AEMC

DWGM DISTRIBUTION CONNECTED FACILITIES

STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in the consultation paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

SUBMITTER DETAILS

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DATE: 2 December 2021

PROJECT DETAILS

NAME OF RULE CHANGE:	DWGM distribution connected facilities
PROJECT CODE:	GRC0062
PROPONENT:	Victorian Minister for Energy, Environment and Climate Change
SUBMISSION DUE DATE:	2 December 2021

CHAPTER 4 – ASSESSMENT FRAMEWORK

1. Is the proposed assessment framework appropriate for considering the proponents rule change request?	Yes – Alinta Energy supports the proposed assessment framework for assessing this rule change request. However, we also strongly encourage the AEMC to consider the urgency being placed on this rule change (and other processes related to the introduction of hydrogen and other blended gases) in the context of the National Gas Objective and the impacts that may be placed on market participants and consumers. We note that this change may appear small in terms of the scope of the project, however it requires many changes to complex consumer facing, market settlement and market operation regulations to ensure, above everything else, that consumers are protected. While we are generally supportive of the proposed changes, we believe that consumer safety and the necessary consumer protections should be put in place, along with all necessary technical changes, prior to the reform taking effect. This should include: • all necessary consumer communications to ensure consumers remain confident in their gas supply and that risks to consumer/market participant equipment/appliances are compatible; • a technical review and a robust compliance framework built into the registration and connections framework to remove the risk of unsuitable/unqualified producers/shippers entering the distribution marketplace; and • the mandatory application of appropriate technical standards which clearly and articulately outline how and what types of blended gases are able to be safely produced, transported and used at the embedded industrial and commercial level and by residential consumers. This should include, but not be limited to,a review of ongoing gas quality, gas to heating ratios and gas metering systems for billing and settlement purposes. Overall, complex market reforms, especially those of a technical nature require a solid examination of the issues to ensure it does not introduce inefficiencies, supports the energy market transformation (including the electrification of key industry sectors and the pathway to net zero), and does not create unintended consequences. Therefore, although we recognise that some of the technical issues relate to State Government responsibilities, the nature of an interconnected gas network means that any NGR reforms determined by the AEMC must require a level of technical competence, market participant understanding and readiness at all levels of the supply chain, and most importantly consumer acceptance. Alinta Energy cautions the AEMC that rushing forward with an unproven regulatory framework may increase or introduce new risks. It will also take away valuable human resources from other pressing energy market priorities.

2. Are there any other relevant considerations that should be included in the assessment framework?	Please refer to our response to question 1.

CHAPTER 6 – MARKET OPERATIONS

FACILITY REGISTRATION	
3. Should the existing definitions be expanded to include distribution connected facilities?	Yes – if the rule change is approved, Alinta Energy believes that participants on the Declared Distributed System should be appropriately recognised and existing definitions should be expanded.
4. Alternatively, should a new participant category be introduced to account for distribution connected facilities?	At this stage, Alinta Energy prefers minimising the amount of complexity introduced by the rule change. Creating a new participant category may increase overall entry costs and the intricacy of the framework. Unless it is warranted for other means, we believe it would be simpler to expand the existing category to account for distribution connected facilities.
REQUIREMENT TO SUBMIT BIDS AND GAS SCHEDULING	
5. Should all bidding rules be updated to allow distribution connected facilities to bid into the market? If not, why?	Yes – please refer to our response to question 3.
6. Should all scheduling rules be updated to allow injections into the declared distribution system to be scheduled? If not, why?	Yes – scheduling rules should be updated to apply a proportionate level of responsibility and obligation on Declared Distribution System participants for scheduling purposes. However, noting that capacity credits are to be introduced in early 2023, consideration on how to expand this mechanism to new entrants should be considered. As a general rule of thumb, we believe that all transmission and distribution connected facilities should be treated equally, however grandfathering and technical implications of injections closer to the consumer (including the tie-breaking methodology) needs to be examined further to ensure the rights of existing incumbents are fairly but appropriately protected.
DEMAND FORECAST	
7. Should the demand forecast definition be amended to include all gas consumed from distribution and transmission systems within a declared system?	Yes – the demand forecast definition should include all sources of gas consumed. This will be important to correctly balancing and settlement functions. However, ensuring the viability and accuracy of gas metering will be equally important. Alinta Energy encourages the AEMC to work closely with the National Measurement Institute and Standards Australia to develop fit for purpose technical standards, which and be implemented and enforced via the

