



AGL Energy Limited

ABN: 74 115 061 375
Level 24, 200 George St
Sydney NSW 2000
Locked Bag 1837
St Leonards NSW 2065
t: 02 9921 2999
f: 02 9921 2552
agl.com.au

DWGM distribution connected facilities rule change – GRC0062**Submission via AEMC website****19 May 2022****AGL Response to AEMC Updating DWGM distribution connected facilities rule change draft determination**

AGL Energy (AGL) welcomes the opportunity to comment on AEMC's DWGM distribution connected facilities rule change draft determination.

AGL is a leading integrated essential service provider, with over 180 years' experience in natural gas systems and innovation and with 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. We operate over 1900MW of gas-fired generation, and we sell over 150PJ p.a. of natural gas to customers across Australia.

The AEMC draft determination proposes to make changes to the National Gas Rules (NGR) to allow for the connection of distribution connected facilities in the DWGM which would participate in the market and inject gas into the distribution system. Currently only transmission connected facilities can participate in the DWGM.

We broadly support the AEMC draft changes to the DWGM to facilitate the connection of distribution facilities. At this early stage, with the proposed introduction of Natural Gas Equivalent production facilities, the AEMC should focus on the changes necessary to allow these facilities to operate without distorting the current market framework.

We note the AEMC's ability to make changes to the roles and responsibilities are constrained by Victorian legislation and Victorian jurisdictional oversight of gas specification and safety requirements. However, we consider the introduction of production and blending facilities will significantly alter the distribution system roles and responsibilities. Preserving the exclusive oversight and management of the declared distribution system by the distributors fails to address potential issues regarding expertise, bias and consistency across the distribution systems in relation to the connection and management of these types of facilities.

Outlined below are our concerns relating to gas quality management, the curtailment process and gas quality monitoring.

Gas Quality Management

The management of gas quality is proposed to be spread between two parties – AEMO for the quality of gas which will be delivered through Transmission sources and Distribution Network Businesses for gas injected via a Distributed connected facility.



AGL believes that AEMO as the party responsible for the Gas Quality Guidelines and supporting processes should manage gas quality from all production sources (Transmission and Distribution) through to retailer notifications and control of any curtailment of out of merit order dispatching, to resolve the issue.

Gas Distribution Networks are not resourced nor specifically skilled in managing merit order despatch processes, nor do they have the appropriate communications infrastructure and processes to communicate to the wide variety of shippers (transmission only participants) and Retailers.

As AusNet (as a gas Distributor) pointed out in their submission that gas quality may not, and almost certainly will not, be homogenous within the Distribution network, and so the withdrawing parties, to whom Title to Gas devolves, need to be involved and advised of any gas quality changes which are occurring. This allows them to manage their customer's needs efficiently.

This function best sits with AEMO to control, with Distribution networks coordinating with AEMO.

Gas Curtailment Processes

In line with Gas Quality management, AEMO is also responsible for managing customer and facility Gas Curtailment processes and has the appropriate processes, systems, and communications infrastructure in place to manage these requirements. It would be expected that the Networks would communicate their needs to AEMO who would in turn manage the processes.

The Gas Distribution Businesses will not be aware of the volumes, sources or quality of gas being shipped on the transmission system, while AEMO can be more aware of Distribution Network Gas Quality through the connected facility SCADA. Thus, AGL believes that AEMO is better placed to have a broader understanding of the overall issues which Distribution Networks and Retailers may be facing and to manage the impacts on transmission scheduled injections.

As with Gas Quality, AGL therefore believes that AEMO is best placed to manage the overall curtailment processes with input from the Distributor.

Further, as discussed at the workshop, AGL believes that the procedures and any events, should be subject to some sort of external review by an independent party, such as the Market Auditor, especially in the initial period. AGL would expect that over time the processes and outcomes will be more transparent and more easily understood by the market. However, until that time, and in these early days of implementation, appropriate due diligence is not unreasonable to ensure the market has confidence in the curtailment procedures and processes.

Gas Quality Monitoring

It is unclear in the amended rules how existing regulated gas quality monitoring processes will be impacted or how this change will impact existing and new participants. The current drafting of Rule 289F does not seem to take into account existing contracts. Further, the rule may impact injecting participants who are sub-contracting gas supply, and who may have no control over the party who owns the gas at the injecting source.



AGL does not support the requirement for each injecting party to be required to enter into contracts for gas quality monitoring services. One of the fundamental tenants of the Victorian Gas Market was to remove the constrictions of contracts and move the operations into a market rules-based environment, where all parties are treated equally and the common functions, such as gas quality monitoring, would be managed through efficient market mechanisms and not contracts which may treat participants differently, and lead to inconsistent outcomes or present barriers to entry.

As such, AGL believes that the requirements for common services such as Gas Quality Monitoring should be managed via the regulated entity, whose costs are overseen through regulatory scrutiny.

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

Yours sincerely,

Chris Streets

Senior Manager Wholesale Markets Regulation