AEMC

RULE

Australian Energy Market Commission

RULE DETERMINATION

NATIONAL GAS AMENDMENT (DWGM DISTRIBUTION CONNECTED FACILITIES) RULE 2022

PROPONENT

Victorian Minister for Energy, Environment and Climate Change

8 SEPTEMBER 2022

INQUIRIES

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ABOUT THE AEMC

The AEMC reports to the Energy Ministers' Meeting (formerly the Council of Australian Governments Energy Council). We have two functions. We make and amend the national electricity, gas and energy retail rules and conduct independent reviews for the Energy Ministers' Meeting.

SUMMARY

1 The Australian Energy Market Commission (AEMC or Commission) has made a rule that amends the National Gas Rules (NGR) to include distribution connected facilities within the Victorian declared wholesale gas market (DWGM) framework. This allows distribution connected facilities to register and directly participate in the DWGM, promoting efficiency in the market, improved transparency and clarity in roles and responsibilities.

2 The rule, which is a more preferable rule, incorporates distribution connected facilities into the DWGM on an equivalent basis to existing transmission connected facilities. However, some modifications have been made to recognise that these facilities are connecting to materially different networks when compared to the transmission network.

3 In deciding to make this rule, the Commission has taken into account interactions with the recommendations and proposed draft rules for the *Review into extending the regulatory frameworks to hydrogen and renewable gases* (the *Hydrogen review*).

Background

4 On 8 September 2021, the AEMC received a rule change request from the Victorian Minister for Energy, Environment and Climate Change[1] (the proponent) seeking to amend the NGR to facilitate the participation of distribution connected production and storage facilities in the Victorian DWGM.

5 Under the current arrangements, only facilities connected to the declared transmission system (DTS) are allowed to participate in the DWGM. The proponent considered that enabling the participation of distribution connected facilities in the DWGM would promote the transparent and effective trade of gas within Victoria.

6 At present, distribution connected facilities would only be able to inject natural gas into a distribution system, consistent with the gas quality standards that apply in Victoria. However, it is expected that distribution connected facilities may be permitted to inject other gases including hydrogen and biomethane. These low emissions gas resources may be more readily able to connect to a declared distribution system (DDS) due to physical compatibility constraints with the DTS. This rule change has allowed for the connection of facilities that blend these new gases with natural gas before injection into a DDS (blend processing facilities). The *Hydrogen review* deals with the connection of blend processing facilities into the DTS.

7 Elsewhere, distribution connected facilities are able to participate in gas markets. For example, the rules governing the Short Term Trading Markets (STTM) in Sydney, Adelaide and Brisbane have recognised distribution connected facilities since their establishment in 2010.

1 At the time of publication of this report, the new title of the minister is Victorian Minister for Energy, Environments and Climate Action.

Features of the final rule

8 From 1 May 2024, distribution connected facilities will be able to register and directly participate in the DWGM, being treated on an equivalent basis to transmission connected facilities, where appropriate. The final rule incorporates these facilities into the market in the most transparent way, with minimal impact on existing market participants and maintains the existing DWGM market design.

9 Key aspects of the final rule include:

- **Registration categories:** a new facility registration category will be available for distribution connected facilities and a new market participant category will be available for blend processing operators who buy and sell gas in the DWGM.
- **Requirement to submit bids and scheduling:** distribution connected facilities will bid and be scheduled through the market, and will be treated on an equivalent basis to transmission connected facilities for scheduling purposes.
- **Constraints:** distributors will be responsible for assessing facility constraints on their networks and developing a methodology for managing these. AEMO will then take this methodology and apply it transparently through the market schedules, with the flexibility to decide how these constraints are applied through the schedules.
- **Capacity certificates:** distribution injection points will be allocated to entry capacity certificates zones and market withdrawal points will be allocated to exit capacity certificates zones. All market participants will be allowed to participate in the auctions and secure capacity certificates that can be used to manage scheduling risk during periods of pipeline congestion. This retains the design of the new regime that was introduced in March 2020 and will commence on 1 January 2023.
- **Title and custody of gas:** a new rule will manage the transfer of title for injections into a declared distribution system and its associated interactions with the settlement process.
- The existing rules that govern the participant compensation fund, gas allocations and determination of fees payable to AEMO, default notices and market suspension, and threats and interventions will be extended to capture distribution connected facilities.
- **Connections:** the connections framework for distribution connected facilities will rely on the *Pipeline interconnection principles*, which will provide a consistent connection framework for all pipelines while providing flexibility to distributors while the industry develops.
- **Gas quality:** the gas quality requirements will be extended and provide for the application of similar requirements to those applying to the DTS, with distributors responsible for managing gas quality in their networks. The gas quality monitoring approvals and compliance framework will also be restructured and strengthened with new data sharing provisions introduced.
- **Metering:** the metering framework will be extended to distribution injection points and metering installations between distribution systems and will also allow AEMO to approve metering installation configurations for net bidding facilities. The metering framework will also be restructured and strengthened.

Key changes between the draft and the final rule

10 A number of changes were made between the draft and final rule. The key changes are as follows:

- **Registration categories:** the previous market participant category for distribution connected facilities has been replaced with the blend processing service provider market participant category to be consistent with the approach to market participants who are also producers or storage providers. Other types of distribution connected facility, such as producer, storage provider and retailer, can use the existing market participant categories.
- **Demand forecasts:** new provisions have been included to remove the risk of inaccurate demand forecasts, and subsequent scheduling outcomes, from blend processing facilities, that withdraw and almost immediately reinject gas back into the network. These facilities:
  - will be classified as net bidding facilities, and a new procedure will outline the classification process and potential alternative metering arrangements for these facilities.
  - will bid and be scheduled for their 'net' quantity of gas, which will represent the quantity of gas that is supplied from the facility to the market and will otherwise remain fully incorporated in the DWGM design.
- **Treatment of storage facilities:** distribution connected storage facilities will now be treated on an equivalent basis to transmission connected storage facilities, and will be able to bid for both injections and withdrawals. Additionally, distribution connected storage facilities will now have their market withdrawal points included as part of the capacity certificates framework.
- **Constraints:** the constraint framework introduced in the draft rule has been strengthened to provide greater protections against distributors favouring any facility over another through their constraint methodologies and by requiring distributors to publish their methodologies.
- **Connections:** the *Pipeline interconnection principles* will remain as the main connections' framework for distribution connected facilities, with some changes introduced to clarify cost recovery arrangements for metering and gas quality monitoring.
- **Maintenance planning:** a new rule has been introduced that will allow AEMO's maintenance planning procedures to require distribution connected facilities to provide maintenance information to AEMO for maintenance coordination and planning purposes. However, these new provisions are less onerous than those that exist for DTS connected facilities given the likely size and overall contribution to supply of these facilities for the foreseeable future.
- **Gas quality:** minor changes and clarifications have been made to the gas quality arrangements. Stakeholder concerns about the transparency of any non-standard gas specification that a distributor may allow will be addressed through the AEMC's *Hydrogen review.*

- **Metering:** The metering framework has been amended to clarify the arrangements applying to responsible persons, allow AEMO to agree to a longer period for testing metering installations and to inform registered participants of metering related matters where appropriate. Other minor clarifications have also been made.

11 A key stakeholder concern has been the interaction of the rule change and the technical and safety considerations in Victoria.

12 The final rule allows distribution connected facilities to participate in the DWGM and the Commission has made various changes to the gas quality framework. However, there may be technical matters governed by Victorian legislative and regulatory arrangements that still need to be considered by other bodies to safely enable injections into distribution networks and are beyond the scope of this rule change and the AEMC's rule making power.

13 For example, issues surrounding gas specification and quality standards, as well as others, have strong interactions with these instruments. The Commission has explored issues across these areas in more depth in section 6.1.

14 The Commission recommends stakeholders collaborate with Energy Safe Victoria, the Victorian Department of Energy, Land, Water and Planning, and any other relevant regulatory bodies to progress any further work required to enable distribution connected facilities to operate in a safe and efficient manner.

Benefits of the more preferable rule

15 The Commission is satisfied that the final rule will contribute to the achievement of the national gas objective (NGO) for the following reasons. It:

- maintains the fundamentals of the current market design
- promotes the existing efficiency of the market
- provides targeted and proportionate change
- minimises implementation complexity
- promotes stability, transparency and clarity of roles and responsibilities
- is flexible and adaptable to technological innovation and a changing market and regulatory environment
- promotes safety, reliability and security of supply.

16 The more preferable final rule is broadly consistent with the intent of the rule change request. Through extensive consultation with stakeholders and further analysis, other areas that were not identified in the original request have also been addressed so that the final rule package is fit for purpose.

Commencement

17 Under the final rule, the new framework will commence on 1 May 2024. AEMO will be required to update its procedures and systems to enable the inclusion of distribution connected facilities into the DWGM. Existing and new procedures should be updated or prepared no later than three months before the commencement date.

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APPENDICES

TABLES

1 THE RULE CHANGE REQUEST

On 8 September 2021, the Victorian Minister for Energy, Environment and Climate Change (the proponent) made a request to the Australian Energy Market Commission (AEMC or Commission) seeking to amend the National Gas Rules (NGR).

The rule change proposal seeks to amend the NGR to allow the participation of distribution connected production and storage facilities in the Victorian Declared Wholesale Gas Market (DWGM).

Further information on the DWGM can be found in chapter 2 of the consultation paper, which was published in October 2021.[2]

The issues raised in the rule change request, the rationale and the solutions proposed by the proponent are discussed in detail in chapters 3 to 7.

1.1 The rule making process

On 21 October 2021, the Commission published a notice advising of its commencement of the rule making process and consultation in respect of the rule change request.[3] A consultation paper identifying specific issues for consultation was also published. Submissions closed on 2 December 2021. The Commission received ten submissions as part of the first round of consultation.

The AEMC also held a stakeholder workshop on 14 December 2021 to discuss stakeholder views on facilitated gas markets, including the DWGM.

The Commission considered all issues raised by stakeholders in submissions and feedback provided at the workshop. These issues were discussed and responded to throughout the draft rule determination.

On 12 January 2022, the Commission published a notice under s. 317 of the National Gas Law (NGL) to extend the publication date of the draft determination to 31 March 2022. The Commission considered that this extension was necessary due to the complexity of the issues raised in the rule change request.

On 31 March 2022, the Commission published a draft determination, along with a more preferable draft rule, which was followed by a stakeholder workshop on Friday 8 April 2022. Submissions closed on 19 May 2022. The Commission received 10 submissions as part of the second round of consultation.

On 30 June 2022, the Commission published a notice under s. 317 of the NGL to extend the publication date of the final determination to 8 September 2022. The Commission considered that this extension was necessary due to the complexity of the issues raised in the rule change request.

