FACILITATED MARKETS FORUM-DWGM & STTM

STAKEHOLDER WORKSHOP – DAY 2

14 DECEMBER 2021



Acknowledgement of Country

In the spirit of reconciliation we acknowledge the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Before we start, an important notice: Compliance with Competition Law

- The attendees must not discuss, or reach or give effect to any agreement or understanding which relates to:
 - Pricing
 - Targeting markets or customers
 - Tendering processes
 - Boycotting other parties
 - Sharing competitively sensitive information
 - Breaching confidentiality obligations

Each entity must make an independent and unilateral decision about their commercial positions.

Forum arrangements

- The workshop is not being recorded
- Send your questions to the meeting host in the chat function
- Questions will be passed on to the panel
- Presentations from today will be posted on our website after the workshops
- Please engage respectfully

Asking questions

- Questions will be answered at dedicated Q&A sessions.
- Please keep questions on topic and avoid making comments we have a large audience and limited time.
- When asking questions, please indicate which presenter you are directing the question to.
- If requested by moderator please switch your mic or mic/video on during the Q&A session to further explain your question. Moderators won't switch your mic/video on unless you specifically request it.

CONTEXT AND BACKGROUND

National gas and retail regulatory frameworks

Jurisdictional legislation



Today's issues – day 2

Economic regulation of pipelines	operation of economic regulation, ring-fencing arrangements and the rights of natural gas equivalents and constituent gases suppliers to connect to pipelines
Market transparency mechanisms	application of the reporting obligations for the Bulletin Board, Gas Statement of Opportunities and Victorian Gas Planning Report
Facilitated gas markets	STTM and DWGM - potential changes to registration categories, managing settlement and allocation and trading natural gas equivalents and constituent gases through the facilitated markets
Regulated retail markets	potential changes to registration categories, impacts on settlement, metering and billing
Consumer protections	managing issues the sale and supply of a natural gas equivalents that may arise between retailers, distributors and customers such as pricing, notification requirements and billing data
Regulatory sandbox framework	how this new framework can be used for trial projects using natural gas equivalents

DWGM DISTRIBUTION CONNECTION FACILITIES RULE CHANGE



	Item	Presenter	Time
1	Overview of the DWGM rule change	Daniela Moraes	5 min
2	Facility registration, bidding and scheduling requirements and materiality threshold	Harrison Gibbs	15 min
3	Title and custody of gas	Lucia Zuniga-Mendoza	15 min
4	Gas quality	Antonia Flowers	15 min
5	UAFG	Georgia Pick	10 min
6	Break	_	5 to 10 min

DWGM distribution connected facilities rule change – Overview

- **Proponent:** Victorian Minister for Energy, Environment and Climate Change.
- **Problem:** under the current arrangements, only facilities connected to the declared transmission system (DTS) are allowed to participate in the DWGM.
- **Proposal:** allow facilities connected to the distribution system to participate in the Victorian declared wholesale gas market.
- What are these facilities? production and storage facilities connected directly to the distribution network, which may include natural gas, low-level hydrogen or biomethane blends and renewable gases.
- How to achieve that? by amending the necessary rules in the National Gas Rules.



We received 10 submissions to the rule change consultation paper

Supportive with major amendments

Supportive with minor amendments

AEMO

"AEMO supports the principal objective of accommodating distribution connected facilities and hydrogen and biogas production into the DWGM."

AusNet

"we support the application of the same markets, transparency mechanisms and frameworks to NG equivalents as the only efficient and scalable way to facilitate the development of renewable gas networks"

Origin

proposal"

Other

"supports the

overarching intent

of the rule change

Australian Hydrogen Council

"AHC welcomes the proposed rule change as part of the broader review of regulatory instruments to facilitate the transition to a zero emissions gas network"

ENA

"ENA supports the intent of rule change"

Supportive

ENGIE

"welcome DELWP's proposal and fully support the policy intent of the proposal"

APA

"As far as possible, there should be competitive neutrality between transmission and distribution connected facilities."

