



25 October 2019

Mr John Pierce  
Chairman  
Australian Energy Market Commission  
Level 6, 201 Elizabeth Street  
Sydney NSW 2000

Lodged electronically

Dear Mr Pierce

### **DWGM Rule change GRC0051 – Improvement to AMDQ regime**

APA welcomes the opportunity to comment on the AEMC proposed preferable Rule change for the Declared Wholesale Gas Market (**DWGM**), in this case the Improvements to the AMDQ Regime. The nature of the DWGM and the AMDQ regime are well explained in the Commission's draft determination and need not be repeated in this submission.

APA's comments are limited to two matters:

1. The need to consider these Rule changes in the broader scope of the east coast gas market; and
2. The need for some form of transitional provisions.

### **The DWGM in the broader scope of the east coast gas market**

When the DWGM was first established, the Victorian gas market was a largely isolated, stand-alone market with a single source of supply– there was very little scope for the trade of gas between markets, either into, or out of, Victoria. The AMDQ regime served its role well in the context in which it was designed.

Needless to say, today's gas market is sharply different. Victoria is now part of a broader east coast gas market, in which the key objective is to promote liquid gas markets supporting free and fair trade in gas, and reducing prices to consumers.

The role of entry and exit rights had thus changed from allocation of gas from a single supply point for consumption within Victoria, to managing interface issues with injections into and withdrawals from Victoria from other (contract carriage) pipelines and other facilities.

The Rules applicable to the interface between contract carriage pipelines and other facilities and the DWGM could impact the trade of gas thousands of kilometres away. In this regard, the AEMC draft determination appears to be "Victorian market-centric" and did not, in APA's view, appear to adequately consider the interactions with other Rules and markets, and the cascading implications for trade of gas, either sourced outside Victoria or being "exported" from Victoria.

For example, the draft determination did not appear to address the scope for unintended consequences arising from changes to the AMDQ regime for the operation of the day-ahead auction of unutilised capacity on contract carriage pipelines and other facilities.

Before finalising these Rules, APA suggests that the AEMC should undertake a thorough review of the interface issues to ensure these Rule changes do not inadvertently reduce the scope for liquid gas markets to develop to promote the free and fair trade of gas in the long term interests of consumers.

### **Transitional arrangements**

The current draft Rule determination proposes to abolish all existing Authorised MDQ rights at the conclusion of the current Victorian Transmission System access arrangement. Authorised MDQ was issued in perpetuity at market start, and it would be understandable for shippers to engage in long term arrangements on the basis of that understanding.

In particular, APA is concerned about the abolition of the Authorised MDQ it holds for withdrawals at Culcairn. The existence of this Authorised MDQ has underpinned confidence in long term gas transportation agreements on contract carriage pipelines, which has supported investment in pipeline capacity outside Victoria. To the extent the term of these contracts extends beyond the AEMC's proposed abolition date, the proposed Rule change would result in a loss of value to these shippers.

The particular arrangements are commercially sensitive to the relevant shippers, and cannot be discussed in a public submission. However, APA would be pleased to work with the AEMC to develop appropriate transitional arrangements to avoid unintended consequences.

We would be pleased to discuss this matter with you at your convenience. Please contact Scott Young, Manager Regulatory, on (02) 9275 0031 or at [scott.young@apa.com.au](mailto:scott.young@apa.com.au) in the first instance.

Yours sincerely



Peter Bolding  
General Manager Regulatory and Strategy