



INFORMATION

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DWGM distribution connected facilities

The Australian Energy Market Commission (AEMC) has made a more preferable draft rule that amends the National Gas Rules (NGR) to enable distribution connected facilities to participate in the Victorian declared wholesale gas market. These amendments aim to treat distribution connected facilities on an equivalent basis to the existing transmission connected facilities. Submissions close on 19 May 2022.

Overview of the draft rule

The AEMC invites stakeholder submissions on a draft determination and draft rule made to enable distribution connected facilities to register and directly participate within the DWGM, being treated on an equivalent basis to the existing transmission connected facilities where applicable. Specifically, the draft rule:

- introduces new registration categories for distribution connected facilities, with the gas injected from these facilities being bid into the market and scheduled through the existing processes
- creates a process between distributors and AEMO, where the distributor is responsible for assessing constraints on its network and developing a methodology for managing these. AEMO then applies the methodology through the market schedules
- distribution injection points will be allocated to entry capacity certificates zones, with any registered market participants allowed to participate in the auctions and secure capacity certificates that can be used to manage scheduling risk during periods of pipeline congestion
- introduces new arrangements to manage the transfer of title for injections into a distribution system and their interactions with the settlement process
- expands the existing rules to capture distribution connected facilities and clarifies their rights and obligations in relation to the participant compensation fund, allocations and determination of fees payable to AEMO, default notices and market suspension, and threats and interventions
- utilises the new *Pipeline interconnection principles* to manage the connection process for distribution connected facilities, providing a consistent framework for all pipelines
- allocates gas quality monitoring responsibilities to distributors in their networks, strengthens the approvals and compliance framework for entities monitoring gas quality and provides greater clarity on gas quality monitoring equipment requirements
- extends the metering calibration requirements to include distribution injection points and strengthens the compliance and enforcement framework for metering installations.

Context and rule change request

On 8 September 2021, the AEMC received a rule change request from the Victorian Minister for Energy, Environment and Climate Change (the proponent) seeking to amend the NGR to facilitate the participation of distribution connected production and storage facilities in the Victorian DWGM.

Under the current arrangements, only facilities connected to the declared transmission system (DTS) are allowed to participate in the DWGM. The proponent considers that enabling the participation of distribution connected facilities in the DWGM, so that supply and demand are scheduled regardless of location in the system, would expand but be consistent with the current market design.

Distribution connected facilities may include but are not limited to, hydrogen, biomethane and renewable gas facilities. Currently, these low emissions gas resources are more readily able to connect to a declared distribution system (DDS) due to physical compatibility constraints with the DTS.

Elsewhere, distribution connected facilities are able to participate in gas markets. For example, the rules governing the Short Term Trading Markets (STTM) in Sydney, Adelaide and Brisbane have recognised distribution connected facilities since their establishment in 2010.

Benefits of the more preferable draft rule

The Commission is satisfied that the more preferable draft rule is likely to better contribute to the achievement of the national gas objective by affording a number of benefits. The draft rule:

- maintains the fundamentals of the current market design; promotes the existing efficiency of the market; provides targeted and proportionate change and minimises implementation complexity
- promotes stability, transparency and clarity of roles and responsibilities
- is flexible and adaptable to technological innovation and a changing market and regulatory environment
- promotes safety, reliability and security of supply.

Implementation

Under the draft rule, the new framework will commence on 1 October 2023. As a consequence of the draft rule, AEMO will be required to update its procedures and systems to enable the inclusion of distribution connected facilities into the DWGM. Existing procedures should be updated no later than six months before the commencement date, and new procedures no later than three months before the commencement date.

Consultation

The Commission is seeking stakeholder feedback on the draft determination and the more preferable draft rule by **19 May 2022**. A workshop is scheduled for 8 April 2022, where stakeholders will have the opportunity to provide initial feedback on the proposed changes.

Interaction with the *Review into extending the regulatory frameworks to hydrogen and renewable gases*

The DWGM rule change is being undertaken concurrently with the AEMC's *Review into extending the regulatory frameworks to hydrogen and renewable gases*. While the rule change request does not explicitly target the integration of hydrogen and renewable gas blends, its focus on allowing distribution connected facilities to participate in the DWGM has implications for enabling hydrogen and renewable gas to be injected into gas distribution networks in Victoria.

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