

19 May 2022

Anna Collyer
Chair
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Reference code: EMO0062

Dear Anna

Response to the DWGM distribution connected facilities draft rule determination

AusNet is pleased to have the opportunity to provide this submission to the AEMC's draft rule that amends the National Gas Rules (**NGR**) to include distribution connected facilities in the Victorian Declared Wholesale Gas Market (**DWGM**) to utilise hydrogen and renewable gas in distribution gas networks.

The rule change was requested by the Victorian Minister for Energy, Environment and Climate Change seeking to facilitate the participation of distribution connected production and storage facilities in the Victorian DWGM. It is part of a broader package of reforms being considered under the extending the national gas regulatory framework to hydrogen blends and renewable gases reform package.

We support the broader objective of the AEMC's draft determination and many of the changes included in the preferable draft rule. This reform, along with other reforms to the National Gas Laws (**NGL**), will bring renewable gas networks within the scope of the national gas legislative and regulatory framework.

We are a major energy network business that owns and operates key regulated electricity transmission and electricity and gas distribution assets located in Victoria. These assets include:

- More than 6,000 kilometres of electricity transmission network that services all electricity consumers across Victoria;
- An electricity distribution network delivering electricity to approximately 770,000 customer connection points in eastern Victoria; and
- A gas distribution network delivering gas to approximately 780,000 customer supply points in an area of more 60,000 square kilometres in central and western Victoria.

AusNet believes gas distribution networks have the ability to store and transport renewable energy and are an important part of the transition to our renewable energy future. However, the current rules are not supportive of the necessary arrangements of adding renewable gas into networks. Specifically, under the current rules, gas injection into the DWGM must occur at the Victorian declared transmission system (**DTS**) and the injection of gas (including blends containing a mixture of Natural Gas, hydrogen and biomethane) at distribution connected facilities is not permitted.

We support extending the scope of the NGR to include gas injection into the DWGM through distribution-connected facilities and the application of the same markets, transparency mechanisms and frameworks. These changes are essential to enabling the change of gas compositions for Victorian distribution gas networks to higher quantities of renewable gas.

Constraints and gas quality for distribution connected facilities

The draft rule determination proposes a market model where distributors are responsible for assessing facility constraints, in accordance with the Distribution Operational Coordination Procedures. Distributor constraint methodologies would be subject to AEMO approval. Once approved, the constraints would be written into the Distributor's agreement with the distribution connected facility. AEMO would then incorporate the constraint into the bidding processes and effectively limit the selling of more Natural Gas Equivalents (NGE) to the capacity of the distribution network, even during distributor network events. Distributors would ultimately be responsible for enforcement to ensure the reliability, security of the DDS and public safety.

We welcome changes proposed in draft rules 317C(1)(c) and 317C(2) that enable distributors to meaningfully enforce the gas constraints and gas quality standards. Without these changes, it would have been impractical to enforce constraints and standards against a non-conforming distribution connected facility operators in accordance with our connection agreement and Access Arrangement Terms and Conditions.

As discussed at our tripartite meeting with AEMO on 10 May, the proposed draft rule would benefit from alterations that enable the optimisation of NGE output in situations where the gas blending quality and capacity of the distributor gas network changes. Often changes in capacity would allow distribution connected facilities to increase the output of blending facilities. There may be other situations where constraint variations are required, such as where multiple distribution connected facilities need to share a blending constraint to ensure the gas in the distribution network remains within gas quality limits. Whether or not the first connecting party receives firm access rights or a shared blending constraint limit applies and AEMO's bidding optimises the shared capacity, we do need to be able to update the constraints previously agreed with distribution connected facilities.

Therefore, we recommend amendments to rule 317B(2)(b) to take into account of other factors including the bended gas from other distribution connected facilities, and a clause in rule 317B to allow a distributor to revise a constraint methodology for AEMO's approval when the connection of another nearby distribution connected facility occurs. Not having the ability to alter these constraints could lead to more disruptive interventions such as the distributor ordering the immediate curtailment of gas blend injection for security and safety reasons.

Gas quality standards, monitoring and metering

We support the proposed gas quality monitoring and management arrangements to draft rules 287A and 289B. Distributors are responsible for the gas quality delivered to our customers and it is only appropriate that we have a written agreement that sets out the quality standards that gas must comply with. We suggest it is important that a mechanism be included to allow the distributor to vary the agreed quality standard. Typically, the variation would be used to allow the permitted hydrogen composition limits to be increased as older steel pipes are replaced and our asset management knowledge of incorporating hydrogen blends improves. Therefore, we suggest changes to rule 287A to allow us to propose changes to the agreed quality standards that, if not agreed or rejected by the AER within 90 days, are deemed to apply.

Additionally, we agree with expanding the responsible gas quality monitoring provider framework and metering framework to DDS injection points. The approach of mirroring existing DTS arrangements is efficient and robust.

AusNet is broadly supportive of the rule change process, engagement and outcomes provided to date. We look forward to further engagement with the project team at the AEMC as we work together to further refine the rule change amendments. If you have any queries on our submission, please do not hesitate to contact Justin Betlehem on 03 9695 6288.

Yours sincerely,



Tom Hallam
General Manager Regulation