"At this early stage, changes to the DWGM should be initially made to facilitate

AGL

should be initially made to facilitate investigations into the suitability of zeroemissions gases. We consider there is merit in allowing existing projects to continue in a 'regulatory sandbox' approach, where regulatory issues can be understood in further detail."

Alinta

"strongly encourage the AEMC to consider the urgency being placed on this rule change... and the impacts that may be placed on market participants and consumers"

AGIG

"the application of the DWGM framework should be fit for purpose and recognise that some elements of the existing framework may not be fully appropriate for hydrogen and other renewable gas distribution connected facilities, particularly in the early stages of the industry's development"

Market body/Govt. Network business Gentailer Generator Industry group Consumer group

DWGM RULE CHANGE – ISSUES FOR DISCUSSION

REGISTRATION CATEGORIES BIDDING AND SCHEDULING REQUIREMENTS MATERIALITY THRESHOLD TITLE AND CUSTODY OF GAS GAS QUALITY

1. Facility registration

- For a facility to be able to participate within the DWGM they must be a registered participant under the NGR. The NGR does not provide a registration category for a distribution connected facility.
- Two possible solutions could solve this problem:
 - Introduce new facility types for distribution connected facilities.
 - Expand the existing definitions for the facility types (producer, storage provider, market participant producer and market participant storage provider) to include distribution connected facilities.
- The rule change request indicated that the existing definitions should be expanded to include any distribution connected facility and that it considers this option would automatically flow through the rules.
- In its view, this would reduce the number of updates required when compared to creating an entirely new participant category.
- The Hydrogen review team is looking into the issues for facility registration within the DWGM and STTM, we will endeavour to apply a consistent approach across both markets.

1. Facility registration – Feedback from the stakeholders

Should the existing definitions be expanded to include distribution connected facilities?

No preference

- **AEMO**: no preference at this stage, specific new registration categories may be useful if distribution connected facilities (and their Registered participants) are subject to different rule requirements to their transmission connected counterparts so that they can be readily differentiated.
- **AGIG**: no strong preference. The structure of the rules should ensure that where distribution connected facilities have different characteristics to transmission connected facilities, these are recognised in the rules.

Expanding the definitions

- **AusNet**: existing definitions for the facility types should be expanded to include distribution connected facilities.
- **ENGIE**: unless there is some material advantage in this option, it will be more efficient to expand existing definitions.
- Alinta: unless it is warranted for other means, we believe it would be simpler to expand the existing category to account for distribution connected facilities.
- **APA:** supports expanding the existing definitions to include distribution connected facilities.

New category

• **Origin**: preferable to establish a new registration category rather than expand existing categories, as this would allow any requirements or arrangements specific to distribution connected facilities to be transparently applied.

2. Requirement to submit bids and gas scheduling

- Each market participant that intends to inject gas into the DTS must submit their nominated quantity and price to AEMO for up to ten price and quality steps.
- In accordance with these bids, AEMO must schedule the injection and withdrawal of gas, ensuring compliance with the gas scheduling procedures and operating within system security procedures.
- The National Gas Rules currently does not contemplate injections of gas into distribution pipelines and as such, there is no corresponding provision for the bidding and scheduling of such injections.
- The proponent suggested that all the relevant bidding and scheduling rules be updated to include the ability to bid in gas into the market from a distribution connected facility, with the same process used for the relevant scheduling rules to allow injections into distribution pipelines to be scheduled.
- If a decision is made that different requirements are imposed on distribution connected facilities a separate registration category may be preferred.

2. Requirement to submit bids and gas scheduling – Feedback from stakeholders

Should all bidding and scheduling rules be updated to allow distribution connected facilities to bid into the market? Agree

- **AEMO**: If DWGM coverage is expanded to include distribution connected facilities, these will need to be accounted for in some way for settlement purposes. AEMO considers that at a high-level, there are at least two options.
 - 1. distribution connected facilities are included for bidding: Under this option, a distribution connected injection facility would be scheduled in the same manner as a transmission connected facility.
 - 2. distribution connected facilities are excluded from bidding: Under this option, distribution connected facilities and the participants injecting gas from these facilities would not directly participate in the market.
- **APA:** supports updating bidding and scheduling rules to ensure expanding market arrangements are as seamless as possible.
- **ENGIE**: In principle this approach appears appropriate subject to any issues arising from the different characteristics of the injection point or the gas being injected.

