

Australian Energy Market Commission
PO Box A2449
Sydney South NSW, 1235
By online lodgement: www.aemc.gov.au

Thursday 7 August 2014

**National Gas Amendment (Removal of Force Majeure Provisions in the DWGM) Rule 2014
Project Reference GRC0027**

GDF Suez Australian Energy (GDFSAE) appreciates the opportunity to comment on the AEMC's Rule change as proposed by Australian Energy Market Operator (AEMO). The proposal enhances the Declared Wholesale Gas Market (DWGM) in Victoria by removing the Force Majeure (FM) provisions from Part 19 of the National Gas Rules. This proposed amendment also follows an efficient application of the 'causer pays' principle adopted in the DWGM. GDFSAE supports this proposal as presented by AEMO which is the result of extensive discussion and work undertaken by representatives of the gas industry reference group.

The DWGM has evolved and is now a more mature gas market where the objective of an FM clause, to protect the party, is in direct conflict with modern dynamic markets that seek to hold parties financially responsible for their actions. This was experienced in 2008, where a party contributed to a market outcome that resulted in a high price, and subsequently sort to be excluded from that financial exposure by calling participant force majeure. Had this been agreed to at the time, all other DWGM participants would have faced a cost that is in conflict with the 'causer pays' principle.

The DWGM market suspension methodology is modelled on other Australian energy markets, in particular the national electricity market. The Cumulative Price Threshold setting in the DWGM was recently adjusted to align the value of participant risk exposure to those experienced in other Australian energy markets. The market suspension provisions better address risks in the gas market and GDFSAE believes the System FM should be removed as a consequence.

It is expected that open and transparent markets will have winners and losers at any point in time, especially during abnormal market events. This makes it very difficult to assess the market benefit, or otherwise, of the introduction of a market suspension regime compared to that of participant or system FM. For this reason, GDFSAE is unable to make comment on the financial benefit but believes the significant advantage is that market participants are held financially responsible for their actions. The proposed amendment to remove FM is a move in the right direction in the evolution of the DWGM.

GDFSAE is supportive of AEMO's proposal to remove of force majeure Provisions, Rule 2014 and of the AEMC progressing this rule amendment.

GDF SUEZ Australian Energy

Level 33, Rialto South Tower, 525 Collins Street
Melbourne, Victoria 3000, Australia
Tel. +61 3 9617 8400 Fax +61 3 9617 8301

www.gdfsuezau.com

INTERNATIONAL POWER (AUSTRALIA) PTY LTD
ABN 59 092 560 793



Please do not hesitate to contact me on 03 9617 8410 if you wish to discuss any aspect of this submission.

Yours sincerely,

Michael Downey
Gas Regulatory Specialist