	regulatory framework. Doing so will assist in preventing unscrupulous behaviours from occurring (i.e. such as the 'pink batts' or rogue 'solar installers' incidents).
8. If not, is there an alternative solution that would maintain the existing NGR gas demand forecast definition?	N/A
DETERMINATION OF MARKET PRICE	
9. Should distribution connected facilities' constraints be treated consistently with transmission injection facilities and excluded from the pricing schedule? If not, why?	In principle, Alinta Energy agrees. However, without further details on how the mechanism (particularly for blended products) would work in practice, it is difficult for us to confirm our position at this stage. We do not support treating distribution injections as negative demand.
OPERATING SCHEDULES	
10. Should the existing design be maintained with distribution networks managing the constraint issues outside of the DWGM?	No – Alinta Energy does not support maintaining the existing design on grounds of transparency and equal treatment.
11. Should the operating schedules be expanded to allow distribution constraints within the operating schedule? a. In this case, what compliance liability considerations need to be made for distribution connected facilities?	Yes – Alinta Energy supports expanding the operating schedule and adding distribution constraints. At this stage we cannot comment on the compliance liability considerations unless further details on the technical capability/specifics and expected uptake at the distribution level. For example, compliance activities should be commensurate with the expected number (and capability) of the distribution participants.
12. Should a new constraint type be added for distribution connected facilities that is managed by the gas scheduling process?	N/A
CAPACITY CERTIFICATES	
13. Should distribution connected facilities be allocated capacity certificates for tie-breaking rights? Why?	Yes – please refer to our response to question 6. We note, however that it may be necessary to review and further update the capacity certificates (CC) framework to ensure that the regulatory framework allows the participation of distribution connected facilities and how they may impact CC Zones.
14. What would be the implications of modelling the capacity of potentially a high number of distribution connected injection points?	Alinta Energy believes this is a key question for AEMO as the market operator, specifically the ability of AEMO IT systems to handle a larger amount of data from a greater number of connected participants.

CHAPTER 7 – MARKET OUTCOMES

TITLE, CUSTODY AND RISK	
15. Do the rules need to be changed to manage the title of injections within the distribution system?	Yes – as we noted above, a series of technical boundaries are necessary to confirm the steps associated with blended gas fuel products that are produced, traded, stored and used on the DWGM. How these rules are set out and what they allow (in line with technical guides) will determine how best to address Title, Custody and Risk management.
16. Do the rules need to contemplate the co-mingling of gas within a distribution system? If not, why?	Yes – as above, the co-mingling of gas and the introduction of blended products will change the chemical makeup of the gas within the distribution system. As we outlined in our response to Q1, getting this right from a technical and safety perspective is paramount to protecting consumers from any physical risks. In addition, from a retailing perspective, the addition of blended and co-shared gases will impact heating values (including the amount of blended gas needed to perform the function of 1MJ of natural gas) and retail pricing to C&I and residential consumers. Further consideration will be necessary to determine if natural gas, hydrogen and blended gas products can (and should) be priced (and sold on the DWGM) as a homogenous product. If not, a methodology and technical tracing/separation test is likely necessary to easily split out gas products.
PARTICIPANT COMPENSATION FUND	
17. Should the participant compensation fund cost recovery mechanism be expanded to include distribution connected facilities? If not, why?	Yes – Alinta believes the compensation fund cost recovery mechanism should consider a producer injecting into a distribution system/s in an equivalent manner to a producer on the Declared Transmission System. Each producer is performing the same function and therefore should be treated the same.
ALLOCATIONS AND DETERMINATION OF FEES PAYABLE	
18. Should the definition of what gas can be allocated be expanded to include gas supplied by distribution connected facilities?	Yes – Alinta supports the expansion of the definition on grounds of transparency, fairness and ease of implementation. Where possible, all connected facilities should be treated the same, unless doing so would create a barrier to entry (such as excessive costs to benefits).

