

Extension of time for Review of the Victorian Declared Wholesale Gas Market

Draft Final Report to be released in October 2016

On 13 May 2016, the Victorian Government extended the period of time within which the AEMC must undertake its Review of the Victorian Declared Wholesale Gas Market. The reason for the extension is to allow the AEMC to undertake additional consultation with stakeholders and further analysis.

Reason for the extension

On the 13 May 2016, the Victorian Government provided its response to the AEMC’s Draft Report for its Review of the Victorian Declared Wholesale Gas Market (DWGM).

The Victorian Government notes that the AEMC’s draft recommendations on developing a new Southern hub have the potential to drive benefits including the establishment of a wholesale gas reference price that would facilitate competition and provide the tools needed by Victorian retailers and wholesale customers to manage risk exposure to gas prices in an export linked market.

However, the Victorian Government has requested that a number of additional matters be considered and further analysis undertaken so that it is in a position to better assess the recommendations.

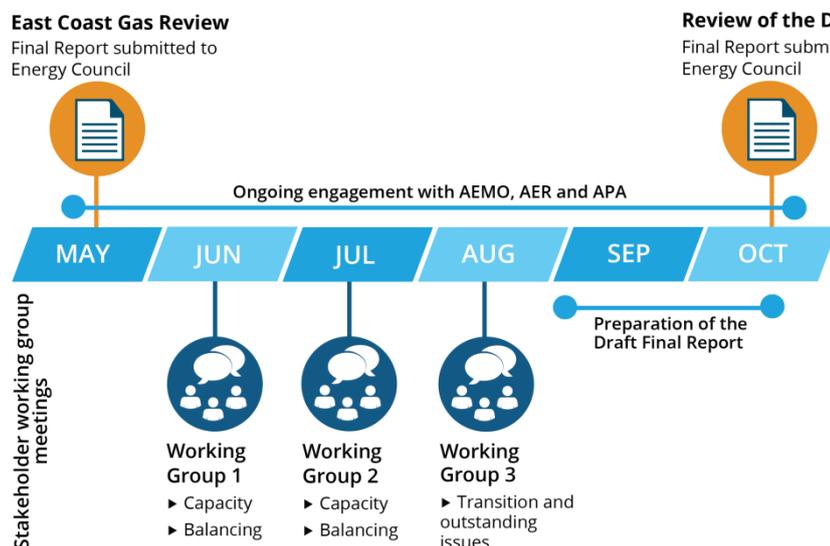
The Victorian Government has also asked the AEMC to outline its plans to resolve a number of design issues and other matters related to information requirements, transitional arrangements for existing market participants and technical and system requirements.

Recognising that this work will require additional consultation with stakeholders, including with AEMO on continuing to maintain security of supply for Victorian businesses and households, the Victorian Government has granted the AEMC an extension to provide a Draft Final Report by 14 October 2016.

Stakeholders will have the opportunity to respond to the Draft Final Report before a Final Report is issued.

Commission’s proposed work plan

In order to engage with industry, AEMO and the AER on the detailed market design of the Southern Hub, the Commission has put together the work plan in the Figure below.



The Commission envisages an intensive period of working with AEMO and market participants on three facets of the market design: capacity allocation, balancing and transitional arrangements. At this stage we expect to hold four industry working groups in addition to bilateral discussions with participants and regular meetings with AEMO, the AER and APA Group. We would also anticipate organising Advisory Group meetings during this period.

While the Commission will be facilitating the consultation process, information and analysis from AEMO and industry participants will play a critical role in shaping the Commission's views. A high level of collaboration in the process to finalise the Southern Hub design will provide the best grounds for developing a market that meets the needs of existing and new entrant gas market participants.

Broader East Coast Gas Market reforms

The proposed reforms to the Victorian gas market form part of the AEMC's broader roadmap for the development of the East Coast Gas Market. A Final Report for the East Coast Wholesale Gas Market and Pipeline Frameworks Review (East Coast Review) will be delivered to the COAG Energy Council in late May. This report will provide further detail on the broader East Coast Gas Market reform package, including on the high level attributes of a new Southern Hub in Victoria.

The Final Report for the East Coast Review will be published to coincide with the COAG Energy Council meeting currently scheduled for 13 July 2016.

Background

On 4 March 2015, the COAG Energy Council, at the request of the Victorian Government, asked the AEMC to conduct a review of the Victorian DWGM. The purpose of the review is to consider whether the current Victorian arrangements provide appropriate signals and incentives for investment in pipeline capacity, allow market participants to effectively manage price and volume risk and facilitate the efficient trade of gas to and from adjacent markets.

More broadly, the review will consider whether, and to what extent, the DWGM continues to effectively promote competition in upstream and downstream markets, in the long-term interest of consumers.

The AEMC has also been asked by the COAG Energy Council to review the design, function and roles of facilitated gas markets and gas transportation arrangements on the east coast of Australia. The East Coast Review is considering the roles and objectives of the existing markets on the east coast in light of changing market dynamics, and aims to set out a road map for their continued development.

The Stage 2 Draft Reports for the East Coast Review and Review of the Victorian DWGM were published on 4 December 2015 and are available on the AEMC website.¹

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¹ www.aemc.gov.au.