Agree but with less requirements

- **AGIG**: There is merit in updating bidding rules to allow distribution connected facilities to bid into the market, the same way it occurs for the DTS. However, there may be local network conditions that require further consideration for these facilities.
- Alinta: Yes, bidding and scheduling rules should be updated to apply a proportionate level of responsibility and obligation on Declared Distribution System participants for scheduling purposes.

Does not agree

• **ENA**: If these requirements were to apply to smaller distribution-connected facilities, the cost of compliance with the current suite of bidding and scheduling requirements would likely outweigh the benefits.

- As part of the rule change request the Victorian Government considered whether small facilities should have to participate in the market and comply with all relevant requirements, such as the installation of remote telemetry, monitoring and metering equipment.
- These costs may be an unreasonable burden on small facilities.
- However DELWP's perspective is that a materiality threshold could create market complexity, uncertainty and if a large number of small facilities were to participate, potential risks to system security.
- The current bidding systems have an implicit materiality threshold as bids must be expressed on an GJ basis, meaning any facility producing less than 1 GJ/hr or less may not be able to bid into the DWGM.

3. Materiality threshold – Feedback from stakeholders

Should this rule change consider including a materiality threshold in the rules and a reduced set of bidding requirements?

Support

AusNet: the rules should contain reasonable requirement exemptions for distribution-connected facilities as to not burden small
proponents with operational and reporting requirements that are not justified by their benefits. There is merit in applying some
exemptions to lessen the burden of bidding requirements for small distribution connected facilities.

Does not support

• **APA:** including a materiality threshold in the rules could create market complexity, any materiality threshold is also likely to influence investor behaviour when deciding on the size or location of facilities.

Unsure / further analysis required

- **AEMO**: if distribution connected facilities are included in the wholesale market, it should be established why the costs of market participation outweigh the benefits especially as these facilities are expected to be relatively small initially. Consideration needs to be given to if the aggregate impact of exempted facilities on market outcomes and system security, this may also incentivise facilities that are just below the threshold. AEMOs systems cannot facilitate bids less that 1 GJ and welcome industry feedback to test whether this is a limiting factor.
- **AGIG:** even though a threshold may create market complexity or uncertainty as identified by the proponent, it is worth exploring a materiality threshold. Distribution-connected facilities are unlikely to be as flexible as transmission ones in managing risks. They could have a reduced set of the bidding and scheduling requirements, however we do not see the current bid size as a limitation.
- **ENGIE:** to the extent that material issues are identified with applying the full set of rules to smaller facilities, then a materiality threshold could be an appropriate way to manage these issues.
- **Origin:** the implicit 1 GJ bid limit could potentially create a barrier to entry for smaller distribution connected facilities, however it is not appropriate at this time to revise the limit. Consideration could be given to assess whether a reduced set of bidding requirements could be applied, and potentially allowing them to aggregate supply from different sources to meet the 1 GJ bid limit.

Facility registration, bidding and scheduling & materiality threshold

- 1. What is a proportional level of responsibility and obligations for distribution connected facilities? And what considerations would need to be made?
- 2. If there were different requirements for distribution connected facilities compared to the existing transmission connected facilities, would the separate registration category be preferred?
- 3. Are different requirements for distribution connected facilities better addressed as part of a materiality threshold? Would this mean we end up with two different frameworks?

4. Title and custody of gas

- Once the gas is injected into the DTS, the title is transferred to AEMO with the associated authorisation to determine the time and place to transfer the gas.
- AEMO additionally has the right to co-mingle the injected gas with other gas in the DTS.
- This means that each market participant is taken to accept that the gas delivered to it at a system withdrawal point may not match the specifications of the gas injected, or tendered for injection, into the declared transmission system by that market participant at a system injection point. The title of the gas passes back to the market participant when the withdrawal is made from the DTS.
- Distribution connected facilities may inject gas that is a different composition to gas that is already in the distribution pipeline.

