Mr Harrison Gibbs
Australian Energy Market Commission
GPO Box 2603
Sydney
NSW 2001

Lodged online at: aemc.gov.au

2 December 2021

Dear Mr Gibbs,

DWGM distribution connected facilities rule (GRC0062) – Consultation paper

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Market Commission ('the Commission") in response to the Consultation paper on the DWGM distribution connected facilities rule change proposal ("the Consultation paper").

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE has interests in generation, renewable energy development, and energy services. ENGIE also owns Simply Energy which provides electricity and gas to more than 745,000 retail customer accounts across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

Hydrogen is an important component of a future carbon free world

ENGIE believes that hydrogen has the potential to unlock the full range of renewables and carbon-free energy solutions. It could accelerate the energy transition by allowing numerous green energy technologies to be used with much greater flexibility.

ENGIE is committed to developing solutions based on renewable hydrogen, produced by electrolysis using a green energy supply. Hydrogen is the missing link for a decarbonised ecosystem, allowing for the harmonious progress of cities, territories and societies around the globe.

ENGIE's aim is to operate across the entire value chain of renewable hydrogen, from carbon-free power generation to the three key end uses: mobility, industry and energy storage.

ENGIE is already partnering with governments and other businesses on trials, feasibility studies, and early commercial projects in order to develop the know-how that will allow the hydrogen sector to scale up quickly. This involvement has a global footprint, including projects in (amongst others) France, Singapore and

Australia. Notably, ENGIE is project lead on one of the three ARENA-supported commercial-scale renewable hydrogen projects: a 10 MW electrolyser project to produce renewable hydrogen in a consortium with Yara Pilbara Fertilisers at their Karratha plant. ENGIE is also a partner in one of the other projects, a 10 MW electrolyser for gas blending at AGIG's Murray Valley Hydrogen Park in Wodonga. The latter project has served as something of a trigger for the issues raised by DELWP in its rule change proposal.

In this light, we welcome DELWP's proposal and fully support the policy intent of the proposal. Facilitation of the ability to inject gas at the distribution level by clarifying the application of the NGR to this activity as an important step forward for the hydrogen industry, as well as for biomethane and potentially other gases.

Our detailed response to the questions in the Consultation paper are attached in the requested template format.

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, (03) 9617 8415.

Yours sincerely,

Jamie Lowe
Head of Regulation,
Compliance and Sustainability

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
2. Are there any other relevant considerations that should be included in the assessment framework?	No

CHAPTER 6 – MARKET OPERATIONS

FACILITY REGISTRATION	
3. Should the existing definitions be expanded to include distribution connected facilities?	This appears to be an appropriate approach to give effect to the intent of the rule change.
4. Alternatively, should a new participant category be introduced to account for distribution connected facilities?	Unless there is some material advantage in this option, it will be more efficient to expand existing definitions.
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?	In principle this approach appears appropriate subject to any issues arising from the different characteristics of the injection point or the gas being injected. For example, the ability to inject a particular volume of gas at a distribution injection point may be more dependent on demand than an injection at a transmission point, and this may make it correspondingly harder to accurately forecast volumes in advance.
6. Should all scheduling rules be updated to allow injections into the declared distribution system to be scheduled? If not, why?	In principle this approach appears appropriate subject to any issues arising from the different characteristics of the injection point or the gas being injected. For example, the ability to inject a particular volume of gas at a distribution injection point may be more dependent on demand than an injection at a transmission point, and this may make it correspondingly harder to accurately forecast volumes in advance.
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, as this would assist in balancing supply and demand.

