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DWGM distribution connected facilities rule change – GRC0062

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AGL Response to AEMC Updating DWGM distribution connected facilities rule change consultation paper

AGL Energy (AGL) welcomes the opportunity to comment on AEMC’s DWGM distribution connected facilities rule change (consultation paper).

AGL is a leading integrated essential service provider, with over 180 years’ experience of innovation and a passionate belief in progress – human and technological. We operate the country’s largest electricity generation portfolio, are its largest private investor in renewable energy, and provide over 4 million electricity, gas, and telecommunications services to our residential, small and large business, and wholesale customers. Our operated gas storage inventory has storage capacity of over 20PJ, we operate over 1900MW of gas-fired generation, and we sell over 150PJ p.a. of gas to customers across Australia.

The AEMC is considering proposed changes to the National Gas Rules (NGR) to allow for the connection of distribution connected facilities in the DWGM. Currently only transmission connected facilities can participate in the DWGM. The consultation paper also outlines potential changes to the NGR to facilitate the connection of gas equivalent and blending facilities.

We strongly support investigations into the ability for natural gas to be replaced by zero-emissions methane and other zero-emissions gases, such as hydrogen, and the appropriate scale for doing so in the context of competing technologies to decarbonise Australia’s economy over time.

Our recent submission to the Commonwealth DISER review, *Extending the national gas regulatory framework to hydrogen blends and renewables*, outlined our views on the merits of amendments to the National Gas Laws to include natural gas equivalents in the regulatory framework. As discussed in this paper there are significant challenges that must be overcome before natural gas equivalents can be universally supplied to commercial and residential customers.

At this early stage, changes to the DWGM should be initially made to facilitate investigations into the suitability of zero-emissions gases. These investigations will then further inform the industry, jurisdictional regulators, and the AEMC as to how these types of technologies can be efficiently integrated into the DWGM at the necessary scale for wholesale market operations.

We do not support changes to the DWGM that would integrate production facilities that are yet to reach the appropriate scale of production capacity. Currently, zero-emission gas facilities are at a significantly smaller scale than conventional gas production facilities. We consider there is merit in allowing existing projects to continue in a ‘regulatory sandbox’ approach, where regulatory issues can be understood in further detail.



Similar to the Virtual Power Plant (VPP) trials, when these projects are sufficiently advanced, the industry can then start considering how to effectively integrate these new technologies into the market.

Outlined below is our response to some of the issues raised in the consultation paper.

Market operations and outcomes

We broadly support the proposed integration of distribution connection facilities in the DWGM. With technological advancements in zero emission gas production, the DWGM should facilitate these types of facilities that are cost efficient and fit for purpose for end users regardless of where the facility is connected. However, as noted above, we consider these types of facilities must be at a sufficient scale to participate in the wholesale market. We therefore do not support small scale projects participating in the DWGM.

As the AEMC notes in the consultation paper, currently market operations are at the declared transmission system (DTS). The DWGM is not currently designed to include facilities behind the transmission injection point. We consider it is appropriate to make the necessary changes to the NGR to enable distribution connected facilities to participate in the market. In essence these market participants should be subject to the same regulatory requirements as equivalent facilities connected to the DTS. Therefore, we support changes to the bidding and scheduling rules, along with amending the demand forecasting definition, to allow distribution facilities to participate in the market. Consistent with other transmission connected facilities, we also agree with the requirement to apply facility constraints and the integration of distribution constraints in operating schedules.

The consultation paper also raises issues regarding the title and custody of gas in the DWGM. As the paper notes, each participant is taken to accept the gas delivered to it at a system withdrawal point regardless of the composition (subject to distribution and jurisdictional requirements). At this stage, we do not consider the AEMC, or more broadly the industry, has sufficient experience and information to consider how the rules may be amended to facilitate the co-mingling of gas beyond current gas specifications. As noted above, it is necessary to first investigate how these technologies perform and how the co-mingling of this type of gas can be effectively integrated in the DWGM. The AEMC should not introduce gas rules regarding bespoke arrangements for co-mingling until this work is complete.

System operations

The AEMC consultation paper outlines potential issues regarding the connection of distribution facilities to the declared distribution system. Consistent with our views regarding the integration of distribution facilities in DWGM market operations, we consider the connections framework should also be expanded to cover distribution connections. The relevant party to approve distribution connection applications should be AEMO. We note however the effective administration of the connection process is also dependent on the amendment to gas specification and monitoring requirements. Until this is clearly defined, we are unable to provide more detailed comments on how the connection framework should be administered and whether there are additional issues that need to be considered at the distribution level.

We also note there remains significant uncertainties regarding the operational characteristics of the gas equivalent facilities. Ultimately the operation of these types of facilities will be dependent on factors that are not traditionally considered for conventional gas production. For example, they may be dependent on ancillary energy sources, or wholesale electricity prices and grid connection constraints. The connection process will likely need to take these details into consideration. Given the early stages of these types of technologies, it is unclear if the relevant party responsible for connections will currently have sufficient knowledge and experience to undertake this type of assessment.



The consultation paper also raises the issue of who should be responsible for the management of gas specification within the distribution system and the appropriate instrument for gas quality monitoring requirements. These issues again highlight the significant issues outside the DWGM framework that are yet to be resolved that define the gas blending requirements and the ultimate gas quality and specifications. Importantly, the relevant jurisdictional authority must largely first assess these requirements. The AEMC should first allow this process to be completed before making changes to the NGR to introduce new distribution system operation roles and potential gas specification instruments.

If you have any queries about this submission, please contact Kyle Auret on (03) 8633 6854 or KAuret@agl.com.au.

Yours sincerely,

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