4. Title and custody of gas – Feedback from the stakeholders

Do the rules need to be changed to manage the title of injections within the distribution system?

Agree

- **AGIG**: the DWGM rules only apply to the DTS and does not cover distribution pipelines and could be expanded to include injections in distribution pipelines. In terms of custody, control and risk of loss of gas injected into the DDS at an injection point, this may already be incorporated in existing UAFG processes. We would welcome further guidance on this issue.
- AusNet: the title of natural gas equivalent blends injected into distribution connected facilities should be recognised.

Unsure / further analysis required

- Alinta: a series of technical boundaries are necessary to confirm the steps associated with blended gas fuel products that are produced, traded, stored and used on the DWGM.
- **AEMO**: gas ownership and title provisions in the NGR and NGL do not appear to be adequate as they only cater for title transfer at the interconnection of the DTS and a distribution system, the arrangements would not cover distribution connected facilities without amendment. Changes in the NGR and NGL will have impacts for the Wholesale Gas Market Ownership Rules (an AEMO Procedure) The interactions between establishing and transferring title and retail and wholesale market mechanisms (e.g. allocations) needs further investigation as the options are developed.
- **Origin**: a more detailed assessment is needed to see if the existing rules adequately cover this. The AEMC should also seek to clarify whether title/custody of gas injected from distribution connected facilities would need to reside with the individual distribution system service providers, and if so, whether an equivalent version of rule 220 (1) would still need to apply to allow AEMO to give effect to any transfer of title through the scheduling process.
- **ENGIE**: the proponent's view is that the rules may already be sufficient to cover this issue. If not, then the rules will need to be changed accordingly.
- **APA:** if the rules are not clear that blending is recognised at the distribution level, then we support amendments to do so.

4. Title and custody of gas – Feedback from the stakeholders

Do the rules need to contemplate the co-mingling of gas within a distribution system?

Agree

- **AGIG**: it would be reasonable to include a similar provision or expand the existing co-mingling provision (Rule 220(5)) to confirm that gas consumed by an end user is not necessarily the gas which is injected into the DDS if not already included in the Rules.
- AusNet: specific updates may be required to manage co-mingling rules for natural gas equivalent blends the situation of lower energy blended gas from one area of the DTS going to another DTS or non-DTS area where other retailers have title for the gas.
- **ENGIE**: this outcome appears inevitable when hydrogen blending is introduced to the system.
- Alinta: the co-mingling of gas and the introduction of blended products will change the chemical makeup of the gas within the distribution system, getting this right from a technical and safety perspective is paramount to protecting consumers from any physical risks.

Unsure / further analysis required

- **AEMO**: the current rules allow AEMO to comingle gas in the DTS. Distributors are best placed to comment on whether equivalent rules are required for distribution systems or whether existing arrangements are adequate.
- **Origin**: a more detailed assessment is required to understand whether co-mingling of gas injected at the distribution level can already be accommodated under existing rules/laws.
- **AGL**: at this stage, we do not consider the AEMC, or more broadly the industry, has sufficient experience and information to consider how the rules may be amended to facilitate the co-mingling of gas beyond current gas specifications.



Title and custody of gas

- 1. What further analysis is necessary when considering title and custody of gas in the distribution pipelines?
- 2. What factors should be considered for co-mingling gas in distribution pipelines?
- 3. Do any considerations need to be made if constituent gasses (i.e. hydrogen) are injected directly into the distribution pipelines?