8. If not, is there an alternative solution that would maintain the existing NGR gas demand forecast definition?	ENGIE is not aware of a suitable alternative
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?	It appears reasonable to treat constraints consistently.
OPERATING SCHEDULES	
10. Should the existing design be maintained with distribution networks managing the constraint issues outside of the DWGM?	It would be preferable to avoid an approach that results in market deviations. However, if the alternatives prove unworkable then it may be necessary.
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?	See above
12. Should a new constraint type be added for distribution connected facilities that is managed by the gas scheduling process?	See above
CAPACITY CERTIFICATES	
13. Should distribution connected facilities be allocated capacity certificates for tie-breaking rights? Why?	This appears appropriate for the reasons set out by the rule change proponent.
14. What would be the implications of modelling the capacity of potentially a high number of distribution connected injection points?	There is unlikely to be a high number of such injection points in the first instance. If the modelling threatens to become unwieldy over time, then the issue can be revisited then.

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?	ENGIE notes that the proponent's view is that the rules may already be sufficient to cover this issue. Should this not be the case, then the rules will need to eb changed accordingly.
16. Do the rules need to contemplate the co-mingling of gas within a distribution system? If not, why?	Yes, as this outcome appears inevitable when hydrogen blending is introduced to the system.
PARTICIPANT COMPENSATION FUND	
17. Should the participant compensation fund cost recovery mechanism be expanded to include distribution connected facilities? If not, why?	As a developing industry sector, participants engaged in injecting gases (which will typically be natural gas equivalents) at distribution level are already likely to face materially higher costs. Leaving the mechanism as it is provides some modest cost relief which will assist with industry development. If the Commission is concerned that in a future scenario with high levels of distribution connected facilities, that the participation compensation fund risks being underfunded, then it could indicate that this issue be revisited in the future when a certain threshold of distribution connection activity ahs been reached, for example.
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?	Unless there is some barrier to adopting this approach it is much simpler than the alternative, and thus preferable.
19. Are there other alternative solutions that would be more effective?	ENGIE is not aware of a more effective alternative.
DEFAULT NOTICES AND MARKET SUSPENSION	
20. Should the rules be expanded to include distribution connected facilities for default notices? If not, why?	This appears a logical approach.
21. Should the rules be expanded to include distribution connected facilities for market suspension? If not, why?	This appears a logical approach.

CHAPTER 8 – SYSTEM OPERATIONS

APPLICATION OF THE CONNECTIONS FRAMEWORK	
22. Should the connections' framework be expanded to cover distribution injections? If not, why?	Given there may be unforeseen technical issues arising with such connections, especially where different gases are involved, it may be more appropriate to allow greater flexibility than that in the existing DTS framework. ENGIE considers that distribution service providers have a strong incentive to facilitate distribution injections as a step towards the decarbonisation of their networks. Should proponents find undue difficulties in arranging connections to the distribution system, then the issue can be revisited.
23. If so, what considerations should be accounted for in the transitional wording?	n/a
24. Who should the party responsible for assessing and approving connections into the distribution system?	In the first instance, the distribution service providers. As noted above, if this results in unsatisfactory outcomes for proponents, then it should be revisited.
25. Is the separation of connection agreements before 15 March 1999 with those made after still relevant within the NGR?	n/a
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?	See response to Q22 above.
27. If so, are there any additional considerations that are needed for the declared distribution systems?	n/a
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, as they have the best understanding of the physical characteristics and constraints of the system.

29. Should AEMO have an active role in assessing and approving connections for distribution connected facilities? Why?	Introducing a third party to connection agreements generally results in significant complexity and additional resources. Absent any compelling rationale otherwise, AEMO should not have an active role.
CONNECTED PARTIES' OBLIGATIONS	
30. Should the rules be expanded to enforce compliance from distribution connected facilities regarding their connection agreements?	To the extent necessary to ensure a safe and secure gas system, the existing obligations should be applicable to distribution connected facilities. As discussed above, the provision of accurate load forecasts may be more challenging for such facilities.
31. Are there any alternative solutions that would be more effective?	n/a
GAS QUALITY	
32. Who should be responsible for the management of the gas specification within the distribution system?	Distribution service providers are likely to be the party best placed to take this responsibility.
33. What is the most appropriate instrument for the gas quality monitoring requirements: a. The rules? b. AEMO guidelines or procedures? c. Another instrument?	AEMO guidelines or procedures would allow for easier amendment over time.
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?	This appears appropriate.
35. Should the rules consider alternative gasses, such as hydrogen, within the gas quality monitoring rules?	It is premature for rules aimed at natural gas and its equivalents to encompass pure hydrogen.
METERING	
36. Should the rules be amended to cover metering accuracy requirements for distribution connected facilities?	This appears appropriate.

