



# DWGM simpler wholesale price

## Stakeholder submissions invited on new rule change request

The Australian Energy Market Commission (AEMC) has published a consultation paper on proposed rule changes from the Victorian Minister for Energy, Environment and Climate Change and AEMO that seek to simplify and improve wholesale gas prices in the Victorian Declared Wholesale Gas Market (DWGM).

### Context

On 5 November 2018, the AEMC received three rule change requests from the Victorian Minister for Energy, Environment and Climate Change to amend the National Gas Rules (NGR). The rule change requests propose the following changes:

- introduce a simpler wholesale gas price for the DWGM in Victoria (*DWGM simpler wholesale price*)
- establish a forward trading exchange which will make it easier for buyers and sellers to trade gas and lock in a future price in the Victorian gas market (*DWGM forward trading market*)
- improve the allocation and trading of pipeline capacity rights (DWGM improvement to AMDQ regime).

These requests were based on recommendations made by the AEMC in June 2017, as part of the Review of the Victorian declared wholesale gas market final report (DWGM Review).

### Consolidated rule change request

On 24 November 2016, the Commission received a rule change request from the Australian Energy Market Operator (AEMO), on behalf of EnergyAustralia, that seeks to amend the NGR. The rule change request seeks to enable AEMO to factor in physical constraints on withdrawals of gas when calculating the market price in the pricing schedule for the Victorian DWGM.

As the rule change request from the Victorian Minister on *DWGM simpler wholesale price* and the rule change request from AEMO relate to a common subject matter and are seeking to address similar issues, the Commission has consolidated them. The consolidated rule change request is referred to as the *DWGM simpler wholesale price*.

The rule change request seeks to change the National Gas Rules to:

- spread congestion uplift payments across market participants, instead of the current approach that aims to recover congestion uplift payments from those parties that caused the congestion
- decouple the cost of congestion from the authorised maximum daily quantity (AMDQ) regime
- where a system constraint would act to physically limit scheduled withdrawals, enable AEMO to apply a constraint to represent this in the pricing schedule.

## Issues for consultation

The consultation paper explores the issues raised in the rule change request. Stakeholders are invited to comment on these issues, which include:

- is the current congestion uplift framework overly complex or are congestion uplift payment outcomes able to be understood and predicted?
- to what extent does the congestion uplift hedge protection framework provide benefits for market participants or the operation of the DWGM, such as signals and incentives for investment in additional transmission capacity?
- if congestion uplift payments were spread across market participants and the cost of congestion was decoupled from AMDQ, what effect would this have on the value of AMDQ?
- if constraints limiting scheduled withdrawals from the declared transmission system (DTS) were represented in the pricing schedule, what effect would this have on market participants' bid and offer practices and their ability to manage price and volume risk?
- what effect would the rule change have on the effectiveness of the AMDQ regime, the efficient operation of the DTS and efficient investment in the DTS in the long-term?

## Consultation process

The Commission will assess the two related rule change requests (on *DWGM improvement to AMDQ regime* and *DWGM forward trading market*) separately, but concurrently with the *DWGM simpler wholesale price* rule change request. The Commission will also consider potential interactions between all three rule change requests.

We invite stakeholders to provide written submissions on the consultation paper by Friday **26 April 2019**. A template setting out consultation questions is available to help stakeholders provide their views on the issues raised in the paper.

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