5. Gas quality

- The existing rules only require the provision of gas quality monitoring systems at injection points into the DTS and do
 not contemplate injection into distribution pipelines. The Rules therefore do not contemplate gas specification
 standards or gas quality monitoring responsibilities at the distribution level of the DWGM.
- There are two components to consider: setting the gas quality standard and monitoring gas quality which ensures compliance with the standards.
- Currently, the gas quality standards for the DTS are outlined in AEMO's *Gas Quality Standard and Monitoring Guidelines* and transmission connected facilities must provide gas quality monitoring plans to AEMO.
- If the Rules are amended to include distribution connected facilities as participants in the DWGM market, the following issues arise:
 - Who should be responsible for setting the gas quality specification standards. For example, whether AEMO's role should be expanded to centrally set the standard that all distribution connected facilities must comply with, or whether each distribution network service provider should set their own standard.
 - Whether AEMO or distribution network service providers should undertake the gas quality monitoring. If AEMO is to undertake this role, there may be a need to <u>amend the NGL to account for this function</u>.
 - Which instrument is appropriate for setting gas quality monitoring requirements. The gas quality monitoring requirements may be set by the Rules, by AEMO Procedures or Guidelines, or by another instrument.
 - Whether the gas quality monitoring Rules should include alternative gases or whether these should be included elsewhere such as AEMO Procedures or Guidelines.

5. Gas quality – Feedback from stakeholders

Who should be responsible for the management of the gas specification within the distribution system? Neutral

• **APA:** No firm view on who should be responsible for the management of gas specification.

AEMO should set the standard

- **AGIG, AusNet, Origin:** AEMO should set the gas quality standards for distribution connected facilities as it will ensure consistency across different distribution networks.
- **AEMO:** There should be a single standard covering gas quality in both transmission and distribution networks (not necessarily uniform standards).

Should alternative gasses be included in the gas quality monitoring rules?

Should not include

- **AGIG:** May not be required as 100% hydrogen gas is unlikely to have any quality issues except once part of the pipeline blend. Rather then the Rules, the AEMO Guidelines or Procedures can specify the requirements for gas quality monitoring of alternative gases.
- AusNet: Alternative gases are too early in their stage of development to be included within the gas quality monitoring rules.
- **AEMO:** Should be dealt with in the Procedures rather than the Rules as the gas will need to meet the gas quality specifications which should be set in AEMO Procedures. Procedures also allow for easy refinement as needed while the industry matures.

Should include

• Alinta: The gas quality monitoring rules should include alternative gases as there is high political and commercial interest.

5. Gas quality – Feedback from stakeholders

What is the most appropriate instrument for gas quality monitoring requirements?

AEMO Guidelines or Procedures

- **AGIG, Alinta, AusNet, AEMO, APA:** All five stakeholders who submitted views on this agreed that AEMO Guidelines or Procedures would be the most appropriate instrument for gas quality monitoring requirements.
- A common justification for this was the greater flexibility for Procedures/Guidelines to be amended as the industry matures.

Who should be responsible for continued monitoring of the network?

Neutral

- **AGIG:** Either AEMO or the distribution service provider should manage gas specification. Alternatively, a transitional arrangement may be appropriate where distributors conduct gas quality monitoring initially and as the industry develops AEMO could take over.
- **AEMO:** Either AEMO or the distribution service provider should manage gas specification. It may be more efficient for AEMO to conduct the monitoring as it already has the appropriate systems and processes in place to manage the data and so will avoid the need for data sharing between AEMO and distributors. It may also provide greater consistency between different distribution networks.

Distributors should monitor

• Alinta, AusNet, ENGIE, APA: Distribution service providers should conduct gas quality monitoring in distribution networks. However no detailed reasoning was provided in submissions.

AEMO should monitor (this may require a change to the National Gas Law)

 Origin: AEMO should monitor gas quality as it would ensure distribution connected facilities are treated equally across different distribution networks and improve AEMO's ability to manage gas quality issues through the imposition of blending constraints if necessary.



Responsibility for gas quality monitoring

- 1. What are the benefits of distributors conducting gas quality monitoring in distribution networks?
- 2. What are the benefits of AEMO conducting gas quality monitoring in distribution networks?
- 3. How feasible is it to have distributors conduct gas quality monitoring in the interim and have AEMO take over once the market develops and a significant number of distribution connected facilities participate?

Setting gas quality standards

- 1. What are the benefits of AEMO setting a consistent gas quality standard across the distribution system?
- 2. What are the benefits of distributors being responsible for setting gas quality standards?

