



Australian Energy Market Commission

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Mr Matt Zema
Managing Director and Chief Executive Officer
Australian Energy Market Operator
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23 December 2009

Our ref: GRC0001

Dear Mr Zema,

Prioritisation of Tied Controlled Withdrawal Bids rule change proposal

I am writing to update you on the progress of AEMO's Prioritisation of Tied Controlled Withdrawal Bids rule change proposal (the rule change proposal) submitted by AEMO to the Commission on 16 November 2009.

Today, the Commission published a notice under section 303 and clause 62(3) of Schedule 3 of the National Gas Law (NGL) notifying the public of the commencement of the rule change process for this rule change proposal and the Commission's decision to dispense with the first round of consultation on the proposal under section 303(3)(a) of the NGL (i.e. not to seek written submissions and comments from the public on the rule change proposal). The Commission will today publish an Information Paper to assist stakeholders in understanding the rule change proposal and the rule change process. A copy of the Information Paper is attached.

As AEMO is aware, under clause 62 of Schedule 3 of the NGL the Commission may dispense with a particular step in the rule change process for a rule change proposal if:

- the rule change proposal was a proposal to amend superseded jurisdictional rules that was current at the "relevant changeover date". The relevant changeover date for the Victorian wholesale gas market was 1 July 2009 and the superseded jurisdictional rules were the Victorian Gas Industry Market and System Operations Rules version 31 (MSOR); and
- the Commission is of the opinion that the relevant step is unnecessary because no equivalent step existed under the superseded jurisdictional rules or the same or a similar step has already been taken under the superseded jurisdictional rules.

The Commission considers that the particular rule change proposal was a proposal to amend the MSOR that was current at 1 July 2009 and that the requirement for the first round of consultation under section 303(3)(a) of the NGL is unnecessary because no equivalent step existed under the MSOR. The Commission considers dispensing with steps in the rule change process for rule change proposals on a case-by-case basis.

The Commission has not dispensed with its option under section 307 of the NGL to hold a pre-draft determination public hearing. However, the Commission does not plan on holding such a hearing at this stage.

As the Commission must have regard to the National Gas Objective (NGO) in assessing the rule change proposal, it may have to consider a different range of issues to those considered by VENCORP during its development and consultation on the proposal prior to 1 July 2009. This is because VENCORP was not required to have regard to the NGO in developing and consulting on the proposal.

We would therefore encourage AEMO, through its chairmanship of the Gas Wholesale Consultative Forum, to have regard to the NGO when developing future potential rule changes with respect to the Victorian wholesale gas market. This will help inform any subsequent consultation process undertaken by the AEMC.

I would like to thank AEMO for the assistance and briefing its representatives have provided us on the rule change proposal and we look forward to working with AEMO under the new governance arrangements for the National Gas Rules.

We intend to publish this letter on the AEMC website.

Yours sincerely



Steven Graham
Chief Executive

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