

A few
words.

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AGL Submission: Declared Wholesale Gas Market Rules

Dear Steve,

AGL provides this submission by way of commentary on the draft wording of the Declared Wholesale Gas Market Rules that are to replace the Victorian Gas Industry Market and System Operation Rules (MSOR) that currently govern the Victorian wholesale gas market.

Our comments are presented in chapter order as per the MSOR as we see that as the key reference document against which changes are being proposed.

Chapter 1

1.1.2 Purpose

AGL notes that this section has been deleted and that the justification for its removal is that the "objectives, declared system functions and rule making powers in the NGL suffice", as per the tracking document provided by those who have drafted the Declared Wholesale Gas Market Rules. We note that s.1.1.2(d) has been migrated to s.91BA(1) of the NGL. VENCORP's role as the gas

transmission system operator and its attendant responsibility for system security is being fully preserved through this migration.

Chapter 2

We have no comments.

Chapter 3

With respect to this critical chapter on pricing and scheduling in the Victorian wholesale gas market, AGL refers you to the submission by Energy Retailers Association of Australia (ERAA). AGL fully endorses the legal analysis undertaken by lawyers engaged by the ERAA and wishes it to be considered as part of this submission.

In addition to the legal analysis referred to above, we note that Rule 53, which defines the linepack account, is not consistent with Rule 43(1), which allows for operational gas to be included in the linepack account. Rule 43(1) reflects a recent change implemented through the Gas Market Consultative Committee (GMCC) process and was held over to be reflected in the Declared Wholesale Gas Market Rules. Rule 53 also needs to reflect this approved change rather than be an unmodified carryover from s.3.6.10.

Chapter 4

4.2.5 LNG storage capacity

S.4.2.5(b) of the MSOR states that “until *VENCorp* otherwise agrees, the *LNG Storage Provider* must make available 3,000 tonnes of *LNG storage capacity* for the operation of the *LNG reserve*”. This is fully carried across to Rule 96(2) of the Declared Wholesale Gas Market Rules.

This is an instance where the MSOR had not been updated to fully reflect changes in the Victorian gas industry. *VENCorp* and the GMCC did agree to a review of the level of the LNG reserve and had proposed a reduction in the level from 3,000 tonnes to 1,500 tonnes. This was then endorsed by Energy Safe Victoria, the technical regulator on gas safety matters in Victoria. The relinquished 1,500 tonnes were allocated to participants by GasNet in February 2008 after a tender process conducted in late 2007.

In view of the changed circumstances, it is recommended that that Rule 96(2) be amended to refer to 1,500 tonnes of LNG reserve.

4.2.6 Transfers of LNG storage capacity and LNG stock

S.4.2.6(f) and (g) in the MSOR unfortunately reflect notification times that related to the old gas day that had a 9:00am commencement. With the “new” gas market that came into effect on 1 February 2007, the gas day now has a 6:00am start. These oversights have been carried across to Rules 97(6) and 97(7). If we were to substitute “two hours prior to the start of the gas day” and “one hour prior to the start of the gas day” in Rules 97(6) and (7) respectively, the problem is rectified.

S.4.2.6(j) states that “LNG storage transfer that is notified to the LNG Storage Provider is be valid”. This is an awkward statement that would be clarified by deletion of the word “be”. Regrettably the “error” in the original has been carried over to Rule 97(10).

Chapter 5

S.5.3.2 Initial allocation of authorised MDQ

AGL notes that s.5.3.2(h)(4), which placed an obligation on VENCORP to publish a report describing VENCORP’s methodology in allocating AMDQ, has been deleted. AGL fails to understand why this has not been replicated in the Declared Wholesale Gas Market Rules. Is it the case that Rule 146(6), which places an obligation on AEMO to make AMDQ Allocation Procedures, will provide the methodology? AGL would argue that the intent of s.5.3.2(h)(4) needs to be expressly reinstated, possibly in Rule 146(6). Given that AMDQ plays a significant role in the Victorian gas market, we do not see our suggestion for reinstatement as unreasonable.

Chapter 6

We have no comments.

Chapter 7

We have provided comments on the dispute resolution process in our submission of 13 February 2009 regarding the AEMO provisions for the NGL and NGR.

Chapter 8

We have no comments.

Chapter 9

We have no comments.

Chapter 10

We have no comments.

Chapter 11

declared host Retailer

The concept of “declared host retailer” has replaced the definition of “host retailer(s)” that was previously defined in the glossary. The mapping of a host retailer to a specific distribution zone has been discarded from the definitions and, as far as can be ascertained, not reflected in the Declared Wholesale Gas Market Rules. Given that a number of jurisdictional obligations and processes (RoLR, UaFG settlement and wash-up, VENCORP wholesale gas market settlement statements, etc) draw on this mapping, it is suggested that this be replaced.



Maintenance

The definition of “maintenance” refers to works conducted by pipeline service providers and storage providers, and is in line with the previous MSOR definition. However, it does occur to AGL that the omission of “producers” from this definition, as well as the previous one, is somewhat irregular.

Should you have any queries, please contact George Foley on (03) 8633 6239.

Yours sincerely

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