2 AEMC, *DWGM distribution connected facilities*, consultation paper, 21 October 2021.

3 This notice was published under 308 of the NGL.

The AEMC also held a stakeholder workshop on 29 July 2022 to discuss with stakeholders the key changes to the final determination, mainly around the introduction of net bidding for blending facilities.

1.2 Interaction with the Review into extending the regulatory frameworks to hydrogen and renewable gases

The DWGM rule change is being undertaken concurrently with the AEMC *Review into extending the regulatory frameworks to hydrogen and renewable gases (Hydrogen review).* While the rule change request does not explicitly target the integration of hydrogen and renewable gas blends, its focus on allowing distribution connected facilities to participate in the DWGM has implications for enabling hydrogen and renewable gas to be injected into gas distribution networks in Victoria.

The *Hydrogen review* has published its final report and draft initial rule changes for the NGR and national energy retail rules (NERR) on 8 September 2022. This final report sets out the Commission's assessment of issues that could emerge in the NGR and NERR if the NGL and national energy retail laws (NERL) are extended to covered gases and natural gas equivalents are supplied to consumers.

The AEMC will be consulting on the draft initial rules with submissions to the draft initial rules closing on 20 October 2022.

2 FINAL RULE DETERMINATION

This chapter outlines:

- the Commission's final rule determination
- the rule making test for changes to the NGR
- the assessment framework for considering the rule change request
- the Commission's consideration of the final rule against the NGO
- the interactions with the *Hydrogen review*.

2.1 The Commission's final rule determination

The Commission's final rule determination is to make a more preferable final rule. The more preferable final rule efficiently incorporates distribution connected facilities into the DWGM with consideration of their operating capabilities.

This section sets out the Commission's reasons for making this final rule determination.

Further information on the legal requirements for making this final rule determination is set out in appendix B.

2.2 Rule making test

2.2.1 Achieving the NGO

The Commission may only make a rule if it is satisfied that the rule will, or is likely to, contribute to the achievement of the NGO.[4] This is the decision-making framework that the Commission must apply.

The NGO is:[5]

> to promote efficient investment in, and efficient operation and use of, natural gas services for the long-term interests of consumers of natural gas with respect to price, safety, reliability and security of supply of natural gas.

2.2.2 Making a more preferable rule

Under s. 296 of the NGL, the Commission may make a rule that is different (including materially different) to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule will or is likely to better contribute to the achievement of the NGO.

In this instance, the Commission has made a more preferable rule. The reasons are summarised below in section 2.4.

4 Section 291(1) of the NGL.
5 Section 23 of the NGL.

2.3 Assessment framework

In assessing the rule change request against the NGO the Commission has considered the following criteria:

- **Market efficiency:** which consists of allocative, productive and dynamic efficiency.
  - **Allocative efficiency:** whether the rule change enables market prices that facilitate the allocation of gas to their highest-valued uses.
  - **Productive efficiency:** whether the rule change enables operational signals to facilitate dispatch of the least-cost mix of gas supply to meet demand. This involves considering whether production or storage facilities would be treated consistently in dispatch independent of whether they are directly connected to the distribution network or the transmission network.
  - **Dynamic efficiency:** whether the rule change minimises barriers to entry and promotes efficiency in Victorian gas services, including investment in production or storage facilities as well as investment in the distribution and transmission systems to meet gas demand over time.
- **Innovation:** do the proposed changes facilitate innovation in the development of gas production, storage, transmission and distribution facilities and the provision of gas services to end-users?
- **Implementation considerations**: are the proposed changes targeted, fit for purpose and proportionate to the issues they are intended to address? Do the proposed changes provide the stability and transparency in regulatory arrangements to enable consumers, market participants and investors, to make efficient decisions? This involves considering whether and how distribution connected facilities can be incorporated into the existing market design without introducing excessive complexity.
- **Safety, reliability and security of supply:** whether the rule change promotes efficient investment in, and efficient use of, natural gas services with respect to the safety, reliability and security of gas supply.
- **Decarbonisation:** whether market arrangements will enable the decarbonisation of the energy market.

2.4 Summary of reasons

Having regard to the issues raised in the rule change request and during consultation with stakeholders, the Commission is satisfied that the more preferable final rule will, or is likely to, better contribute to the achievement of the NGO than the current arrangements as the final rule:

- allows for injections by distribution connected facilities into the DWGM thereby promoting allocative, productive and dynamic efficiency in the provision of these services to consumers
- provides targeted and proportionate change at least cost
- promotes stability, transparency and clarity of roles and responsibilities

- incorporates distribution connected facilities into the existing market design without additional complexity
- is flexible and adaptable to technological innovation and a changing market and regulatory environment
- promotes safety, reliability and security of supply.

2.4.1 The final rule allows for injections by distribution connected facilities into the DWGM

The inclusion of distribution connected facilities in the DWGM maintains the fundamentals of the current market design, expanding the existing rules to cover a new participant rather than introducing a new market or new market rules.

The final rule maintains the changes proposed by the draft rule to the bidding rules and introduces a net bidding approach for blending facilities. Similarly, the Commission's final rule amends the demand forecast arrangements to capture the impact of distribution injections and account for net withdrawals from net bidding facilities. The net bidding approach and amendments to the demand forecasting rules ensure market outcomes reflect actual demand and supply balance when facilities operate in a manner that requires them to withdraw from a DDS in order to inject.

The arrangements for distribution connected storage facilities have been amended to maintain the intent behind the draft rule that distribution connected storage facilities participate in the DWGM on an equivalent basis to transmission connected storage facilities, which includes classifying its withdrawals as controllable withdrawals, which effectively requires their injection and withdrawals to be bid through the market.

Capacity certificate rules for injections into a DDS have remained unchanged from the draft rule which expanded the rules to include DDS injection points as part of capacity certificates zones.[6] Distribution connected storage facilities will have their market withdrawal points included as part of the capacity certificates framework.

Entry and exit capacity certificates that distribution connected facilities procure will be treated in the same manner as certificates held by other market participants in the event of an injection or withdrawal tie-break which will ensure competitive neutrality across the market.

The final rule promotes the transparent and effective trade of gas within Victoria, thereby promoting allocative, productive and dynamic efficiency in the provision of natural gas services to consumers in Victoria. The least cost mix of gas supply to meet demand is achieved by including new sources of supply in the pricing and operational signals. Additionally, barriers to entry for distribution connected facilities are removed by the final rule which promotes efficient investment in these facilities over time.

The final rule also aligns the DWGM with the STTM markets where injections by distribution connected facilities are accommodated under existing rules.

6 See rules 200 and 327B of the final rule.

2.4.2 Implementation considerations with respect to the final rule

Targeted and proportionate change at least cost

The final rules are targeted and proportionate to the issues they are intended to address. New terms and new obligations on market participants are avoided unless they are deemed necessary to achieve the objectives of the rule change.

The Commission's final rule includes a new registration category for distribution connected facilities and a new market participant category for blend processing facilities. This approach provides conciseness and clarity to prospective and existing market participants. It clarifies that blending processing facilities are a subset of distribution connected facilities and uses the existing market participant categories for any other distribution connected facility.

The final rule maintains the changes proposed by the draft rule to the participant compensation fund rules and expands the compensation fund to include DDS withdrawals, ensuring that costs of the scheme are recovered across the DTS and DDS.[7] The introduction of distribution connected facilities can reduce the amount of gas withdrawn from the DTS. Expanding these rules means that contributions to the fund are preserved.

Stability, transparency and clarity of roles and responsibilities

The final rules are intended to provide clarity on the roles and responsibilities of market bodies and market participants, both for existing and new facilities. This provides stability and transparency in regulatory arrangements to enable consumers, market participants and investors to make efficient decisions.

The final rule maintains the amended definition for DDS from the draft rules. The new definition excludes distribution systems that are either not directly connected to the DTS or are not connected to a wider network. This distinction provides a clear delineation of roles and responsibilities between networks that will be covered by DWGM arrangements and those that will not.[8]

The Commission has made minor amendments to the draft DDS title, custody and risk of loss of gas rules to accommodate for the interactions net bidding facilities have with the DDS.[9] The final rule identifies title transfers for the quantity withdrawn and reinjected in the DDS from net bidding facilities which provides stability and clarity around how blend processing facilities interact with the market. Additionally, a minor wording change has been made to reflect that distributors will be constraining injections from distribution connected facilities rather than curtailing them, clarifying the distributors' role using the common terminology of the DWGM.[10]

The DDS connections framework final rule maintains the changes proposed by the draft rule. It points to the *Pipeline interconnection principles* as the DDS connections framework which provides a consistent connection framework for all pipelines while providing broad obligations

7 See rule 225 of the final rule.
8 See rule 200 of the final rule.
9 See rule 220A of the final rule.
10 See rule 317C of the finla rule.

to distributors as the industry develops. A transitional rule will be in place until the *Pipeline interconnection principles* are included in the NGL and the NGR. The final rule is intended to provide stability and clarity as the industry grows.

Similarly, the default notices and market suspension final rule has remained unchanged from the draft rule. The final rule provides stability by extending suspension notices to be used in relation to injections and withdrawals from the DDS, given that they will be scheduled in the DWGM.[11]

Incorporating a new participant into the existing market design without additional complexity

The final rule is designed to incorporate distribution connected facilities into the existing market design without introducing additional complexity. Existing frameworks are leveraged as much as possible.

The Commission's final rule makes refinements to the draft metering rules. Refinements include changes to the testing and notification requirements. This provides flexibility in testing requirements by allowing AEMO to agree to a longer period for testing at a metering installation for a settlement metering point. Notification requirements have also been modified to allow the responsible person to notify AEMO of metering accuracy issues. This removes previous complexities in the framework, where the responsible person had to separately notify each affected participant.

Consistent with the draft determination, the Commission's final rule incorporates metering installations for DDS injection points and transfer points between distribution systems under various accuracy requirements,[12] strengthening the compliance and enforcement framework for metering installations and enhancing the transparency of market settlement outcomes.[13] It also allows connected parties to elect to provide their own metering installations without requiring agreement from the relevant network service provider[14] and reduces the frequency at which the metering calibration requirements in AEMO's procedures must be reviewed.[15] This helps to lower the administrative and regulatory burden on AEMO without having a significant impact on market participants.

2.4.3 The final rule is flexible and adaptable to technological innovation and a changing market and regulatory environment

Flexibility, adaptability and innovation

The final rules are flexible and adaptable to the different circumstances that may prevail in each network, the different speeds of development and commercial arrangements. The industry is in its early stages and is likely to change with the development of the hydrogen production industry.

11 See rules 259 and 260 of the final rule.
12 See rule 299 of the final rule.
13 See rule 293 of the final rule.
14 See rule 292(2) of the final rule.
15 See rule 299(3) of the final rule.

