



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

Lodged online at: aemc.gov.au

19 May 2022

Dear Mr Gibbs,

DWGM distribution connected facilities rule (GRC0062) – Draft determination

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Market Commission (“the Commission”) in response to the Draft determination on the DWGM distribution connected facilities rule change proposal (“the Draft determination”).

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 (HyP Murray Valley). 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 the progress made by the Commission in the draft determination to enable participation by distribution-connected facilities (DCFs) such as HyP Murray Valley in the Victorian gas market. We recognize that the Commission's intent in drafting its preferred rule is to accommodate DCFs on broadly equal terms to other injection points in the Declared Transmission System (DTS). This approach simplifies the rule changes and seeks to maintain technology (or fuel) neutrality, a principle which the Commission has consistently espoused and with which ENGIE generally agrees.

Accordingly, we are broadly supportive of most aspects of the draft determination. Some elements where the Commission has taken a different approach to what we suggested, such as the creation of new participant categories and contributions to the compensation fund, are relatively minor in their impact and we are not seeking to pursue these issues further.

Our residual concerns essentially stem from the fact that DCFs will typically represent newer methods of producing gas for injection into a shared network compared to the existing DTS injection points. These traditional methods – gas production from conventional fields and gas storage are long standing methods, which have decades of operation behind them, including periods before the creation of the DWGM. Accordingly, their operators can have high levels of confidence in their ability to forecast and bid in supply volumes and to comply with scheduling targets.

However, DCFs will typically be more novel facilities. Hydrogen facilities such as electrolysers do not have a track record of gas grid injection to learn from. As new facilities, there may be a higher incidence of outages than traditional natural gas facilities. Production will be dependent on the supply of emissions-free electricity (given a key premise of such facilities is typically that they are producing "green" hydrogen). The primary source is therefore likely to be an intermittent renewable generator such as a wind farm or solar PV plant. Whilst an electrolyser connected to the shared electric grid will still in principle be able to source electricity in order to operate at all times, there may be complexities associated with the contractual arrangements for ensuring emissions-free electricity supply. Further, the commercial viability of the electrolysers may depend on having alternative sources of demand alongside gas network injection, such as transport fuel, that could in turn impact supply to the gas network.

Additionally, hydrogen plants may be constrained off for reasons beyond their control, such as the need for the declared distribution system operator (DDSO) to manage blending limits and because they have more limited recourse to tools such as linepack to manage the supply-demand balance than a gas transmission operator working with higher volumes.

Other DCFs, such as a biogas facility, are likely to face similar challenges (other than the blending limit).

It's effectively the combination of the different technologies and systems (renewable generators, electric grid, electrolysers, reticulated gas network and other hydrogen demand) that is new and means that operators may have less confidence in their ability to completely accurately forecast supply, draw up commercially robust bidding schedules and meet strict compliance standards for dispatch. Of course, ENGIE recognizes the paramount importance of maintaining a secure and reliable gas network, however, this requirement is compatible with affording some modest flexibility to DCFs, given their relatively low supply volumes in the context of the market as a whole.

We recognise that principles of technology neutrality and market efficiency are likely to make the Commission wary of introducing two tiers of regulatory standards into the Victorian gas market. The alternative is for operational and compliance and enforcement activities to allow some leeway within the envelope of maintaining a safe and secure system and an efficient market. The rules allow scope for this with their emphasis on materiality in matters of compliance with scheduling and forecasting - see for example, Rule 213 (4) and 219 (2). While interpretation of materiality in these contexts is more a matter for AEMO and AER rather than the Commission, one way to reflect this issue would be to require the development of guidelines for assessment of materiality.

We agree that the declared distribution system operator (DDSO) is best placed to manage constraints and curtailment relating to DCFs. We note that it is important for the market to be confident that these methodologies are non-discriminatory, especially in circumstances where multiple DCFs are connecting to the same distribution network. We consider that transparency is the best approach in these circumstances, and so we agree that it is appropriate to require the DDSO to publish their methodology.

We are supportive of the proposed implementation date of 1 October 2023 as this aligns well with the expected commencement date of HyP Murray Valley , which will need the new rules in place in order to be able to legally inject gas into the local distribution network. However, we note that this is a challenging time frame in which to develop and implement the required new and revised procedures.

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, 0477 299 827.

Yours sincerely,



Jamie Lowe

Head of Regulation, Compliance
and Sustainability