



EnergyAustralia

LIGHT THE WAY

22 August 2019

Mr John Pierce
Mr Charles Popple
Ms Michelle Shepherd
Ms Allison Warburton
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

EnergyAustralia Pty Ltd
ABN 99 086 014 968

Level 33
385 Bourke Street
Melbourne Victoria 3000

Phone +61 3 8628 1000
Facsimile +61 3 8628 1050

enq@energyaustralia.com.au
energyaustralia.com.au

Lodged electronically: www.aemc.gov.au (GRC0050)

Dear Commissioners,

AEMC 2019, Declared Wholesale Gas Market Forward Trading Market, draft determination

We welcome the opportunity to comment on the AEMC's draft determination on the Victorian Government's proposed rule change to create a Victorian Declared Wholesale Gas Market (DWGM) Forward Trading Market (FTM)¹.

EnergyAustralia is one of Australia's largest energy companies with around 2.6 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. We also own, operate and contract an energy generation portfolio across Australia, including coal, gas, battery storage, demand response, solar and wind assets with control of over 4,500MW of generation capacity in the National Electricity Market (NEM). EnergyAustralia has been a major participant in the Victorian wholesale gas market for more than two decades.

As outlined in our submission to the consultation paper² EnergyAustralia supported, in principle, the development of a FTM for the DWGM as it had the potential to remove existing barriers to forward trading, provided that implementation costs (for AEMO to develop the platform & make any other required changes) did not out-weigh the benefits. The draft determination highlights that there would be additional costs incurred by both AEMO, and to some extent participants in implementing the required changes and that the costs would likely outweigh any benefits. We are supportive of this conclusion and we highlight that market participants and AEMO are already burdened with a significant amount of regulatory change, for example 5-minute settlement, and that AEMO has already expressed concerns over the magnitude, cost and timeframe of these changes. For all regulatory changes, we continue to encourage the AEMC to consider a full cost-benefit analysis to ensure complicated and challenging reforms do not create additional barriers for entry and ultimately lead to increased costs to consumers.

The draft determination outlines the AEMC's conclusions that there is no longer a clear need for an additional FTM to help manage spot-price risk and that industry led

¹ https://www.aemc.gov.au/sites/default/files/2018-11/Rule%20change%20request_5.pdf

² https://www.aemc.gov.au/sites/default/files/2019-05/EnergyAustralia_0.pdf

mechanisms are likely to be best placed to manage the risk of low demand for these risk management products³. We agree that there has been a number of developments in the market since recommendations were made by the AEMC in June 2017 as part of the DWGM review⁴ and that there is now not a clear need for a FTM.

EnergyAustralia's primary reason for supporting a FTM in the DWGM was that it had the potential to remove some of the barriers to forward trading that DWGM processes currently create. While we support the draft decision to not make a rule we would encourage the AEMC to work with AEMO to remove some of these barriers, most of which are administrative in nature. For example, the AEMC should look to work with AEMO to improve the DWGM bid accreditation process and the sub-allocation process. We would encourage the AEMC to look at how the current Short-Term Trading Market (STTM) trading right number (TRN) and contract registration number (CRN) work and how some automation has already been completed in the DWGM to allow the capacity trading changes to be implemented. Consideration should also be given to how the sub-allocation process can be improved as well as allowing multiple sub-allocations per participant IDs. We are happy to discuss this further with the AEMC and AEMO.

In conclusion, EnergyAustralia supports the AEMC draft decision to not make a rule to create a FTM for the DWGM and we hope that the AEMC will work with AEMO to look at how some of the barriers to forward trading that currently exist in the DWGM can be removed.

If you would like to discuss this submission, please contact **Andrew Godfrey** on **03 8628 1630** or **Andrew.Godfrey@energyaustralia.com.au**.

Regards

Sarah Ogilvie

Industry Regulation Leader

³ <https://www.aemc.gov.au/sites/default/files/2019-07/DWGM%20Forward%20Trading%20Market%20draft%20determination%20info%20sheet.pdf>

⁴ <https://www.aemc.gov.au/markets-reviews-advice/review-of-the-victorian-declared-wholesale-gas-mar>