

8 October 2015

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged electronically

Project Number “GPR002” –Review of the Victorian Declared Wholesale Gas Market Discussion Paper

Hydro Tasmania welcomes the opportunity to provide comments on the Review of the Victorian Declared Wholesale Gas Markets Discussion Paper regarding the Australian Energy Market Commission’s (AEMC) Victorian Declared Wholesale Gas Market Review. As a second tier participant in the wholesale market and a growing retail business we are well placed to provide comment.

As outlined in our previous submissions to the AEMC (including *East Coast Wholesale Gas Market and Pipeline Framework Review Wholesale Gas Markets Discussion Paper (GPR003)* dated 10 September 2015 and *National Gas Amendment Rule 2015* dated 13 August 2015) Hydro Tasmania is supportive of a more transparent and efficient gas market. Hydro Tasmania acknowledges the work undertaken by the AEMC to date in order to present the five packages in this discussion paper.

As noted in our submission to the *East Coast Wholesale Gas Market and Pipeline Framework Review - Wholesale Gas Markets Discussion Paper (GPR003)* dated 10 September 2015 it is widely understood that there are current inconsistencies within the existing east coast gas market between facilitated markets and transportation arrangements. The AEMC currently has an opportunity to recommend removing some of these inconsistencies and create a uniform east coast gas market. With this in mind, Hydro Tasmania believes that any significant changes to the Victorian Declared Wholesale Gas Market (DWGM) should be considered in line with changes proposed in the broader east coast review.

As outlined in the Discussion Paper, the five packages presented are bundled into three separate categories: market improvements, market development and market reform. Given that a broader review is underway, Hydro Tasmania believes that market development and market reform should not be considered independently of the east coast gas review. The potential situation that the Victorian DWGM review could be completed with an outcome misaligned to that of the broader east coast gas market review is a scenario that should be avoided.

Hydro Tasmania supports ongoing market improvements to the Victorian DWGM that can create efficiencies in the near term such as the Rule Changes that the AEMC regularly release for comment. Hydro Tasmania supports fundamental changes to the Victorian DWGM where it improves the

efficiency and transparency of the market and enables operation of a more homogeneous east coast gas market.

Hydro Tasmania would like to note that the structure of the Victorian market has created a relatively efficient retail market in Victoria with higher levels of retailer participation, ultimately resulting in greater competition benefiting consumers. With this in mind, we caution significantly changing the Victorian DWGM that may increase barriers to entry without sufficient efficiency benefits.

Hydro Tasmania looks forward to continuing to work with the AEMC to support changes that will provide consistency and transparency across the east coast gas markets.

Please contact the undersigned on 03 6230 5775 if you require any additional information.

Regards,



David Bowker
Manager Regulation