



**EnergyAustralia**

9 October 2015

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Australian Energy Market Commission

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Dear Commissioners

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Lodged electronically: [www.aemc.gov.au](http://www.aemc.gov.au) (GPR0002)

### **AEMC 2015, Review of the Victorian Declared Wholesale Gas Market, Discussion Paper, 10 September 2015**

We are one of Australia's largest energy companies with over 2.5 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own and operate a multi-billion dollar portfolio of energy generation and storage facilities across Australia, including coal, gas, and wind assets with control of over 4,500MW of generation in the National Electricity Market

Natural gas will play an important role in Australia's energy mix for many years to come. A successful gas market development roadmap will ensure disruption to participants is limited while progressing an open, transparent, and liquid market.

The theoretical concepts in the discussion paper need to be applied to the physical infrastructure and operational aspects before making a decision on a preferred direction. The workability of each model will depend highly on congestion internal to the hub, pipeline routes, and forecast flows. Competing priorities make a perfect solution impossible. The solution which fits the Victorian market will depend on the details.

A virtual hub which includes the major production and storage facilities in Victoria is important for liquidity by matching buyers and sellers. Where there are coordination issues between parties and duplication of roles, there could be an argument for centralisation of further operations to further streamline trade.

The key considerations for the development of the Victorian DWGM needed to ensure COAG Energy Council's Gas Market Vision is met are

- Ensure access to firm withdrawal rights where there is the possibility of congestion to match storage injection rights.
- Maintain high utilisation of pipelines to extract full value from the pipeline infrastructure.
- Purchasing or selling additional gas in advance, day-ahead, and intra-day.

- Allocation of risks to those best able to manage it to aid the development of financial products.
- Clear outcomes in times of system security due to forced production outages and limiting exposure where risks cannot be managed.
- Integration with other markets outside Victoria to ensure gas flows to its highest value use.
- Resilient in the face of structural change and in a wide range of supply/demand conditions.

There is limited benefit in major reform without encouraging new entrants and investment upstream. Progressing these simultaneously will ensure the gas market delivers value to consumers and the price signals for efficient investment.

If you any have further questions please contact me on (03) 8628 4518 or at [Ben.Hayward@EnergyAustralia.com.au](mailto:Ben.Hayward@EnergyAustralia.com.au).

Regards

A handwritten signature in black ink, appearing to read 'Ben Hayward', with a stylized, cursive script.

**Ben Hayward**

Industry Regulations