37. Should the rules be amended to allow distribution connected facilities to provide their own compliant metering?	This appears a logical approach.
38. Are there any other distribution connected facilities metering related issues that should be included in the rules?	n/a
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?	To the extent necessary to ensure a safe and secure gas system, yes.
40. Should distribution connected facilities be able to claim compensation for losses incurred for injections required during an intervention?	Yes, in a manner consistent with that applicable under existing rules.

CHAPTER 9 – OTHER ISSUES

ALTERNATIVE SOLUTION 1 – SUPPLY FROM DISTRIBUTON CONNECTED FACILITIES MANAGED CONTRACTUALLY	
41. Is there merit in further exploring this proposed solution?	It would be preferable to work through issues relating to the proponent's preferred solution in the first instance. Only if these prove intractable should the Commission further explore alternatives.
42. Are there any aspects of this solution that should be incorporated into the proposed solution?	n/a
ALTERNATIVE SOLUTION 2 – SUPPLY FROM DISTRIBUTON CONNECTED FACILITIES MANAGED AS NEGATIVE DEMAND	
43. Is there merit in further exploring this proposed solution?	n/a
44. Are there any aspects of this solution that should be incorporated into the proposed solution?	n/a
MATERIALITY THRESHOLD	

45. Should this rule change consider including a materiality threshold in the rules?	To the extent that material issues are identified with applying the full set of rules to smaller facilities, then a materiality threshold could be an appropriate way to manage these issues.
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?	n/a
47. Do the rules provide a barrier to bidding quantities of gas smaller than 1 GJ?	n/a
48. What are the impacts and costs associated with updating the bidding system to accommodate decimal GJ bids?	n/a
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?	ENGIE considers that this 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?	It is unlikely that existing market participants would face significant additional costs, given that most of the proposed rule changes would simply be extending existing rules applicable to the DTS. It is hard to evaluate the costs for new market participants without a counterfactual of an alternative solution. Should costs prove to be a significant barrier for credible smaller proponents, this could inform the decision on materiality thresholds. AEMO is best placed to advise on its own costs.
51. How would these costs be recovered under the existing regulatory framework?	Market participants would recover costs through market participation. AEMO would recover its costs from system users as per usual.
52. What are the impacts of the proposed solution and the "do nothing" scenario?	The proposed solution will facilitate the development of hydrogen and biomethane sectors (and potentially other gases). National and jurisdictional hydrogen strategies envisage a rapid ramp up in production and consumption, including new production methods, new end use cases and the creation of an export market. Accordingly, it's important for the rules to evolve to allow these emerging industries to grow and prove up their commercial viability. The characteristics of hydrogen and biomethane production mean that they require an avenue to connection into the distribution system. This will not be possible under a "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?	It's hard to specifically evaluate this assertion, however, given the clear policy intent to facilitate the development of these industries, it would be somewhat dysfunctional to prevent this development because of the difficulties in carrying out a robust cost benefit analysis. ENGIE notes that the Commission has made several rules that were an order of magnitude more expensive to implement without hard proof of the level of benefits (or conversely the costs of not proceeding with the rule).
IMPACT ON CONTRACTS MARKET	
54. What considerations need to be given to the contracts market when integrating distribution connected facilities into the DWGM?	As the Consultation paper notes, the issue of gas specification may need further consideration, but this will be addressed through other, concurrent processes.