19. Are there other alternative solutions that would be more effective?	
DEFAULT NOTICES AND MARKET SUSPENSION	
20. Should the rules be expanded to include distribution connected facilities for default notices? If not, why?	Yes – as above with our response to question 18, all connected facilities in the DWGM should be treated equally. We understand that it is however, not clear if the existing rules can be expanded. We encourage the AEMC to explore this legal question, and where it is not possible, determine an alternative approach which provides AEMO with a similar level of market functionality.
21. Should the rules be expanded to include distribution connected facilities for market suspension? If not, why?	Yes – please refer to our response to question 20.

CHAPTER 8 – SYSTEM OPERATIONS

APPLICATION OF THE CONNECTIONS FRAMEWORK	
22. Should the connections' framework be expanded to cover distribution injections? If not, why?	Alinta Energy supports the initial proposal set out by the rule proponent. That is, we agree: • Rule 267 should be amended to cover distribution injections with appropriate and timely transitional arrangements to acknowledge changes to Subdivision 1 and any AEMO procedures (such as those relevant to recognise and interact with distribution connected parties, a suitable timeframe to meet NGR obligations and compliance activities etc.); • The Declared Distribution System service provider should be responsible for manage the connections process to their part of the network, be obliged to keep connection documentation, and inform AEMO of each connection in a timely manner for registration and scheduling purposes; and • Rule 270 should be amended to oblige any connected facility to the Declared Transmission System or Declared Distribution System to comply with the requirements within their connection agreement.

23. If so, what considerations should be accounted for in the transitional wording?	Please refer to our response to question 22.
24. Who should the party responsible for assessing and approving connections into the distribution system?	Please refer to our response to question 22.
25. Is the separation of connection agreements before 15 March 1999 with those made after still relevant within the NGR?	
OBLIGATIONS OF THE DECLARED SYSTEM SERVICE PROVIDERS	
26. How should the rules be amended to include obligations for DDS service providers? a. Where should these obligations sit in the rules?	Alinta Energy believes that the obligations on DDS service providers (and their placement in the rules) should mirror those for DTS service providers where it is possible. However, noting that DDS service providers are likely to be smaller and less savvy operators, consideration should also be given to their ability to comply with the full framework and whether some risks/obligations could be better managed by other parties (for example AEMO). .
27. If so, are there any additional considerations that are needed for the declared distribution systems?	Alinta believes that prior to enabling connection to the DDS, the service provider should be obligated to address gas quality issues, with particular focus on managing co-mingling of gas products during low demand conditions. This should be a key safety and risk management obligation.
AEMO'S OBLIGATIONS IN ASSESSING AND APPROVING CONNECTIONS	
28. Are the declared distribution system service providers the most appropriate party to facilitate connections into the declared distribution system? Why?	Yes – please refer to our response to question 22 and 29.
29. Should AEMO have an active role in assessing and approving connections for distribution connected facilities? Why?	No – while AEMO should continue their DWGM market operation functions (including market clearing engine processes) for Distributed Connected Facilities, the approval of connections at a distribution level is best left in the hands of local service providers with a better understanding of their networks. This approach is no different to electricity connections in the NEM.
CONNECTED PARTIES' OBLIGATIONS	
30. Should the rules be expanded to enforce compliance from distribution connected facilities regarding their connection agreements?	Yes – please refer to our response to question 22.