6. Unaccounted for Gas (UAFG)

	Current framework	 Retailers are required to purchase sufficient gas to cover customer consumption and UAFG. ESC determines UAFG benchmarks that act as targets for distributors. AEMO facilitates an annual reconciliation between actual UAFG purchased by retailers and the benchmarks. For e.g. if actual UAFG exceeds the benchmark, the distributor needs to compensate retailers for the difference.
× = = = = = = = = = = = = = = = = = = =	Consultation paper questions	 Do you think initial trials involving the injection of natural gas equivalents into the distribution system should be accommodated by amending jurisdictional arrangements for UAFG? What changes would be required to UAFG arrangements in the DWGM?

6. Unaccounted for Gas (UAFG) – Feedback from stakeholders and Q&A

S	Stakeholder views	 AGIG & APA: Allow distributors to be responsible for supplying UAFG either through its own operations or via a UAFG provider. <i>"This would provide flexibility should a distributor want to provide for some or all UAFG via NGE injection facilities within the distribution network."</i> AusNet: ESC benchmarks need to recognise renewable gas injections that offset losses.
\sum	Questions	 Should distributors rather than retailers be responsible for supplying some or all UAFG in the DWGM? If so, why? Is there a case for consistency in UAFG arrangements between the DWGM and STTM hubs?

BREAK 10 MINUTE BREAK

SHORT TERM TRADING MARKET

ANDREW TRUSWELL, KPMG GEORGIA PICK, KPMG



	Item	Time
1	STTM – current arrangements	5 min
2	Registration categories, scheduling and settlement	15 min
3	Questions and discussion	15 min
4	UAFG arrangements in the STTM	
5	Gas specification and gas quality management	10 min
6	Heating values	

STTM – current arrangements

- Gas is traded at CTPs between STTM Shippers and STTM Users.
- A CTP is the point at which gas passes from an STTM pipeline, storage facility or production facility to a distribution system or transmission connected end-user.



STTM – current arrangements with STTM production facility

STTM production facility – gas produced for injection directly from that facility into an STTM distribution system at a CTP.

Stakeholder feedback

Most agreed that NGEs should be traded within the STTM. However, there was some divergence in relation to whether new registration categories should be established to capture facilities involved in the creation of NGEs.

Option 1 (STTM Shipper-based) At 'embedded production facilities', gas Custody would be withdrawn by STTM Users transfer point Description and injected by STTM Shippers similar to current arrangements for gas storage. **STTM** STTM User **CTP** for each Shipper new production Yes facility? STTM pipeline STTM distribution system Production Gate Required for both STTM Shippers and facility station **4** - -STTM Users. STTM Users would also (Backhaul) Registration need to register in the relevant retail DM Embedded gas market. customer production Potential to modify existing facilitv arrangements to allow embedded **Bidding**/ production facilities to: STTM STTM User settlement • make price taker offers Shipper submit offers and be scheduled on an aggregated basis. Custodv Can implement now, but need to transfer point consider what different obligations (if Ease of implementation any) should attach to an 'embedded 38 production facility'.

KEY

Market

Physical

Registration categories, scheduling and settlement

Option 2 (STTM User-based)

Description	At embedded production facilities, gas would be both withdrawn and injected by STTM Users.		
CTP for each new production facility?	No		
Registration STTM Users only. Would also need register in the relevant retail gas market.			
Bidding/ settlement	Injections would be netted-off against STTM User withdrawals. Price taker bids/ offers allowed. AEMO participant fees would be based on gross withdrawals.		
Ease of implementation	Conceptually a simpler option and might be preferable if it is likely that a large number of distribution-connected production facilities will be established. However, it would represent a significant change to how the STTM and retail market currently function.		

