p>Explanation of how AEMO would allocate gas purchased to prevent a shortfall.</p> | <p>In our earlier submission, we sought clarity on how AEMO would allocate gas purchased to prevent a shortfall. In response, AEMO expressed its preference for using a services model whereby AEMO procures the specific service from a market participant, who would likely then have an obligation to ensure gas is made available through market mechanisms. However, it is still not clear how this gas would be allocated to users.</p> <p>For example, if the southern market (Adelaide, Sydney and DWGM) is materially short and AEMO uses its new trading powers to either procure a service from industry or purchase gas on a bilateral basis directly from a market participant, how would this gas actually enter the market? It is not clear at what price this gas would be made available. If this gas is sold into the market at an artificially capped price, then this may encourage demand and not resolve the shortfall.</p> |