



INFORMATION

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DWGM Forward Trading Market

Stakeholder submissions are invited on new rule change request

The Australian Energy Market Commission has commenced consultation on a rule change request to introduce a forward trading market in the Victorian declared wholesale gas market (DWGM). Submissions close on Friday 26 April 2019.

Context and rule change request

On 5 November 2018, the AEMC received three rule change requests from the Victorian Minister for Energy Environment and Climate Change to amend the National Gas Rules (NGR). The rule change requests proposed the following changes:

- introduce a simple wholesale gas price for the DWGM in Victoria (*DWGM Simpler wholesale price*)
- establish a forward trading exchange which will make it easier for buyers and sellers to trade gas and lock in a future price in the Victorian gas market (*DWGM Forward trading market*)
- improve the allocation and trading of pipeline capacity rights (DWGM Improvement to AMDQ regime).

These requests were based on recommendations made by the AEMC in June 2017, as part of the Review of the Victorian declared wholesale gas market final report (DWGM Review).¹

In this rule change request, the proponent put forward the introduction of a forward trading market for physical gas to operate across the Declared Transmission System. The market would:

- be voluntary
- be based broadly on the design of the Gas Supply Hubs, currently operating in Wallumbilla and Moomba
- operate on the same Trayport platform as the Gas Supply Hubs
- offer a range of contract tenures (e.g. daily, weekly, monthly, seasonal)
- settle any variances between traded and scheduled quantities for forward products at the 6AM DWGM price on the gas delivery day specified in the forward product

The proponent suggested the introduction of this market has the potential to:

- improve the spot price risk management of participants,
- improve price transparency ahead of the trading day
- reduce barriers to entry for smaller participants
- improve consistency between east coast gas markets, by offering similar products traded on the same platform.

Issues for consultation

The rule change request raises a range of issues that are further explained in the consultation paper. Stakeholders are invited to comment on these issues, which include:

- how is spot price risk currently managed in the DWGM
- what design elements should be considered as part of a forward trading market
- how will the proposed forward trading market interact with other changes in the market.

¹ AEMC, *Review of the Victorian declared wholesale gas market*, final report, 30 June 2017.

Consultation process

The Commission will assess the other two related rule change requests (on *DWGM Simpler wholesale price* and *DWGM Improvements to the AMDQ regime*) separately, but concurrently with the *DWGM Forward Trading Market* rule change request. The Commission will also consider potential interactions between all three rule change requests.

We invite stakeholders to provide written submissions on the consultation paper by **Friday 26 April 2019**. A [template](#) setting out consultation questions is available on our website to help stakeholders provide their views on the issues raised in the paper.

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