31. Are there any alternative solutions that would be more effective?	
GAS QUALITY	
32. Who should be responsible for the management of the gas specification within the distribution system?	Please refer to our response to question 34.
33. What is the most appropriate instrument for the gas quality monitoring requirements: a. The rules? b. AEMO guidelines or procedures? c. Another instrument?	Alinta Energy believes high level references are necessary in the NGR, however the details can be covered by technical standards (issued by the National Measurement Institute, Standards Australia or another appropriate body) and AEMO Procedures. These technical document however, must be enforced by the NGR to protect consumers. The NEM's NER and AEMO's Metrology Procedure provides a good example of how to set out requirements within the gas regulatory framework.
34. Should the declared distribution service providers and Energy Safe Victoria be the parties responsible for continued monitoring of the network and compliance respectively? If not, Why?	Yes – we believe that they are the natural parties with responsibility in Victoria. The mandate for Energy Safe Victoria and its responsibilities should be the subject of a separate and more detailed consultation process.
35. Should the rules consider alternative gasses, such as hydrogen, within the gas quality monitoring rules?	Yes – there is a growing desire both politically and commercially to increase the use of hydrogen as a zero-carbon fuel source. Noting its relevance and expected wide use across multiple industry sectors of the Australian and Victorian economies, we agree it must be covered by gas quality monitoring rules. We also consider that any widely used blended gas product must also be covered by these monitoring rules. However, before any new gas product is approved for wide use, it should be subject to range of technical tests as noted above.
METERING	
36. Should the rules be amended to cover metering accuracy requirements for distribution connected facilities?	Yes – refer to our response to question 7.
37. Should the rules be amended to allow distribution connected facilities to provide their own compliant metering?	Yes – however compliance with technical standards and revenue accuracy must be demonstrated to the Service Provider as a pre-requisite of connection.
38. Are there any other distribution connected facilities metering related issues that should be included in the rules?	

THREATS AND INTERVENTIONS	
39. Is it necessary to expand AEMO's powers to be consistent with DTS connected facilities given the broad powers currently in the rules?	Yes – any threat within the DWGM should be treated equally across the Declared Transmission System and the Declared Distribution System. However, in expanding its power's AEMO should be obligated to consult with stakeholder on how it intends to use its powers across each system and what 'tests' and the process to justify actions will be implemented. This could be the subject of an AEMO Procedure and separate consultation process, with broader directions set out in the NGR.
40. Should distribution connected facilities be able to claim compensation for losses incurred for injections required during an intervention?	Generally, Alinta Energy supports this position. However, we are unsure how and how frequently this could happen. It may be worthwhile for the AEMC to consider the probability of an intervention event when determining its position.

CHAPTER 9 – OTHER ISSUES

ALTERNATIVE SOLUTION 1 – SUPPLY FROM DISTRIBUTON CONNECTED FACILITIES MANAGED CONTRACTUALLY	
41. Is there merit in further exploring this proposed solution?	
42. Are there any aspects of this solution that should be incorporated into the proposed solution?	
ALTERNATIVE SOLUTION 2 – SUPPLY FROM DISTRIBUTON CONNECTED FACILITIES MANAGED AS NEGATIVE DEMAND	
43. Is there merit in further exploring this proposed solution?	
44. Are there any aspects of this solution that should be incorporated into the proposed solution?	
MATERIALITY THRESHOLD	
45. Should this rule change consider including a materiality threshold in the rules?	
46. Should a reduced set of bidding requirements be applied to distribution connected facilities that do not meet the current bid size of 1 GJ?	

47. Do the rules provide a barrier to bidding quantities of gas smaller than 1 GJ?	
48. What are the impacts and costs associated with updating the bidding system to accommodate decimal GJ bids?	
SCHEDULING INTERVALS	
49. Should this rule change consider changing the current scheduling intervals or is this an issue that should be addressed in a separate rule change process?	
EXPECTED COSTS, BENEFITS, AND IMPACTS OF THE PROPOSAL	
50. What are the expected costs associated with the proposed changes for: a. existing market participants? b. new market participants that would fit into the distribution connected facility category? c. AEMO?	
51. How would these costs be recovered under the existing regulatory framework?	
52. What are the impacts of the proposed solution and the "do nothing" scenario?	
53. Is the proponent's assertion that the long term costs of inaction are greater than the costs associated with the proposed solution correct?	
IMPACT ON CONTRACTS MARKET	
54. What considerations need to be given to the contracts market when integrating distribution connected facilities into the DWGM?	