



31 March 2016

John Pierce  
Chairman  
Australian Energy Market Commission  
PO Box A2449

Submitted online: [www.aemc.gov.au](http://www.aemc.gov.au)

Dear Mr Pierce

### **NATIONAL GAS AMENDMENT (GAS DAY HARMONISATION) RULE 2016**

Origin Energy Limited (Origin) welcomes the opportunity to comment on the draft rule change proposal for the harmonisation of the gas day across the east coast gas Market. Origin operates gas trading services across all the markets outlined in the Consultation Paper. As such we are well placed to comment on the broader implications of the rule change proposal.

Overall Origin supports consistency in the operation of the market, where this results in net benefits. If policy makers and industry were to embark on the design of an east coast gas market today it is unlikely they would opt for the current structure of differing transportation carriage models, varying wholesale trading arrangements, and multiple gas start dates. Nevertheless, the current arrangements are the appropriate starting point when contemplating market reform, and policy settings earmarked for adjustment will need to consider the cost of transition.

Origin supports the intent of the rule change proposal, but at this point we are unclear as to how some of the intended outcomes will be achieved practically. For example it is not obvious how harmonisation will support the use or development of financial risk management products. Similarly, we note that gas has, and will, continue to flow to its highest value irrespective of gas day start times and it is not evident that harmonisation will result in greater levels of trading. We also note that with an inconsistent approach to daylight savings across the states, true harmonisation is unlikely to be achieved even where gas day start times are aligned.

The Consultation Paper states that in assessing the rule change the AEMC will seek to determine the extent to which it will result in reduced administrative costs for participants. It should be noted that one advantage of having different gas day start times is that it allows for the staggering of trading activities which enables some degree of operational flexibility for businesses such as Origin.

In terms of costs, Origin's preliminary analysis shows impacted areas from the proposed rule would include changes to IT systems and operation procedures, as well as contractual amendments to Gas Transport Agreements (GTAs) and Gas Supply Agreements (GSAs). While it is difficult to quantify precise costs at this point, we expect that the largest costs will be the legal fees incurred in updating GTAs and GSAs.

If the AEMC ultimately decides to make the rule, Origin would support a transitional period where all parties are given adequate time to implement the required system and contractual changes.

Should you have any questions or wish to discuss this information further, please contact James Googan on [james.googan@originenergy.com.au](mailto:james.googan@originenergy.com.au) or (02) 9503 5061.

Yours sincerely,

  
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