Distribution connected facility constraints may be essential for managing gas quality on the distribution network. The final rule is aligned with the draft rule[16] and includes additional guidance on the formulation and enforcement of DDS constraints. DDS constraints will include consideration for all facilities in a distribution network to ensure facilities are treated equally when constraints are formulated by the distributor. These constraints will be published by each distributor on their website. The Commission considers that the final rule is flexible enough to account for changes in the industry as it grows.

Further, in relation to the data necessary for determining constraints in market schedules, the Commission considers that the data required for the safe operation of a DDS is likely to vary in each network. The Commission has made a final rule that provides a high-level framework for sharing data between distributors and AEMO, allowing for specific arrangements to be negotiated between the parties.[17]

Where a facility is classified as a net bidding facility, new metering procedures will provide greater flexibility in how these facilities connect and interact with the market, enabling innovation for metering configurations that may not be contemplated if specified under the rules.[18]

Decarbonisation

The Commission has made a final rule that supports the decarbonisation of Victorian wholesale and retail gas markets. Injections of renewable gases including hydrogen blends, biomethane and other renewable gases are facilitated at the distribution level. Investment in facilities that are targeted at supplying lower emissions fuels into natural gas networks at the distribution level is facilitated by the rule.

Decarbonisation is enabled by the rule irrespective of government targets in relation to renewable gases and renewable gas blends. However, when governments decide to introduce renewable gas targets, mandates or objectives, the implementation of these targets is enabled by the final rule.

The final rule, however, is technology-neutral. Injections at the distribution level are enabled for all facilities, including storage facilities supplying natural gas or natural gas equivalent blends into the market. Under the final rule, a distributor and a connecting party can agree a gas specification for a DDS injecting point that does not meet the standard gas quality specifications, if all affected participants agree.[19] This will facilitate the connection of facilities that are injecting gas blends or gases other than natural gas.

2.4.4 The final rule promotes safety, reliability and security of supply

The final rule promotes efficient investment in, and efficient use of, natural and renewable gas services with respect to the safety, reliability and security of natural gas supply. This is

16 For more information, please refer to the draft determination, pp. 8-9.

17 See rule 317A of the final rule.

18 See rules 204C and 290A of the final rule.

19 See rule 287A of the final rule. Once the alternative specification is agreed upon, it must be compliant with rule 289A of the draft rule.

achieved through the extension of existing frameworks to connections at the distribution level, providing clear roles and responsibilities through rules and procedures that are flexible to changing market requirements.

In relation to gas quality monitoring, the Commission's final determination has made no changes to the draft rule.[20] Each distributor is responsible for gas quality in accordance with its gas safety case under the *Gas Safety Act (Victoria) 1997*. The responsibility for gas quality monitoring in the DDS, on a system-wide basis, is best left with distributors which is consistent with the principle of risk being allocated to those parties that are in the best position to manage risk.

The Commission's final rule requires AEMO to make gas quality monitoring procedures that set out requirements for gas quality monitoring at the transmission and distribution level.[21] This promotes a consistent approach to gas quality monitoring at all market injection points, including DDS injection points and points where gas flows between distribution systems. The Commission considers that procedures should be used as they are flexible and can be changed as requirements evolve over time. The procedures will include information such as standard gas quality specifications, equipment required for gas quality monitoring systems and contents required in gas quality monitoring plans.

In relation to gas quality standards and specifications, the Commission has made a final rule that maintains the changes proposed by the draft rule. It allows distributors to agree gas quality standards for distribution connection points that are different to the standard gas quality specifications, by agreement with the connecting party and other affecting participants.[22] It also enables distributors to accept off-specification gas if it is deemed necessary to ensure the safety, security and reliability of the DDS.[23]

The NGL and existing rules give AEMO wide powers to maintain system security including directing market participants to do any reasonable act or thing that AEMO believes is necessary for the circumstances. In line with the draft rule, the final rule expands existing rules related to threats and interventions to include distribution connected facilities.[24] Similarly, the rules providing for compensation arising from the application of an administered price cap have been extended to distribution connected facilities.[25]

The maintenance coordination and planning rules have been amended in the final rule to require distribution connected facilities to provide maintenance information to AEMO for maintenance coordination and planning purposes.[26] This amendment promotes the safety, reliability and security of supply by acknowledging that the inclusion of distribution connected facilities into the DWGM can have an impact on the supply-demand balance on the DTS if distribution connected facilities expand to become a material share of supply.

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20 For more information, please refer to the draft determination, pp. 9-10.
21 See Subdivision 3.1 of Division 3 of the final rule.
22 See rule 287A of the final rule.
23 See rule 289A(3) of the final rule.
24 See rule 344(2) of the final rule.
25 See rule 350 of the final rule.
26 See rule 326A of the final rule.

2.4.5 Costs and benefits of the final rule

The Commission considers that the more preferable final rule will, or is likely to, better contribute to the achievement of the NGO than the current arrangements.

The benefits of the more preferable final rule, which are outlined in the preceding section, can be summarised as:

- promoting allocative, productive and dynamic efficiency in the provision of these services to consumers
- provides targeted and proportionate change at least cost
- promotes stability, transparency and clarity of roles and responsibilities
- incorporates distribution connected facilities into the existing market design without additional complexity
- is flexible and adaptable to technological innovation and a changing market and regulatory environment
- promotes safety, reliability and security of supply.

However, the Commission recognises that the changes introduced by the final rule are likely to impose costs for AEMO, existing and new market participants.

The expected costs can be categorised into two main streams:

- costs incurred by AEMO in implementing the rule, through system changes and procedures updates
- costs on distributors in facilitating facilities to connect to their networks.

AEMO has estimated that the costs associated with implementing the rule change would be in the range of $1.2m to $1.6m and these costs AEMO will be recovered through market fees, as outlined in its fee schedule.[27]

The AEMC has calculated that this could represent an increase in annual DWGM fees of $0.0049/GJ to $0.0065/GJ respectively.[28] According to AEMO, there may be synergies if the implementation of the final rule can be aligned with other gas market reforms, such as the *Hydrogen review* and the changes to the heating value approach in Victoria.

Distributors have indicated that the majority of the costs are likely to be borne by connecting parties. Despite not providing quantitative cost estimates, both AusNet and AGIG provided some examples of areas where the final rule will likely drive new costs, such as creating/updating constraint methodologies and training their customer and operations team. They also indicated that costs are likely to be dependent on each network, the location of the connecting facility and the existing equipment on the network.

The Commission notes that costs incurred by distributors would be passed through to customers on their network through the gas access arrangements reviews. Access arrangements are reviewed and approved by the AER, so costs to be recovered by

27 AEMO, *Gas market fee schedule 2022-23.*

28 Annual DWGM revenue requirement for 2022-23 is $27.9 million. AEMO, 2022-23 AEMO Budget and Fees.

distributors from consumers would be subject to regulatory scrutiny and approval by the AER.[29]

The Commission recognises that distribution connected facilities and renewable gases, in general, are a developing technology and should be facilitated into the Victorian gas market. It also acknowledges that it did not prepare a detailed cost-benefit analysis, as it would be infeasible to quantify the market impact of this new type of facility.

However, in making the final rule the Commission has targeted implementation at least cost by introducing new terms and obligations on market participants only where they were deemed necessary in order to achieve the objectives of the rule change.

Industry stakeholders, in submissions to the draft determination, broadly supported the objective of the draft determination and did not raise any significant concerns about the implementation of the rule.

Given the information presented above, the Commission maintains that the inclusion of distribution connected facilities will better contribute to the achievement of the NGO.

29 Full regulation pipelines are required to periodically submit an access arrangement to the AER for approval. The AER assess the revenues needed by the pipeline business to cover its efficient costs and provide a commercial return on capital, then derive reference tariffs for the pipeline services.

3 MARKET OPERATIONS

This chapter covers issues surrounding the operation of the DWGM, such as registration categories, offering and bidding gas in the market, demand forecasting, scheduling application of constraints and the allocation of capacity certificates used for tie-breaking.

This chapter outlines:

- the draft determination position
- stakeholders' feedback on the draft determination and draft rules
- the Commission's analysis of the issues
- the Commission's final determination on these issues.

3.1 Draft determination

The draft rule was designed to incorporate distribution connected facilities on an equivalent basis to existing transmission connected facilities, with some modifications made to reflect that these facilities connect to materially different networks when compared to the transmission network.

This section provides an overview of the key changes made to each of the topics related to market operations.

3.1.1 Requirement to submit bids and offers

The draft rule included distribution connected facilities within the existing DWGM bidding and scheduling rules.[30] This was intended to enable distribution connected facilities to inject gas into the market in a way that is open, transparent and on an equivalent basis to facilities already in the market.

To achieve this, the draft rule:

- created the following new definitions:
  - DDS injection point, meaning a receipt point on a declared distribution network.
  - market injection point, which means a system injection point, DDS injection point, or both[31]
- expanded the bidding rules to require bids for the injection of gas at market injection points, with these bids being required to be scheduled in the market.[32]

3.1.2 Registration categories

The draft rule created two new registration categories for distribution connected facilities:[33]

30 It is compulsory for all gas transported by the DTS to be traded through the DWGM. This requires market participants to submit bids and offers to AEMO on a daily basis.

31 See rule 200 of the draft rule.

32 See rules 207, 206 and 209 of the draft rule.

33 See rule 135A of the draft rule.

(c1) Registrable capacity: distribution connected facility operator

A person who injects gas into a DDS at a DDS injection point from a storage facility, production facility or blend processing facility.

(d1) Registrable capacity: Market Participant — distribution connected facility operator

A distribution connected facility operator that buys or sells gas in the declared wholesale gas market.

This approach was selected because a separate registration category for the operators of distribution connected facilities enables Part 19 to provide a clear delineation between the obligations of AEMO and the distributor with respect to these facilities. The separate market participant category for these operators, should they wish to buy and sell in the market, was also intended to give certainty to existing market participants that they are not being impacted by their registration category being expanded to include distribution connected facilities.

3.1.3 Demand forecast

The draft rule amended the definition of demand forecast, as described in rule 208 of the NGR, to include all gas consumed from a declared network but exclude amounts already covered from DTS withdrawals or specified system withdrawal points.

The draft rule also enabled AEMO to request a demand forecast, if it requires it, from one or more specified DDS withdrawal points. This amendment aimed to capture the impact of any distribution injections on the demand forecast.[34]

3.1.4 Gas scheduling and the formulation and application of constraints

To address the issues surrounding the determination and application of supply point constraints for distribution connected facilities, the draft rule implemented an operational coordination arrangement between AEMO and any applicable distributor.[35]

This arrangement assigned the responsibility to the distributor to determine any applicable constraints for any distribution connected facility injecting gas on its network. AEMO then applies these constraints in either the operating schedule or both the operating and pricing schedule.

