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DRAFT DETERMINATION – DWGM DISTRIBUTED CONNECTED FACILITIES

Alinta Energy welcomes the opportunity to comment on the AEMC's draft determination to the DWGM Distributed Connected Facilities (DCF) rule change.

Alinta Energy generally supports the draft determination across most areas of the proposal, including the creation of a new registration category to cover DCFs, the approach to scheduling, title and metering calibration arrangements, and the broad extension of existing rules to ensure that DCF and their transmission counterparts are treated equally across operational and settlement functions.

However, as outlined in our submission to the consultation paper, there are a few overarching issues which do not appear to be considered. In addition, we seek some further clarification on a couple of matters covered by this draft determination.

- Consumer safety is paramount when introducing structural change to markets, particularly technical reforms which require robust technical analysis before they are green lit. Alinta Energy remains concerned that a full technical analysis of the risks to consumers associated with co-mingled gases on the DWGM has not been undertaken.

While we understand that this technical review is best placed with the Victorian Government, we believe that it should have been a critical input into the rule change. Doing so would ensure that the necessary consumer protections and a more rounded industry understanding of how different gases react when injected into a common network could take place.

In the absence of this technical review¹, Alinta Energy requests that the AEMC build in the appropriate implementation requisites into any final rule made. These requisites must include a level of technical operator competence²,

¹ i.e. to articulately how and what types of blended gases are able to be safely produced, transported and used at the embedded industrial and commercial level and by residential consumers. This should include, but not be limited to, a review of ongoing gas quality, gas to heating ratios (including the Wobbi Index), a gas equipment compatibility review, and gas metering systems for billing and settlement purposes.

² By AEMO and Distribution Network Operators, including requiring a continuous learning program.

sufficient market participant understanding and readiness at all levels of the supply chain³, and most importantly consumer acceptance⁴.

- We note that there is no reference of quantitative analysis to underpin the draft determination, its transitional arrangements and the proposed rule effective date.

Alinta Energy understands the context in which this rule change has been proposed and appreciates the efforts of the AEMC to develop a comprehensive draft rule. However, we note there are a number of more pressing energy market priorities currently on foot and setting too short an implementation process would likely take valuable human resources away from AEMO⁵ and the industry. We therefore encourage the AEMC to reconsider its proposed rule start date in light of the small number of DCF that is likely to connect to the DWGM over the interim period and the large amount of operational processes that require modification.

In addition, we encourage the AEMC to work with AEMO to develop a clear and transparent business case for implementation to ensure that net benefits are provided to consumers.

- Although Alinta Energy is supportive of the new functions to be assigned to Distribution Network Operators, including responsibilities for gas quality monitoring and the application of facility constraints on its network based on its methodology, we consider that better governance controls are necessary. Distributors, unlike AEMO, may have a commercial interest in market which could colour their actions. For example, with respect to the application of facility constraints or curtailment events.

We therefore consider that the introduction of controls would ensure that Distributors act in a transparent and competitive neutral manner, while also addressing market participant concerns. These measures should include:

- Broader AER oversight, including the application of suitable ringfencing arrangements, contract approvals and gas quality monitoring methodology approval, in addition to existing network determination responsibilities;
- Distributor reporting obligations associated with a distributor-led market intervention, including curtailment. These should mirror function, content and timeframe obligations placed on AEMO; and
- The creation of an independent market auditor to assess a third party request where a market participant wishes to dispute the actions of a Distributor. Alinta Energy encourages the AEMC to look at existing dispute resolution frameworks for a workable, cost-efficient solution.

³ For example via AEMO procedural change processes and operational workshops, Distributor-led training programs and information awareness embedded into the connections process etc.

⁴ For example via Distributor and Retailer-led information awareness campaign, and via State Government safety programs.

⁵ On 11 May 2022, AEMO advised market participants at its Regulatory Implementation Roadmap v7 Forum that most DWGM procedures would require modification and that therefore this would be a substantial procedural and system change process which could take at least a few years to complete. We agree with AEMO's position.

- We welcome the extension and allocation of entry capacity certificate zones for distribution injection points, including the auction process. However, we believe that further information is necessary to clarify if these processes apply only to DCF providing natural gas products, or whether the extension also covers the provision of alternative gas products, including co-mingled gases.

If it is the latter, Alinta Energy encourages the AEMC to provide further (operational and technical) details on how this process will run in its final determination, including any guiding principles on how AEMO should assess the different chemical ratios (i.e. heating values) and quantities of co-mingled gases (i.e. via development of a derating methodology or similar).

If you have any questions in relation to our submission, please do not hesitate to contact me directly at Dan.Mascarenhas@alintaenergy.com.au or on 0475 943 365.

Yours sincerely,

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