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Via online submission

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Australian Energy Market Commission
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GRC0036: Gas day harmonisation rule change draft determination – Jemena submission

Jemena Limited (**Jemena**) welcomes the opportunity to comment on the Australian Energy Market Commission's (**AEMC**) draft determination on the 'Gas day harmonisation' rule change proposal.

Jemena owns and operates the Jemena Gas Network (**JGN**) in NSW that delivers gas to over 1.3 million homes and businesses¹, and partially owns the ActewAGL Distribution gas network in the ACT, Queanbeyan and Palerang. Jemena also owns and operates gas transmission assets including the Queensland Gas Pipeline (**QGP**) and Eastern Gas Pipeline (**EGP**). Jemena, therefore, has a strong interest in this rule change as it would directly impact both us and our customers.

The case for change has not been made

Jemena is concerned that there is no rigorous cost benefit assessment supporting gas day harmonisation, as proposed in the draft determination. The draft determination clearly highlights the high costs (in excess of \$23M) to harmonise,² however there is no rigorous quantitative assessment of the expected benefits.

In particular, the draft determination does not clearly quantify and set out:

- The materiality of alleged complexities faced by market participants arising from existing differences in gas day start times
- An estimated dollar value of the purported additional trading/arbitrage arising from harmonisation.

In addition, it is not clear that consumers, who will ultimately pay for the \$23M in harmonisation costs, support the change given the majority of consumer groups do not appear to have engaged in this process to date.

¹ The Network consists of the NSW Distribution System, the Wilton-Newcastle trunk pipeline, the Wilton-Wollongong trunk pipeline and the Central West Distribution System.

² Based on stakeholder submissions to the Consultation Paper and summarised by the AEMC, Draft Determination, Table 4.1.

Therefore, Jemena considers that a robust evidence-based case for promoting the National Gas Objective (**NGO**) has yet to be made.

In addition, there appears to be no clear justification for why it is appropriate for customers in a subset of the jurisdictions to fund the implementation where benefits accrue to customers in jurisdictions that do not contribute to the cost. We believe that such cross-subsidisation is allocatively inefficient and therefore inconsistent with the NGO.³

The remaining comments address specific areas of the draft determination and do not reflect support for the rule change.

Additional transitional arrangements may be required

As noted in our submission to the consultation document, changing the start of the gas day will have a number of implications in NSW and the ACT and any transmission pipeline that adjusts its gas day start time.⁴ In particular, there are likely to be significant resourcing issues to be able to undertake a cutover on the implementation day.

These arise due to the potential for field changes across a number of distribution and transmission assets over a very large geographic area on the same day. We have in excess of 500 sites with Metretek equipment that may need to be visited and around 24 sites with flow computers. Manual site visits would be required where our testing to demonstrate whether we can change these remotely fails.⁵

There are currently limited skilled technician resources to undertake the potential works⁶ within a single day and travel logistics may not make on-the-day cutover possible. In the case of manual visits required to all sites, Jemena would need around 100 skilled technicians to be able to complete this on a single day—more than 12 times our current capability.

To address this the AEMC should include guidance in any final determination to AEMO to include the necessary level of flexibility within the Retail Market Procedures and STTM Procedures (in terms of procedures, transitional arrangements, dispensations and compliance requirements) to support an implementation where cutover cannot occur on a single day.

AEMO should undertake an assessment of appropriate transition in consultation with market participants. This should take place to ensure the full impacts on resourcing and change requirements are clearly understood and include any necessary systems testing.

Jemena supports a 1 April 2021 implementation date

JGN appreciates the AEMC taking account of consultation feedback by selecting the 1 April 2021 implementation date. This would avoid JGN's winter peaks and allows

³ Jemena notes the AEMC considers allocative efficiency as part of the stakeholder guideline on 'Applying the energy objectives' (p. 12).

⁴ Jemena notes that the draft rule does not appear to require a change to the gas day start time on the Queensland Gas Pipeline.

⁵ Note that the cost of testing is itself not insignificant and would not be efficient to undertake as part of this rule change process or this far in advance of the proposed go-live date.

⁶ Jemena currently only currently has 8 technicians skilled to undertake the necessary field transitions.

regulated businesses to seek efficient costs as part of their next regulatory determinations.

If you wish to discuss the submission, please contact Chris Stewart on (02) 9867 7290 or at christopher.stewart@jemena.com.au.

Yours sincerely



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