

# ENHANCING THE INTEGRATED SYSTEM PLAN TO SUPPORT THE ENERGY TRANSITION | CONSULTATION PAPER

Australian Energy Producers | 18 July 2024

Australian Energy Producers welcomes the opportunity to provide feedback on the Australian Energy Market Commission's (AEMC) consultation on *Enhancing the Integrated System Plan to Support the Energy Transition*, and in particular *Better integrating gas into the Integrated System Plan (Electricity and Gas) Rule*.

A well-functioning and well-supplied gas market is critical to the energy transformation on the east coast and across Australia.

Australian Energy Producers recommends:

- **Governments should prioritise addressing forecast gas shortfalls ahead of undertaking additional analysis of the gas market;** the challenges facing the east coast gas market are well understood. What is needed is clear actions to bring on new gas supply and to support investment in gas infrastructure.
- **It is welcomed that proposed changes to the Integrated Systems Plan (ISP) will be implemented without additional data reporting by gas producers;** it is recommended that this is encapsulated in the proposed rule changes to ensure it cannot be revised in future.
- **The scope and format of how gas production information is published needs to be determined in partnership with gas producers** to ensure the confidentiality of commercially sensitive information is maintained.

**There is overwhelming evidence supporting the ongoing need for gas in Australia, as well as the need for investment in gas production, gas transport and storage infrastructure, and gas power generation.** The Government's recent Future Gas Strategy states that "Under all credible net zero scenarios, natural gas is needed through to 2050 and beyond" and that "We need continued investment in, and development of, gas supply and transport infrastructure to get us through the energy transition with thriving industries."<sup>1</sup> This was supported by the 2024 ISP<sup>2</sup> which highlights the role for gas as part of the "lowest-cost way to supply electricity to homes and businesses as Australia transitions to a net zero economy." The ISP 2024 finds that 12.8 GW of new gas power generation capacity is required and that gas power generation over the coming decades will increase in the order of 175 per cent relative to today's levels – from around 10,000 TWh in 2023/24 to over 17,500 TWh in 2043/44.

**While the ongoing role of gas is clear, Government action is required to ensure sufficient supply is available to meeting continuing demand.** The Australian Competition & Consumer Commission (ACCC) and Australian Energy Market Operator (AEMO) continue to forecast

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<sup>1</sup> Australian Government, *Future Gas Strategy*, 2024

<sup>2</sup> AEMO, *2024 Integrated System Plan*, 2024

structural shortfalls in the east coast gas market from as soon as 2027, with shortfalls in periods of peak demand as early as winter 2024.<sup>3</sup> In June 2024, AEMO published an East Coast Gas System Risk or Threat Notice highlighting “the supply of gas in all or part of the east coast gas system may be inadequate to meet demand” through to September 2024. To address forecast shortfalls, the ACCC state: “There is an urgent need to develop new sources of gas production and supply” and that “Governments at all levels should focus on removing unnecessary impediments to developing new gas resources.”<sup>4</sup>

**While better integrating gas into the ISP may lead to a more detailed understanding of the challenges facing the east coast gas market, it will not change or address the urgent need for new gas supply.** Repeated ISP analysis, along with a range of other gas market reporting from AEMO and the ACCC, clearly outlines the need for investment in gas production, gas transport and storage infrastructure, and gas power generation. However, this analysis has yet to translate into policy and regulatory actions to support new gas investment. Accordingly, the need for new gas supply should be prioritised by governments ahead of additional analysis of the challenges facing the gas market.

**Australian Energy Producers welcomes the commitment that proposed changes to the ISP will use information already provided to AEMO, with no new data reporting for gas producers.** Australian gas producers already face significant and increasing reporting requirements from a range of Federal and state departments and agencies. Cumulatively, these reporting requirements represent a significant and growing administrative burden, without necessarily improving the functioning of the market. The additional administrative cost from data reporting ultimately results in higher prices for the gas produced. Accordingly, it is welcomed that proposed changes will be implemented with no additional data reporting requirements for gas producers. It is recommended that this constraint is encapsulated in the proposed rule changes to ensure it cannot be revised in future.

**The scope and format of how gas production information is to be published needs to be determined in partnership with gas producers to ensure the confidentiality of commercially sensitive information is maintained.** While the information in question is already being provided to AEMO, there are proposed changes in the scope and nature of how it will be used and the way in which it will be published which require additional consideration. To ensure that the proposed new uses maintain the confidentiality of commercially sensitive information provided, it is recommended that the final nature and scope of what is published is determined iteratively, in partnership with industry. Australian Energy Producers stands ready to help coordinate this process.

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<sup>3</sup> ACCC, *Gas Inquiry 2017-2030 – Interim update on east coast gas market June 2024*, 2024

<sup>4</sup> ACCC, *Gas Inquiry 2017-2030 – Interim update on east coast gas market June 2024*, 2024