



19 May 2022

Anna Collyer  
Chair  
Australian Energy Market Commission  
PO Box A2449  
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Submitted online: [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Ms Collyer

## **DWGM distribution connected facilities – Draft Determination**

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Australian Energy Market Commission's (AEMC) Declared Wholesale Gas Market (DWGM) distribution connected facilities (DCF) Consultation Paper.

Origin is generally supportive of the draft rule, which would introduce two new registration categories to facilitate supply from DCFs and broadly treat them on an equivalent basis to facilities injecting gas into the Declared Transmission System (DTS). However, we have identified specific aspects of the draft rule that we believe warrant additional consideration to ensure the associated regulatory arrangements are fit for purpose, as discussed below.

### **1. DWGM participation**

Origin considers it premature to conclude current bidding and scheduling rules would not create a meaningful barrier to entry for DCFs, given uncertainty around the likely cost and scale of those facilities. We therefore recommend the AEMC further consider the merit of establishing a threshold under which DCFs could be exempted from participating in market processes; and allowing aggregation of DCFs, consistent with the Commission's proposed treatment of blending facilities in the Short Term Trading Market (STTM). This approach would help manage the regulatory burden associated with trading gas (injected or withdrawn) from small DCFs and is consistent with the rationale for differentiating between small and large resources under the National Electricity Market (NEM) framework.

To the extent there are concerns the application of a threshold could lead to the proliferation of a large number of smaller resources that in aggregate have a material impact on the market, this issue could be monitored through existing reporting processes (e.g. through the AEMC's biennial market report). Actions could then be taken to remove the threshold or revise the treatment of exempted facilities over time if considered appropriate.

### **2. Managing constraints**

The draft rule allocates responsibility for determining constraints applicable to DCFs to the relevant distributor and provides the Australian Energy Market Operator (AEMO) with flexibility as to how those constraints are applied (e.g. through the pricing schedule, operating schedule or both). If this framework is adopted, adequate governance arrangements should be established to ensure individual DCFs within a given network are treated on a consistent basis where appropriate. AEMO's approach to applying constraints should also be transparent to market participants. Where a facility-related constraint arises

on an ad hoc basis (e.g. facility maintenance or an unexpected outage), we agree AEMO should apply the constraint in scheduling in the same way as these constraints are managed for DTS-connected facilities.

### **3. Gas quality specification**

The supply of hydrogen blends across multiple facilities and injection points within a DDS could potentially impact the safety, security and reliability of supply to consumers if the gas quality governance framework is not appropriately designed. Under the draft rule, AEMO would be required to make Gas Quality Monitoring Procedures that set out the standard gas quality specification applied in the DTS, and distributors would have the ability to modify the specifications by agreement for application in DDS. We consider it would be preferable to establish uniform gas quality specifications for alternative gases / blends that apply to all relevant DDS. Such an approach would increase overall transparency for regulators, prospective suppliers and retailers. It would also reduce any administrative complexity associated with relying on individual contractual arrangements to agree alternate gas quality specifications. Notwithstanding this, we agree there would likely be benefits in distributors retaining some flexibility to agree to alternate specifications where appropriate / practical within a defined envelope.

### **4. Application of transmission use of service (TUoS) charges**

The introduction of DCFs will necessitate adjustments to the application of TUoS charges, which are currently allocated to retailers in proportion to the level of gas they withdraw from the DTS and do not account for the impact of DDS injections. Noting this matter will need to be addressed between AEMO and APA as the service provider for the DTS (rather than through the rules), we are broadly supportive of Option 1 as proposed by AEMO, where DCF injections by a retailer have the effect of reducing the individual retailers TUoS payments.

If you wish to discuss any aspect of this submission further, please contact Shaun Cole at [shaun.cole@originenergy.com.au](mailto:shaun.cole@originenergy.com.au) or on 03 8665 7366.

Yours Sincerely,



Steve Reid  
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