What obligations should attach to an 'embedded production facility'? (i.e. a small facility)

	Currently applies to			
Obligation	Trading participant		Participant	Should this attach to an 'embedded production facility'?
	STTM Shipper	STTM User	STTM facility operator	chibeatea production racincy :
Submit ox anto bids and offers	\checkmark			Yes, but could aggregate and allow for price taker offers under Option 1.
for gas (rule 406)		\checkmark		Under Option 2, may need to allow STTM Users to submit offers, including price taker offers.
Pay market, variation and other charges and payments (see rule 461(2) for e.g.).	\checkmark	\checkmark		Yes, but potential to aggregate STTM Shipper settlement.
Provide certain standing data to AEMO (including default and maximum capacity of the STTM facility) (rule 376)			\checkmark	Yes, but possibility that an agent could provide information on behalf of small facilities.
Provide capacity information for gas days D+1, D+2 and D+3 (rule 414)			\checkmark	This may be relatively onerous, and may depend on technology type (e.g. biomethane may be variable).

- 1. Are Options 1 or 2 workable solutions to integrating distribution-connected production facilities into the STTM market design? If so, which is preferred and why?
- 2. Under Option 1, should STTM Shippers be able to make (a) price taker offers and (b) aggregated offers?
- 3. Should small facilities injecting renewable gas be required to comply with less onerous obligations as compared to an STTM facility operator? If so, which obligations are of most concern?
- 4. What threshold should be applied to determine whether a facility is sufficiently 'small' to warrant aggregated/price taker offers and compliance with lesser rules obligations?

UAFG arrangements in the STTM

Stakeholder views

- **AGIG:** Supports allowing distributors to offset UAFG with NGE.
- **AusNet**: A possibility for trials but not preferred long term.
- **Jemena**: Would support broadening of the matched allocation mechanism in Sydney to capture UAFG purchases from distribution-connected production facilities.
- **APA**: Changes should be made to Queensland RMPs so that distributors can use NGE injections to provide for UAFG.

Questions

- 1. Should the matched allocation mechanism in the Sydney hub be amended to allow the distributor to offset UAFG using gas injected at the distribution level?
- 2. Are any other changes to STTM UAFG arrangements required? Is there a need to treat gas injected at the distribution level to offset UAFG consistently across the STTM hubs?

Gas specification and gas quality management

	Торіс	Current framework	Stakeholder views
Image: state	Gas specification	 'Gas quality specification' defined in the NGR as: a) the gas quality specification contained in Australian Standard AS 4564 – 2005, Specification for general purpose natural gas (as amended or replaced from time to time); and b) any additional gas quality specifications contained in the applicable access arrangement for an STTM distribution system at that hub. 	 Most: Helpful to clarify that AS 4564 – 2005 can be augmented or replaced to accommodate blending in certain parts of STTM distribution systems. APGA: This should only be permitted if in line with guidance of the relevant jurisdictional safety regulator.
	Responsibility for ensuring compliance with gas specification	Under the NGR, a STTM Shipper must ensure that NG supplied by it to a hub complies with the gas quality specification for that hub, unless otherwise agreed by the relevant distributor or specifically authorised by law.	 Energy Australia: Party injecting the NGE should be responsible. AGIG: Both producers (if the blending facility is at the production site) and distributors (if blending occurs at a downstream injection point and UAFG). APA: No change required.
673	Monitoring and testing	Obligations on Users under Reference Services Agreements; gas can be curtailed if off-spec.	Most: No change required.

The preliminary policy position is that no changes to the rules are required but stakeholder views would be welcome.

Heating values

Current framework

- Retail market procedures specify how distributors must calculate consumed energy, including how heating values are to be used in settlement.
- If NGEs of different compositions are injected into different parts of a distribution system, there will be a need to ensure the energy content of these blends can be accurately measured at these different locations. This will likely be particularly important for blends including hydrogen.

The preliminary policy position is that it would not be necessary or appropriate to include further prescription in the rules regarding the calculation or application of heating values.

WRAP UP & NEXT STEPS

Wrap up

Please let us know any additional feedback on today's session or the topics discussed.

Thanks again for your participation – the next session is tomorrow, 15 December, and will cover the issues raised in submissions on economic regulation, regulatory sandbox and transparency aspects of the review.

The draft rule determination for the DWGM rule change and draft report for the hydrogen review are expected to be published by end of March 2022.

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DWGM distribution connected facilities rule change

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