34 See rule 208 of the draft rule.
35 See rule 317B of the draft rule.

3.1.5 Capacity certificates

The AEMC made a final rule on 12 March 2020 to replace the current authorised maximum daily quantity (AMDQ) and AMDQ credit certificates (AMDQ cc) instruments with a new capacity certificates regime due to commence on 1 January 2023.[36]

The draft determination provided for:[37]

- distribution injection points for distribution connected facilities to be included in entry capacity certificates zones
- distribution connected facilities and the retailers, traders or market customers that contract directly with these facilities to be able to participate in the capacity certificates auction in the same way as other registered participants
- AEMO's system capability modelling to continue to be conducted by reference to the DTS rather than extending it down to the DDS to avoid any unnecessary complexity in modelling in the early stages.

3.2 Stakeholder views

Stakeholders were broadly supportive of the draft rules. However, submissions outlined concerns that require further analysis to ensure that distribution connected facilities are incorporated effectively into the operation of the DWGM.

3.2.1 Requirement to submit bids and offers

APA supported distribution connected facilities being treated on an equivalent basis to transmission connected facilities to maintain competitive neutrality within the market.[38]

Origin considered it premature to conclude that the current bidding and scheduling rules would not create a significant barrier to entry for distribution connected facilities, given that there is uncertainty around the likely cost and scale of these facilities.[39]

Origin recommended the Commission reconsiders establishing a threshold to exempt distribution connected facilities from participating in the market. It also suggested that a similar aggregation approach be applied in the DWGM,[40] as outlined in the draft report for the *Hydrogen review* in relation to the STTM.[41] Origin claimed that its suggestions would help manage the regulatory burden for small facilities.[42]

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36 AEMC, *DWGM improvements to AMDQ regime*, final determination, 12 March 2020, and *National Gas Amendment (DWGM Improvements to AMDQ regime) Rule 2020*.
This new regime provides for zonal entry capacity certificates (that provide injection tie-breaking benefits) and exit capacity certificates (that provide withdrawal tie-breaking benefits). Under the new regime, the allocation of entry and exit capacity certificates will primarily occur through auctions conducted by AEMO.

37 AEMC, *DWGM distribution connected facilities*, draft determination p. 35.

38 APA, submission to the draft determination, p. 28.

39 Origin, submission to the draft determination, p. 1.

40 Origin, submission to the draft determination, p. 1.

41 AEMC, *Review into extending the regulatory frameworks to hydrogen and renewable gases*, draft report, 31 March 2022, pp. 91-92.

42 Origin, submission to the draft determination, p. 1.

APA also suggested that the aggregation of facilities could assist in the development of the renewable gases industry.[43]

3.2.2 Registration categories

APA supported the transparency and clear classification of registration categories for distribution connected facilities within the draft rule.[44]

AGIG also supported the creation of a separate distribution connected facility registration category. However, AGIG noted that this new category may need to be disaggregated further to recognise that these facilities have different characteristics and it may not be appropriate to have the same rules apply to all facilities.[45]

AEMO shared similar views to AGIG, noting that having separate registration categories for the different types of distribution connected facilities would be beneficial as this would:[46]

- enable rules and procedures to provide specific requirements for each type of facility
- provide consistency between transmission connected and distribution connected facilities.

3.2.3 Blend processing facilities

During the finalisation of the draft rule, an issue emerged on how blending facilities would operate and the potential for unanticipated scheduling outcomes.

AEMO raised this issue in its submission to the draft determination, noting that because distribution connected facilities would be required to submit a demand forecast for gas they withdraw from the distribution network and bid for their injections into the market, this could cause an issue for blend processing facilities, which is illustrated in Box 1 below.[47]

BOX 1: AEMO'S EXAMPLE OF BLEND PROCESSING FACILITIES

For a blend processing facility that operates with a 10% blend ratio, a market participant injecting from the facility would bid to inject 11 TJ of blended gas. This blended gas contains 10 TJ of natural gas and so the facility submits a demand forecast for 10 TJ. However, if the facility is only scheduled in merit order of 5.5 TJ of injections the facility would only need to withdraw 5 TJ of natural gas to create the 5.5 TJ blend.

If this were to occur, AEMO outlined the following consequences:

- The participant would have a deviation of 5 TJ for its forecast demand that was never used and exposed to market risks, such as uplift exposure, which may be difficult to manage. Given this dynamic, AEMO reasons that blend processing facilities would likely want their demand forecasts to be scheduled based on their scheduled injections.

43 APA, submission to the draft determination, p. 28.
44 APA, submission to the draft determination, p. 26.
45 AGIG, submission to the draft determination, p. 2.
46 AEMO, submission to the draft determination, p. 3.
47 AEMO, submission to the draft determination, p. 3.

However, this would not be possible with the current market design or scheduling process.

- The market would be 'over scheduled' by 5 TJ to supply a demand that never materialises. If everything else is held constant then this would result in the market price being suppressed in the next market schedule and would impact the linepack account. This would impact all market participants from the artificial demand caused by the blend processing facility.
- Market parameters that use the demand forecast as an input, such as the demand forecast override methodology, have the potential to be skewed as the demand forecast would not reflect genuine demand. A methodology would have to be developed to accommodate a demand forecast from a blend processing facility, resulting in an unnecessary complication.

In practice, the gas used for blending is not being consumed by anyone; instead, it is being almost immediately reinjected. For this reason, AEMO concluded that it is not appropriate to include this gas in a demand forecast and that if it is included, then broader changes to the market design may be required to ensure that market outcomes remain accurate and fit for purpose.

Source: AEMO, submission to the draft determination, p. 4.

AGIG shared a similar view, stating that blend processing facilities would be best facilitated by bidding their net gas injections and not submitting a demand forecast for the gas used for blending, arguing that its suggested approach would remove concerns surrounding a distorted demand forecast and remove complications with Transmission Use of Service (TUOS) and Distribution Use of Service (DUOS) charges.[48]

3.2.4 Gas scheduling and constraints

Stakeholders were generally supportive of the draft rule that outlined the responsibility of the distributor for constraints on its network. However, amendments were suggested to ensure that the rules better reflect the intent behind the draft determination and that adequate governance controls are in place.

Responsibility for the formulation and application of constraints

APA commented that the proposed approach for distribution connected facilities constraints seems to be a practical approach and consistent with the process for the DTS facilities.[49] APA also outlined that it is important to ensure that transmission injections are not unfairly constrained for injections from distribution connected facilities, ensuring competitive neutrality in the market.[50]

48 AGIG, submission to the draft determination, p. 3.
49 APA, submission to the draft determination, p. 29.
50 Ibid.

AEMO noted the draft determination did not make it clear whether a separate methodology would be applied to each facility or if there would be a single methodology for each network, encompassing all facilities on the network.[51] If separate methodologies were required for each facility, AEMO indicated that it would be difficult to develop these methodologies and manage the interactions between facilities on the network.

According to AEMO, when new facilities connect to the network, every individual agreement on that network may require review and modification, leading to the individual methodology per facility becoming more administratively and technically complex over time as more facilities connect to the network.[52]

AEMO's preference is for a single methodology for each network to be amended from time to time as new facilities join the network.[53] In its view, a single methodology should be able to show how constraints would be managed individually and collectively for all facilities on the network. This approach would be similar to how supply-demand point constraints, at an individual facility, and net flow transportation constraints, for a group of co-located facilities, are determined on the DTS.[54]

AEMO considered that this change would make it simpler to assess whether the constraints applied by the distributor are meeting the requirements of rule 317B of the draft rule.[55]

AGIG and ENGIE supported the decision for the distributor to manage constraints connected to their network. AGIG noted that this will be a new role for distributors and it would appreciate flexibility as it works through the development of constraint methodologies with AEMO, including the ability to vary constraint methodologies.[56]

AusNet suggested that the proposed drafting could benefit from alterations that enable the methodology to be changed over time, such as changes to the capacity of the network or the addition of another facility when a blending constraint may need to be shared across each facility.[57] To enact this change, AusNet recommended rule 317B(2)(b) of the draft rule be amended to take into account the impact of other facilities on the distributors' network and a new clause be added in rule 317B that enables the distributor to revise a constraint methodology.[58]

AGL did not support the distributor being the party responsible for managing gas curtailment from distribution connected facilities. Instead, AGL indicated that AEMO would be better placed to manage these facilities as distributors will not be aware of the volumes, sources or

51 AEMO, submission to the draft determination, p. 5.

52 Ibid.

53 Ibid.

54 Ibid.

55 Ibid.
Rule 317B outlines that a distributor must ensure that its constraint methodology does not result in outcomes inconsistent with the principle that operating schedules should do so in a way that minimises the cost of satisfying expected demand for gas over the gas day.

56 Submissions to the draft determination: AGIG, p. 2; ENGIE, p. 3.

57 AusNet, submission to the draft determination, p. 2.

58 Ibid.

quality of the gas being shipped on the transmission system.[59] AGL believes that AEMO is better placed to understand the issues which distributors and retailers may be facing and to manage the impacts on transmission scheduled injections, as AEMO can be aware of the distribution networks' gas quality through the connected facility SCADA.[60]

Governance arrangements

AGIG and ENGIE noted that it is important for the market to be confident that these methodologies are non-discriminatory, especially in situations where multiple distribution connected facilities are connected in the same network region.[61] ENGIE considered that transparency was the best approach in these circumstances and agreed that it is appropriate for the distributor to be required to publish the constraint methodology.[62]

Origin and Alinta argued that adequate governance controls should be established.[63] This is to ensure that individual distribution connected facilities within a network are treated on a consistent basis where appropriate with AEMO's approach to applying constraints to be transparent to the market.

Alinta noted that distributors may have a commercial interest in the market which could colour their actions and suggested that controls are needed to ensure that a distributor acts in a transparent and competitively neutral manner, which could include: broader AER oversight, distributor reporting obligations and the creation of an independent market monitor.[64]

For example, Alinta considered that the AER oversight could include the application of suitable ring-fencing arrangements, contract approvals and gas quality methodology approval in addition to the existing network determination responsibilities. It noted that the reporting obligations should mirror the function, content and time frame obligations placed on AEMO.[65]

Alinta and AGL supported the inclusion of an independent market auditor that would assess any disputes regarding the actions of a distributor and provide an external review of procedures and any events that occur in the early days of implementation.[66]

Compliance and enforcement of constraints

AGIG and ENGIE shared concerns that distribution connected facilities will typically represent newer technology types that do not have a track record of grid gas injection and suggested that leeway is allowed on materiality in matters of compliance with scheduling and forecasting.[67] Both stakeholders outline that existing facilities have decades of operational

59 Ibid.

60 Supervisory control and data acquisition (SCADA) in the DWGM currently stores DTS operational data such as nodal pressures, injection pressures, LNG stock level, heating values, and system linepack data.

