



The Hon Lily D'Ambrosio MP

Minister for Energy, Environment and Climate Change
Minister for Suburban Development

8 Nicholson Street
East Melbourne, Victoria 3002
Telephone: 03 9637 9504
DX210098

Mr John Pierce
Chair
Australian Energy Market Commission
PO Box A2449
SOUTH SYDNEY NSW 1235

Ref: MBR032359



Dear Mr Pierce

AEMC REVIEW OF THE VICTORIAN DWGM

The Andrews Labor Government welcomes the Australian Energy Market Commission's (AEMC) *Draft Final Report – Review of the Victorian Declared Wholesale Gas Market*.

On 13 May 2016, I extended the review of the Victorian Declared Wholesale Gas Market (DWGM) so that a cost-benefit analysis could be completed and that you could respond to questions raised by stakeholders, including requests for further design details.

I would like to thank you for the additional work completed to date and recognise the efforts of the staff involved in this review.

Given the complexity of the review, I believe that there will be value in further consultation with stakeholders. In particular, further consultation will allow for consideration of incremental reform opportunities and the merits of alternative reform options. It will also allow for the development of a more detailed transition path.

In acknowledgement of the work undertaken by stakeholders to identify potential cost-effective incremental reforms to the Victorian DWGM, it will be important to identify any actions that may be implemented in the interim or in parallel to the broader recommendations.

It is also important that questions raised by the Australian Energy Market Operator (AEMO) on managing system security are addressed. AEMO should continue to assist with the development of the final recommendations, including any potential incremental reform opportunities and alternative reform pathways, as AEMO is likely to have new roles and responsibilities under a reformed DWGM. I would also request that you consult closely with the Australian Energy Regulator.

Given the above, I would like to extend the review to 14 September 2017. I would appreciate receiving a copy of the report two weeks prior to this date.

Victoria is strongly committed to pursuing reforms to the Victorian gas market which facilitate greater competition and transparency and which will ultimately deliver better outcomes for Victorian business and household customers.

If you require further information, please contact Mark Feather, Executive Director, Energy Policy and Programs Branch, of the Department of Environment, Land Water and Planning on telephone (03) 8392 7607.

Yours sincerely



Hon Lily D'Ambrosio MP
Minister for Energy, Environment and Climate Change
Minister for Suburban Development

9 / 3 / 2017