61 Ibid.

62 Ibid.

63 Submission to the draft determination: Origin, p. 1; Alinta, p. 2.

64 Alinta, submission to the draft determination, p. 2.

65 Ibid.

66 Submissions to the draft determination: Alinta, p. 2; AGL, p. 2.

67 Submissions to the draft determination: AGIG, p. 2; ENGIE, p. 2.

experience, with AGIG expressing that the existing rules were designed with those facilities in mind.[68]

AGIG indicated that in early projects, operators may be less confident in their ability to strictly meet forecasting, bidding and scheduling requirements, with some facilities being dependent on underlying network demand for their ability to inject.[69]

AGIG and ENGIE noted that rules 213(4) and 219(2) use 'material' departure from scheduled or notified quantities as the trigger for notification to AEMO. Both stakeholders noted that the interpretation of 'material' in these rules is a matter for AEMO and the AER rather than the Commission. However, both recommend that the AEMC require AEMO and the AER develop guidelines for the assessment of materiality with these rules.[70]

3.2.5 Capacity certificates

Alinta and APA were the only stakeholders that commented on this aspect of the draft determination:

- Alinta noted that while it welcomed the proposed extension of entry capacity certificate zones to distribution injection points, further information was required to clarify whether this applies to distribution connected facilities supplying natural gas, or to distribution connected facilities supplying any type of covered gas. Alinta stated that if it is the latter, further operational and technical details should be provided on how this process will run, including any guiding principles AEMO should consider when assessing the impact of different heating values and quantities of gas to be supplied for gases other than natural gas.[71]
- APA expressed a similar view, noting that competitive neutrality should be a consideration with how hydrogen or renewable gases are accommodated with regard to entry and exit certificates. If distribution connected hydrogen or renewable gas injection facilities are treated as reduced location demand, in a tie-breaking situation they automatically receive priority access over a transmission connected hydrogen, renewable gas and natural gas connected facilities that have to obtain an entry certificate to benefit from tie-breaking rights. Transmission connected facilities will therefore be second to distribution connected facilities.[72]

68 Ibid.
69 AGIG, submission to the draft determination, p. 2.
70 Submissions to the draft determination, AGIG, pp. 2-3; ENGIE, pp. 2-3.
71 Alinta, submission to the draft determination, p. 3.
72 APA, submission to the draft determination, p. 30.

3.3 Analysis

This section outlines the Commission's analysis of the issues presented in stakeholder submissions and any other relevant issues.

3.3.1 Requirement to submit bids and offers

The Commission maintains that the current set of bidding and scheduling rules do not provide a meaningful barrier to entry and that including distribution connected facilities within the existing set of DWGM bidding and scheduling rules is the most appropriate decision.

This will enable distribution connected facilities to inject gas into the market in a way that is open, transparent and on an equivalent basis to facilities already in the market. The Commission considers that this approach will better contribute to the achievement of the NGO, by promoting the efficient operation of distribution connected facilities within the DWGM.

Facility aggregation

The declared transmission system is a meshed gas network and, reflecting this, the DWGM market design allows the location of a supply source to be taken into consideration during the scheduling process.[73]

Similarly, the draft rule allows the location of a supply source connected to a declared distribution system to be taken into account. The implication for the DWGM is that even if facility aggregation were permitted for any purpose, AEMO would nonetheless require disaggregated data for scheduling. Allowing for facility aggregation would therefore increase complexity, rather than reduce it.

Given this, facility aggregation cannot be achieved in the DWGM in the same manner that is being proposed for the STTM markets through the *Hydrogen review.*[74] The STTM is designed as a virtual trading hub that can more easily handle facility aggregation and does not require that AEMO be aware of the individual capacity and location of facilities to perform its role in the STTM.

The approach to aggregation proposed for the STTM is expected to ensure that facility aggregation only occurs without adding market complexity and where the relevant STTM distributor has agreed with the facility operator as to its suitability in particular circumstances. The *Hydrogen review* final report recommendation allows aggregation of injection facilities only if, among other things:[75]

- all facilities are connected to the same hub and have a common facility operator, and;
- the relevant STTM distributor has agreed with the facility operator that the injection facilities can be treated as a single STTM injection facility.

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73 See rule 215(2) of the NGR.

74 AEMC, *Review into extending the regulatory frameworks to hydrogen and renewable gases*, draft report, 31 March 2022.

75 AEMC, *Review into extending the regulatory frameworks to hydrogen and renewable gases*, final report, 8 September 2022, p. 122.

Given the analysis above, the Commission has decided that facility aggregation in the DWGM will remain excluded in the final rule. The addition of facility aggregation is not likely to provide any material benefit to the market given the requirements of the DWGM design where disaggregated data needs to be supplied and facilities scheduled individually.

3.3.2 Registration categories

Stakeholders indicated that the new registration categories in the draft rule may not allow specific requirements to be applied in relation to each distribution connected facility type.

The Commission has given further consideration to the proposed registration categories in Part 15A of the NGR and the interaction with the existing facility operator and market participant registration categories.

Registered participant registration categories

The existing facility operator registration categories for producers and storage providers are limited to DTS-connected facilities and there is no existing facility operator registration category for blend processing facilities, whether connected to the DTS or DDS.

The Commission considered whether to expand the existing facility operator categories to cover DDS connections. However, DTS-connected facility operators have distinct maintenance related obligations under Part 19 arising from their connection to the DTS that the Commission decided should not apply to distribution connected facilities at this time.[76]

The Commission remains satisfied that it is preferable not to extend the existing facility operator categories and that a single new facility category for distribution connected production, storage and blending facilities meets the requirements of Part 19.

Market participant registration categories

By contrast, the existing market participant registration categories in Part 15A of the NGR could be used for a DDS-connected producer (as a *Market Participant — Producer*), storage provider (as a *Market participant — Storage provider*) or blend processing service provider (as a *Market Participant — Trader*).[77]

The first two categories apply in relation to both distribution and transmission connected facilities as they refer to the act of buying and selling gas within the DWGM, not the DTS specifically. In principle, the *Market Participant — Trader* category could be used for a blend processing service provider that buys or sells gas in the DWGM, but to be consistent with the approach to market participants who are also producers or storage providers, the Commission considers that a new, separate category should be created.

Part 19 of the NGR refers to Market Participants in general, with each Market Participant applying the rules with respect to their registered category.[78]

76 See chapter 5 for more details on the maintenance planning decision.
77 See rules 135A(d), (f), (k) and (l) of the NGR.
78 See rule 200 of the NGR.

The Commission also considered whether the *Market Participant — Producer* category could be extended to blend processing service providers that buy or sell gas in the DWGM. The Commission notes that on 20 August 2021, Energy Ministers agreed to reform the national gas regulatory framework to bring hydrogen blends, biomethane and other renewable gases within its scope. On 6 April 2022, a draft of the changes to the NGL was released which proposes to include a definition for blend processing facilities within the NGL and limit the term 'producer' to the production of primary gases.[79] The proposed 'blend processing facility' definition is included below:

> ***blend processing facility*** means a facility for 1, or both, of the following-
>
> (a) the blending of 1 or more primary gases with or without other substances for injection into a pipeline;
>
> (b) the separation of a gas blend withdrawn from a pipeline into a constituent gases before re-injection into a pipeline as-
>
> (i) a primary gas; or
>
> (ii) a gas blend;

Given the approach proposed in the draft Bill, which treats production and blend processing as separate activities, the Commission considers that a blend processing facility operator should not be included within the *Market Participant — Producer* category.

3.3.3 Blend processing facilities and net bidding

The Commission agrees with AEMO that its concerns about the impact to blend processing facilities that withdraw and inject gas at the same time on the demand forecast and subsequent market outcomes, outlined in section 3.2.3, are material.

To address these issues, a net bidding approach was designed for facilities that would operate in a manner that requires them to withdraw from a DDS in order to inject. This approach was developed in close consultation with AEMO. An example of this approach is shown below:

BOX 2: NET BIDDING EXAMPLE

Using the previous example of a blend processing facility, from Box 1, the market participant intending to inject a gas blend from the facility would submit a bid of 1 TJ. This would represent the 1 TJ of energy that is blended into the 10 TJ of gas withdrawn from the network, with this representing the net amount of energy the participant is seeking to inject into the market.

Continuing from the previous example, where the bid is only partially scheduled, there will be no impact on the demand forecast or price outcomes or outcomes in subsequent schedules as

79 See schedule 1 section 2 of the *National Energy Laws Amendment (Other Gases) Bill 2022.*

> the market is being scheduled based on the net injection bid.
>
> Using the net bidding example, the market outcomes reflect the actual demand and supply balance and the participant is able to effectively manage its market exposure through its injection bid.

Source: AEMO, submission to the draft determination, pp. 3-4.

Two other approaches that did not involve net bidding were considered:

1. making the demand forecast for blend processing facilities be linked to their scheduled injections
2. requiring blend processing facilities to bid for both injections and withdrawals.

The Commission considers that the net bidding approach best represents blend processing facilities' interaction with the market, removes the risk of perverse market outcomes and can be most easily implemented in the current market design and processes.

Negative net injections

It is expected that a net bidding facility will always inject more gas back into the network than it withdraws, however, there could be situations where a facility withdraws more gas than is injected. When a net bidding facility does withdraw more than it injects, this would be considered a negative net injection and allocated to the market participants using the facility for settlement.

Classification of net bidding facilities

The Commission considered two options to deal with the specific obligations relating to net bidding facilities:

1. create a new registration category for net bidding facilities
2. maintain the single registration category for distribution connected facilities and introduce a classification provision in Part 19 of the NGR to require distribution connected facilities to be classified as net bidding facilities where they meet classification criteria.

Creating a new registration category for net bidding facilities would require an amendment to every rule that needs to account for the operation of this type of facility and its interaction with the market. Such an approach would likely be difficult for a new blend processing facility to understand the obligations they are subject to, as well as cause confusion for existing market participants due to changes in the existing rules that apply to them.

Additionally, given that a facility of this type has not yet been proposed in Victoria and there is significant uncertainty around the configuration and operation of the facility, prescription in how these facilities interact with the rules may be a barrier to entry for future facilities.

A classification approach for blend processing facilities would reflect that they are a subset of distribution connected facilities, keep all relevant aspects of the rules that require amendment in one concise section of the rules, providing clarity to both prospective blend processing facilities in the obligations that would be applied to them and clarity for existing

market participants that the existing rules applied to them are not changing due to these facilities.

Additionally, a classification approach would allow procedures to govern the classification criteria, process and any other relevant factors that may be required for net bidding facilities. Using procedures to govern the classification process would allow greater flexibility in determining what kind of facilities must net bid, as well as allow for different facility configurations to be more easily classified as a net bidding facility.

3.3.4 Distribution connected storage facilities

In reviewing the draft rules, the AEMC noted that any DDS withdrawals would be dealt with as uncontrollable withdrawals and have such withdrawals reflected in a demand forecast.[80] In doing so, distribution connected storage facilities were unintentionally excluded from bidding for their withdrawals.

The Commission considers it necessary to amend this to maintain the intent behind the draft rule that distribution connected storage facilities participate in the DWGM on an equivalent basis to transmission connected storage facilities. The Commission consulted with AEMO staff on this change. Stakeholders were also informed of this change at the workshop held on 29 July 2022 where no concerns were raised about this approach.

To facilitate this change and allow storage to bid for their withdrawals, changes were needed to the definitions, bidding and scheduling rules and some gas quality and metering rules so that these provisions apply to distribution delivery points for distribution connected facilities in the same way they apply to system withdrawal points for DTS-connected storage.

3.3.5 Gas scheduling and constraints

Formulation and application of constraints

Before assessing whether any changes need to be made to the rules to address stakeholder concerns about distributors favouring their own distribution connected facilities when providing access to the pipeline, it is worth noting that under the final rule distribution connected facilities will be scheduled through the market.

The only opportunity that a distributor would, therefore, have to engage in this type of discriminatory behaviour is through the distributor's constraint methodology (draft rule 317B) or the imposition of ad-hoc constraints (draft rule 317C). There are, however, a number of safeguards in these draft rules that would restrict both the opportunity and the ability of a distributor to favour an associate through constraints.

DDS constraint methodologies

Under draft rule 317B, distributors would be required to prepare a proposed DDS constraint methodology and submit it to AEMO. AEMO may decide not to accept the methodology if, in its reasonable opinion, the proposed methodology is not feasible to implement, would impose unreasonable costs for AEMO to implement or apply, or is otherwise inconsistent with the

80 See rule 208 of the draft rule.

efficient operation of the market. AEMO and an affected market participant can also request a review of the constraint methodology, which a distributor must comply with.

In addition to these requirements, draft rule 317B(3) states that a distributor must ensure that the DDS constraint methodology must not result in outcomes inconsistent with the principle that operating schedules should do so in a way that minimises the cost of satisfying expected demand for gas over the gas day. A note in this rule makes clear that constraint methodologies are not intended to reserve or prioritise access to capacity in a DDS. Rather, the DDS is expected to operate under the same market carriage model applied to the DTS.

In effect, these aspects of draft rule 317B restrict both the opportunity and ability of the distributor to use the constraint methodology to try to favour an associate. The Commission does not, therefore, propose to make any changes to this draft rule.

Ad-hoc constraints

Draft rule 317C recognises that there may be some circumstances in which a distributor needs to constrain the injection or withdrawal of gas by a distribution connected facility. However, the circumstances in which this can occur may limited, with draft rule 317C outlining that constraints may be applied by the distributor:

- in accordance with the terms and conditions of the distributor's regulator approved access arrangement or any agreement with the distribution connected facility operator
- in circumstances where it is required or permitted by law
- where the constraint is required to mitigate or avoid a situation that may threaten the reliability of gas supply, the security of a DDS or public safety.

Like draft rule 317B, these aspects of draft rule 317C restrict both the opportunity and ability of the distributor to use the constraint methodology to favour an associate. The Commission does not, therefore, propose to make any changes to this draft rule.

Other restrictions on the ability of distributors to favour an associate

In addition to the restrictions contained in draft rules 317B and 317C, there are a number of other provisions in the NGL that are intended to restrict the ability of distributors to favour an associate:

- Section 133 of the NGL, for example, prohibits pipeline service providers from preventing or hindering access to pipeline services.
- Sections 147 and 148 of the NGL also prohibit pipeline service providers from entering into, varying or giving effect to pipeline service contracts with associates (associate contracts) that have an anti-competitive effect, or that are inconsistent with the competitive parity rule.

These prohibitions are classified as both civil penalty and conduct provisions.

As part of the *Hydrogen review*, a number of other measures have also been recommended that would pose further constraints on the ability of distributors to engage in discriminatory behaviour.[81] These measures include:

1. Extending the ring-fencing provisions in the NGL to prevent pipeline service providers from carrying on a related business of providing blend processing services, producing primary or processable gas, purchasing or selling a covered gas or processable gas, unless they obtain an exemption from the regulator under the NGR.[82]
2. Amending the associate contract provisions in the NGR to require pipeline service providers proposing to enter into a contract with an associate carrying on one of the related businesses to notify the regulator in advance, so the regulator can determine whether it is likely to breach the prohibitions in ss. 147-148 of the NGL.[83]
3. Amending the NGR to require pipeline service providers to publish their supplier curtailment methodology on their website and, in the case of scheme pipelines (which includes the DTS and DDS), to have the methodology approved by the regulator.[84]
4. Amending the Bulletin Board provisions in the NGR to require pipeline service providers to report on any blending related curtailments on the Bulletin Board if they meet the reporting threshold.[85]

When coupled with the restrictions in draft rules 317B and 317C, the Commission does not consider it necessary to impose any of the other measures proposed by stakeholders through the final rule. The Commission does not, for example, consider it necessary to introduce an independent auditor requirement. This is because the transparency provided for by the Bulletin Board reporting obligations, coupled with the prohibitions in ss. 133 and 147-148 in the NGL, mean that if a distributor does try to favour its own distribution connected facility, the AER or an affected market participant could commence proceedings for a breach of a conduct provision in the NGL.

Compliance with operating schedules

Compliance with the operating schedule may impact market outcomes or system operation, since where a facility's deviation from the market schedule will have an impact on the operation of the system, AEMO may need to make changes in future schedules or issue an ad-hoc schedule.[86]

A participant's failure to comply with the schedule will result in some form of financial repercussion, usually in the form of deviation payments.[87]

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81 AEMC, *Review into extending the regulatory frameworks to hydrogen and renewable gases*, final report, 8 September 2022, chapter 3.

82 National Energy Laws Amendment (Renewable Gases) Draft Bill, s. 137.

83 AEMC, *Review into extending the regulatory frameworks to hydrogen and renewable gases*, 8 September 2022, draft rule 32A.

84 AEMC, *Review into extending the regulatory frameworks to hydrogen and renewable gases,* 8 September 2022, draft rules 48(1) and 101B(2f).

85 AEMC, *Review into extending the regulatory frameworks to hydrogen and renewable gases*, 8 September 2022, draft rule 190G.

86 See rule 215(4) of the NGR.

87 See rule 235 of the NGR. If a facility's deviation from the assigned action in the market schedule will have an impact on the operation of the system, AEMO may need to make changes in future schedules or issue an ad-hoc schedule.

The NGR requires both market participants and facility operators to tell AEMO about any expected deviation from the market schedule where that is 'material', under rules 213(4) and 219(2) respectively, as set out below:

> 213(4) A Market Participant who knows or believes that it will not, or that it is unlikely to be able to, comply in any material respect with the injections or withdrawals scheduled for that Market Participant in an operating schedule must immediately notify AEMO of that fact and the extent of the known or likely non-compliance.
>
> 219(2) If, for any reason, there is a material change to the quantity of gas previously notified by a Registered participant under this rule, then the Registered participant must promptly notify AEMO of the change.

Whether the impact of any particular deviation from the market schedule is 'material' from an operational perspective may depend on a range of matters such as the size, location and nature of the facility.

The Commission understands that it is AEMO's usual practice to work with each facility to agree on a value specific to each facility such that a deviation up to this value would require the facility to communicate this back to AEMO. This gives AEMO enough time to assess whether action needs to be taken to maintain the operation of the market.

In terms of the impact on the market, this would be primarily monitored and enforced by the AER. ENGIE and AGIG proposed that the AEMC should require the relevant agencies to develop guidelines for compliance and enforcement with respect to material respect in the NGR.

3.3.6 Capacity certificates

Extension of capacity certificates to distribution injection points

Before considering the matters raised by Alinta and APA, it is worth noting that the only role that capacity certificates will play in the DWGM when they are implemented is to provide holders with:

- injection tie-breaking benefits in the case of entry capacity certificates
- withdrawal tie-breaking benefits in the case of exit capacity certificates.

Using entry capacity certificates as an example, if there are two equally priced injection bids and only some of the combined total bid quantity at that price is required or can be physically delivered into the system, a participant holding the entry capacity certificate will be scheduled in priority to another participant that does not hold the certificate. If both participants hold the same amount of entry capacity certificates then the injection would be pro-rated based on the bid quantity. [88]

88 While tie-breaking benefits are effective at any price, they most typically apply at the floor and cap prices. This is because many market participants purchase gas outside of the DWGM/DTS and so seek to match their injections and withdrawals in the DWGM so that they, in effect, purchase their own gas. To do this, they offer at the market floor price ($0/GJ) and bid at the market price cap ($800/GJ). As such, a lot of gas is bid/offered at these prices, and so tie-breaking benefits are used to determine access between gas at these prices (when it is necessary to do so) because not all the gas at this price can be/needs to be scheduled.

Under the approach set out in the draft determination, the capacity certificate regime would be extended to distribution connected facilities (including those supplying gases other than natural gas) by allocating distribution injection points to entry zones and allowing distribution connected facilities and their users to participate in capacity certificate auctions.

The system capability modelling used to determine the number of capacity certificates available for auction would, however, continue to be based on the entry and withdrawal capacity of the DTS and measured on an energy basis (i.e. TJ/day).

In effect, this means that the total amount of capacity certificates available in an entry zone will be unchanged as a result of the introduction of distribution injections. The only difference will be that a wider range of participants will have access to the same amount of capacity certificates.

The restriction of the system capability modelling to the DTS is intended to avoid the complexities associated with modelling the capacity of the distribution systems (some of which were touched on in Alinta's submission) in the early stages of market development when the volume of gas to be injected by distribution injection facilities is expected to be quite low.

If the volume of gas injected by these facilities becomes more significant over time, then this restriction can be revisited along with the matters identified by Alinta. However, in the early stages of market development, the Commission considers it appropriate to avoid any unnecessary complexity in the capacity certificate regime, particularly given the regime is yet to become operational.

It was in this vein that the draft determination suggested that AEMO could potentially treat distribution injections as reduced locational demand when carrying out system capability modelling. Importantly, this suggestion is only related to how the system capability modelling that AEMO is required to undertake to determine the amount of entry and exit capacity certificates available in each zone could be undertaken.

It was not intended to suggest that distribution injections be treated as reduced locational demand for market scheduling purposes, or that distribution connected facilities would obtain priority access in a tie-breaking situation over other facilities, which is what APA's main concern appears to be.

Rather, as outlined in section 3.3.1, distribution connected facilities will compete on an equal footing with their transmission connected counterparts to be scheduled through the market.

If distribution connected facilities (or users of these facilities) want the protection afforded by entry capacity certificates, then they will also have to compete on an equal footing with other market participants to procure entry capacity certificates. Any entry capacity certificates they do procure will also be treated in the same manner as entry capacity certificates held by other market participants in the event of an injection tie-break.

Put simply, distribution connected facilities will be treated in the same manner as transmission connected facilities in the DWGM for market scheduling and tie-breaking purposes, which will ensure competitive neutrality across the market.

Extension of capacity certificates to distribution connected storage facilities

As outlined in section 3.3.4, the draft rule inadvertently excluded the changes that would be required to treat distribution connected storage facilities in the same manner as DTS connected storage facilities. That is, as controllable withdrawals for bidding purposes and as exit points in the capacity certificates framework.

To address this gap in the draft rules, the Commission has decided to amend the capacity certificates zones rule (rule 327B) to require AEMO to include distribution delivery points for distribution connected facilities (other than net bidding facilities) in exit capacity certificate zones. This change will result in distribution connected storage facilities being included in exit zones, which will mean that the facility operators and users of that facility can procure exit capacity certificates through the auction.

3.4 Final determination

The Commission has taken into consideration feedback provided by stakeholders through submissions, bilateral meetings and analysis carried out by the AEMC in making its final determination and final rule.

Requirement to submit bids and offers

The Commission has made a final rule that requires participants at distribution connected facilities to comply with the existing set of DWGM bidding, demand forecasting, accreditation and scheduling rules. The approach in the draft rule has been maintained and extended to allow withdrawal bids for distribution connected facilities.[89]

Registration categories

The Commission has decided for the final rule to retain the new registration category for distribution connected facility operators proposed in the draft rule, but to limit the new market participant category to blend processing service providers that buy or sell gas in the market. It has also decided to amend the market participant category for retailers to include a reference to gas transported through a DDS.

The Commission has decided to retain the single, separate facility registration category for the operators of distribution connected facilities. Additionally, the changes made in the draft rule to refer to gas rather than natural gas in the registration categories have been maintained.

The Commission has decided that the existing market participant categories for Producers and Storage Providers should be used for the operators of production or storage facilities that buy or sell gas in the market. No change to the rules is needed for this.

Given this, the Market Participant category introduced in the draft rule for distribution connected facility operators would only need to apply to blend processing facility operators that buy or sell gas in the market.[90]

89 See rules 206, 207, 208, 209, 210, 213 and 219 of the final rule.

90 See rule 135A (d1) of the final rule.

This allows for facility-specific issues to be considered through the distribution connected facility operator category, while the interactions between market participants at the facility and the market will be captured through the existing categories and the new market participant category.[91]

This new category is outlined below:

> Registrable capacity: Market Participant — blend processing service provider
>
> A blend processing service provider that buys or sells gas in the declared wholesale gas market.

The Commission has also amended the Market Participant registration category for retailers to extend it to gas transported through a declared distribution system to avoid any unintended gap in the registration framework for retailers.[92]

Dealing with blend processing facilities

To achieve the changes outlined in section 3.3.3, the Commission has included a new rule in Part 19 that sets out the classification framework for net bidding facilities and requires that AEMO creates a new net bidding facility procedure. This new procedure will govern:[93]

- the criteria for classification as a net bidding facility
- the classification process, including the information to be provided and time frames
- alternative metering configurations for net bidding facilities that may be approved under new rule 290A
- cessation of classification as a net bidding facility
- any other matters contemplated for inclusion in the net bidding facility procedures.

In making the criteria for classifying a facility as a net bidding facility, AEMO must have regard to the need for a facility to be classified as a net bidding facility if it withdraws gas from a declared distribution system and almost immediately re-injects at least the same quantity of gas unless that classification is not consistent with the efficient operation of the DWGM.

The intent behind this is to provide guidance in Part 19 about the intended purpose and scope of the net bidding arrangements while allowing flexibility through the procedures to include fit-for-purpose classification criteria in the procedures when more is known about how these facilities operate.

The Commission has introduced a new rule 204C, which covers net bidding facilities injected quantities. The rule outlines:

91 Ibid.
92 See rule 135A(1)(k) of the final rule.
93 See rule 204B of the final rule.

- that, in respect of a net bidding facility, a quantity of gas injected, or proposed or scheduled to be injected, at the DDS injection point for a net bidding facility is taken to be a reference to a net injected quantity[94]
- that registered participants, AEMO, Allocation Agents and Sub-Allocation Agents must perform their obligations in a manner consistent with the principle above and the provisions in the net bidding facility procedures[95]
- the net bidding facility procedures provide for the application of negative net injections. This procedure will include provisions outlining that negative net injections are excluded from the calculation of actual injections, included in demand forecasts and included in the calculation of adjusted withdrawals due to negative net injections[96]
- the removal of classification as a net bidding facility where negative net injections occur other than in exceptional circumstances.[97]

Changes related to distribution connected storage facilities

To address the changes required for distribution connected storage facilities, the final rule includes the following changes:

- a new definition of market withdrawal point has been added and is used in place of 'system withdrawal point' where the intention is to refer to both system withdrawal points and withdrawal points for distribution connected facilities.[98]
- the bidding, demand forecasting, accreditation, good faith bidding, scheduling, metering and distribution constraint rules have also been amended to allow for withdrawal bids from distribution connected storage facilities (other than net bidding facilities).[99]
- the capacity certificates framework has been amended so that the exit zone where a distribution-connected storage facility is located will also include that exit point, which means that exit capacity certificates will be available for auction.[100]

Formulation and application of constraints

To achieve the changes discussed in section 3.3.5 the Commission has introduced the following provisions in the final rule:

- All facilities on a distribution network need to be considered by the distributor when formulating constraints for facilities on their network.[101] This is aimed at ensuring all facilities connected to a distribution network are considered equally when constraints are formulated by the distributor.

94 See rule 204C(1) of the final rule.
95 See rule 204C(2) of the final rule.
96 See rule 204C(4) of the final rule.
97 Ibid.
98 See rule 200 of the final rule.
99 See rules 206(1)(c), 208(1), 209(2), 209(4), 209(10), 210(7A), 210(10), the new term 'distribution supply or demand point constraint and rules 213(2) and 215(1), 221(3) and 317B(1) of the final rule. The metering related changes are outlined in chapter 6.
100 See rule 214A(2).
101 See rules 317B (1) and (2) of the final rule.

- The distributor will be required to publish, on their website, their constraint methodology, subject to any confidentiality claims.[102] This is intended to allow for better scrutiny of the methodology by industry, impacted participants or any interested party and to give clarity to any potential facility looking to join the network about the ability for additional gas to be injected into the network.
- A minor change has been made to the wording of rule 317C to better reflect that distributors will be constraining facilities rather than curtailing them under certain circumstances.[103] A new clause has been added that requires a distributor to notify AEMO of any constraint applied by the distributor to facilities connected to their network.[104]

Compliance and enforcement of constraints

The Commission considers that the AER is the most appropriate party responsible for compliance and enforcement matters relating to constraints for distribution connected facilities. The Commission considers that the use of 'material' in rules 213(4) and 219(2) is appropriate.

Facilities can seek guidance from AEMO to understand what is material from an operational perspective. From a market perspective, what is material may need to be considered in the context of the market as a whole, including the good faith bidding rules, and circumstances at the time. The Commission has decided not to seek to define what is material in the rules.

The AEMC has received feedback that the AER would be able to provide some specific guidance related to these new facilities closer to their incorporation into the DWGM. This guidance would, in addition to highlighting the AER's current role, set out that the AER's monitoring would focus on systemic deviations in forecasting whilst recognising that the nature of the new facilities may mean some forecast differences are likely. Additionally, the AER may target specific meetings, prior to the commencement of the rule, with any newly registered participants connected to the rule change request, to ensure better compliance.

The Commission agrees that AER's guidance would assist market participants to understand how this obligation should be interpreted in practice and the AER's approach to monitoring and enforcement. However, the Commission has decided not to require the AER to publish guidance through the rules, since the AER will need to determine the appropriate scope and timing for any such guidance.

The Commission has also recommended rules 317B(3) and 317B(7) be classified as civil penalty provisions:

- Rule 317B(3) relates to a distributor's responsibility to ensure that constraint methodologies are not inconsistent with the principle that operating schedules should specify injections and withdrawals that minimises the cost of satisfying demand over the day. This civil penalty recommendation is aimed at ensuring that the AER has the

102 See rule 317B (8) of the final rule.

103 See rule 317C(1) of the final rule.
This wording change was made to reflect the terminology used in the DWGM. The AEMC is aware that curtailment in the context of the DWGM is taken to mean the interruption of supply end use customers, rather than a reduction in supply. Constraints in the DWGM refer to restrictions on supply sources for delivering gas into the market.

104 See rule 317C (2) of the final rule.

appropriate amount of power to investigate distributor methodologies and ensure that the methodologies are consistent with the market principles.

- Rule 317B(7) requires distributors to comply with a requirement to revise constraint methodologies in accordance with the distribution operational coordination procedures. This recommendation as a civil penalty provision is aimed to ensure that distributors reflect the most up to date and accurate information in their constraint methodologies and provides the AER with the appropriate amount of power to investigate any claims that the distributor is not doing this.

Capacity certificates

For the reasons set out in section 3.3.6, the Commission has decided not to make any changes to the draft rule as it related to distribution injection points but has made some minor changes to extend the capacity certificates framework to the market withdrawal points of distribution connected storage facilities.

The final rule provides for the amendment of rule 327B as follows:

- sub-rule (1) has been amended to allow AEMO to allocate the following to capacity certificates zones:
  - market injection points, which are defined to include DTS system injection points and DDS injection points
  - market withdrawal points, which are defined to include a DTS system withdrawal point and distribution delivery points for distribution connected facilities (other than a net bidding facility)
- sub-rule (2)(b) has been amended to require AEMO's capacity certificates zone register to set out the market injection and market withdrawal points associated with each capacity certificate zone
- sub-rule (3) has been amended to extend its application to market injection and market withdrawal points, which are jointly referred to as 'system points'
- sub-rule (4) has been amended to require AEMO to:
  - allocate market injection points to entry capacity certificate zones
  - allocate market withdrawal points to exit capacity certificate zones

3.4.1 Summary of obligations and recommendations on civil penalty and conduct provisions

Table 3.1 below provides a summary of the new obligations relating to market operations that will apply under the final rule and the Commission's recommendations in relation to civil penalty and conduct provisions.

Table 3.1: **Market operations – summary of obligations and recommendations on penalty provisions**

FINAL RULE	OBLIGATION	CIVIL PENALTY PROVISION	CONDUCT PROVISION
290A(3)	Requires a facility operator for a net bidding facility to comply with any approval conditions set by AEMO.	Proposed tier 1	No
317B(3)	Distributors must ensure that constraint methodologies do not result in outcomes that are inconsistent with the principle that operating schedules, which specify injections and withdrawals for each hour of gas day, should do so in a way that minimises the cost of satisfying expected demand for gas over that gas day.	Proposed tier 1	Yes
317B(7)	Distributors are required to comply with a requirement to revise a constraint methodology in accordance with the distribution operational coordination procedures.	Proposed tier 1	Yes
317A(4)	Distributors may only use information disclosed in accordance with the distribution operational coordination procedures for the purpose for which it was disclosed and that confidentiality is maintained.	No	Yes

4 MARKET OUTCOMES

This chapter covers issues related to market outcomes, such as title, custody and risk; participant compensation fund; allocations and determination of fees payable to AEMO and default notices and market suspension.

4.1 Title, custody and risk

The current title transfer rules exclusively cover the title transfer arrangements for injections and withdrawals from the DTS. The NGL authorises AEMO to establish rules for determining the ownership of gas in the DTS.[105] AEMO's *Wholesale gas market ownership rules (Victoria)* establish that title to gas withdrawn from the DTS passes from the injecting market participant to the withdrawing market participant immediately prior to withdrawal.[106]

Custody, control and risk of loss of gas arrangements also exclusively cover injections and withdrawals from the DTS:

- Custody, control and risk of loss of gas **injected** into the DTS at a system injection point pass to AEMO at the system injection point immediately after injection.[107]
- Custody, control and risk of loss of gas **withdrawn** from the DTS at a system withdrawal point:
  - passes to the Market Participant who has title to that gas at that system withdrawal point, or
  - where a Market Participant has injected gas as an agent for a third party, to the Market Participant whose principal has title to gas at that system withdrawal point.[108]

4.1.1 Draft determination

The introduction of distribution connected facilities requires amendments to the title rules in Part 19 of the NGR.

The draft determination proposed a new rule 220A to provide for the allocation of title in the DDS and replicated the approach in AEMO's ownership rules. This approach maintains cohesiveness between the title transfer arrangements in the DTS and DDS without expanding AEMO's role as the DTS system operator.[109]

The draft determination did not propose new provisions to address custody, control and risk of gas injected into the DDS, on the basis that these are sufficiently addressed in the distributor's access arrangements and no amendments were required in the NGR to account for DDS injections.[110]

105 See section 91BO of the NGL.
106 AEMO, *Wholesale gas market ownership rules (Victoria)*, July 2012, p. 5.
107 See rule 220(3) of NGR.
108 See rule 220(4) of the NGR.
109 For more information, please refer to the draft determination, pp. 37-42.
110 For more information, please refer to the draft determination, p. 41.

4.1.2 Stakeholder views

Stakeholders did not provide feedback on this topic in the consultation to the draft determination.

4.1.3 Analysis

As mentioned in section 3.3.3, blend processing facilities may withdraw gas from the DDS and reinject the gas almost simultaneously as part of a blend. The draft rule did not consider this arrangement but for the final rule, net bidding arrangements have been introduced in Part 19 for these facilities. Under those arrangements, the quantity withdrawn by the net bidding facility will not be taken into account for bidding, forecasting, scheduling or settlement. However, the title rules need to identify when title transfer occurs for the quantity withdrawn and reinjected in the DDS.

4.1.4 Final determination

The Commission decided to amend the DDS title rules to accommodate the interactions net bidding facilities have with the DDS and to clarify custody, control and risk of loss of gas arrangements and the right for distributors to co-mingle gas injected into a DDS.

The final rule amends rule 220(A)(3) to accommodate for net bidding facilities.

(3) For subrule (2):

(a) the aggregate quantity of gas that a Market Participant is treating as having injected into the declared distribution systems on a gas day is the sum, for that gas day of:

(i) the quantities of gas that are treated as having been injected by that Market Participant on the gas day at DDS injection points

(ii) for a DDS injection point for a net bidding facility, the Market Participant's share of the quantity of gas actually injected in that period at the DDS injection point, to the extent not included in the quantities under subparagraph (i); and

(iii) the quantities of gas that are treated as having been withdrawn by that Market Participant on the gas day from the declared transmission system under rule 235(9) at transfer points between the declared transmission system and a declared distribution system;

(b) the aggregate quantity of gas that a Market Participant is treating as having withdrawn at distribution delivery points on a gas day is the sum, for that gas day, of:

(i) the quantities of gas that are treated as having been withdrawn by that Market Participant on the gas day from distribution delivery points under rule 235(10); and

(ii) for a distribution delivery point for a net bidding facility,

the Market Participant's share of the quantity of gas actually withdrawn in the period at the distribution delivery point, to the extent not included in the quantities under subparagraph (i).

For the final rule, new subrules 220A(4), (5) and (6) have been inserted to acknowledge that custody, control and risk of loss of gas are governed by the terms and conditions of access applicable under a distributor's access arrangement, and to confirm that gas injected into a declared distribution system will be co-mingled with other gas and that a market participant may receive gas with a different specification to the gas the market participant injected.

4.2 Participant compensation fund

The purpose of the participant compensation fund is to pay compensation to market participants for scheduling errors.[111] The participant compensation fund is managed by AEMO and is used to pay compensation to market participants for scheduling errors as determined by the Dispute Resolution Panel.[112]

Market participants that withdraw gas from the DTS are responsible for contributing to the participant compensation fund based on a flat rate of $/GJ for each gigajoule withdrawn from the DTS.[113] The introduction of distribution connected facilities can reduce the amount of gas withdrawn from the DTS.

4.2.1 Draft determination

In order to maintain consistency with the existing framework applied to the DTS, the Commission was of the view that all quantities withdrawn from the DDS should be included in the participant fund cost recovery mechanism.[114]

The final rule expands rule 225 to include all quantities of gas withdrawn from the DTS and DDS.[115]

4.2.2 Stakeholder views

Stakeholders did not provide feedback on this topic in the consultation to the draft determination.

4.2.3 Final determination

The Commission did not make any changes to the participant compensation fund provisions for the final rule, which remains the same as the draft rule.

111 For more details, please refer to the draft determination, pp. 42-44.
112 See rule 226 of NGR.
113 AEMO, *AEMO Gas Market fee schedule 2021-22*, November 2021, p. 1.
114 For more details, please refer to the draft determination, p. 51.
115 For more details, please refer to the draft determination, p. 51.

As noted above, all quantities withdrawn from the DTS and DDS are included in the participant fund cost recovery mechanism.

The final rule amends rule 225 (4) and (5) to read:

> (4) The contribution rate for the financial year is to be calculated by dividing the funding requirement determined under subrule (1) by AEMO's reasonable forecast of the aggregate quantity of net adjusted withdrawals of gas which it expects all Market Participants will withdraw from the Market for the financial year.
>
> (5) Each Market Participant must pay to AEMO (as part of the settlement amount payable by the Market Participant for each billing period) an amount calculated by multiplying the contribution rate by the aggregate quantity of gas withdrawn from the Market by that Market Participant during the relevant billing period as determined under rule 235(11) as its aggregate net adjusted withdrawals.

4.3 Allocations and the determination of fees payable to AEMO

The allocation provisions in rules 228-230 of the NGR set out how quantities of gas injected into and withdrawn from the DTS by each market participant are to be determined for the purposes of settlement and the determination of fees payable to AEMO.

Where gas is injected or withdrawn by more than one market participant at a single injection or delivery point, the rules provide for allocation agents to determine the quantities to be treated as having been injected or withdrawn by each market participant.[116]

4.3.1 Draft determination

The draft determination provided for distribution connected facilities to be treated in the same manner as DTS connected facilities for the purposes of settlement and the determination of fees payable to AEMO. To give effect to this draft determination, the draft rule provided for the extension of the allocation provisions in rules 228-230.[117]

4.3.2 Stakeholder views

No specific issues were raised by stakeholders about this aspect of the draft determination.

4.3.3 Final determination

The Commission has made minor changes to the draft determination as it relates to the extension of rules 228-230 to distribution connected facilities.

Under the final rule, as under the draft rule, distribution connected facilities will be treated in a consistent manner to DTS connected facilities for settlement and fee purposes.

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116 For example, if four retailers have contracted different quantities of gas that are to be injected into the DTS at a single system point, the allocation agent will be responsible for determining the quantity to be allocated to each retailer for the purposes of settlement and the determination of fees payable to AEMO.

117 AEMC, *DWGM distribution connected facilities*, draft determination, p. 46.

For the final rule, a note to rule 229(8) has been included to explain how the rule applies where gas is being allocated in respect of an hour at a market injection point for a net bidding facility. The inclusion of this note reflects the Commission's decision to provide for net bidding by distribution connected facilities.[118]

To give effect to the final determination, the final rule provides for the following amendments to the allocation provisions:

- Rule 228 has been extended to confirm that the arrangements in rules 229 and 230 apply to determine the quantities injected into and withdrawn from a DDS and used for settlement and fee purposes.
- Rule 229 has been:
  - extended to the DDS by replacing references to 'system injection points' with 'market injection points' (a new term 'market injection point' has also been added to rule 200 to include system injection points (i.e. DTS injection points) and DDS injection points)
  - amended to include the following note to rule 229(8):

    > At the market injection point for a net bidding facility, the total quantity of gas allocated in respect of an hour must equal the net injected quantity for the facility for the hour — refer to rule 204C(1). A net injected quantity may be negative. The net bidding facility procedures govern the calculation of quantities for settlement where the net injected quantity is negative.

- Rule 230 has been amended to provide more clarity on the application of this rule to withdrawals from a DDS, by inserting a reference to the declared distribution systems in subrules (6)(c)-(e), (8) and (10).

4.4 Default notices and market suspension

When a default event has occurred, AEMO may issue a default notice, immediately suspend the participant or make claim to any credit support held in respect of the market participant.[119]

In issuing a default notice, the current rules give flexibility to AEMO in specifying the conditions applied to the market participant, however, the rules refer to gas withdrawn from or injected into a DTS.[120]

Where AEMO has issued a default notice and the affected market participant has failed to comply with the terms in the notice, AEMO must issue a suspension to the participant.[121] The conditions of suspension that AEMO can place on the market participant exclusively relate to the injection and withdrawal of gas from the DTS.[122]

118 See chapter 3 for more detail.
119 See rule 251 of the NGR.
120 See rule 259 of NGR.
121 See rule 260 (1) of NGR.
122 See rule 260(2)(c) of NGR.

4.4.1 Draft determination

The Commission considers that distribution connected facilities should be subject to the same default notice and market suspension rules as other scheduled participants.[123]

The draft rule includes distribution connected facilities in the relevant rules related to default notices and market suspension, with changes made to rules 259 and 260.

4.4.2 Stakeholder views

Stakeholders did not provide feedback on this topic in the consultation to the draft determination.

4.4.3 Final determination

The Commission did not make any changes to the final rule, which remains the same as the draft rule. The final rule amends:

- rule 259 (1)(c) to read:

> (1) When issuing a default notice, AEMO must:
>
> (a) specify in the default notice the conditions applied to the Market Participant, which may include but are not limited to restrictions relating to:
>
> (i) submitting bids or demand forecasts;
>
> (ii) injecting gas, or tendering gas for injection, into the declared transmission system **or a declared distribution system**; or
>
> (iii) withdrawing gas, or tendering gas for withdrawal, from the declared transmission system **or a declared distribution system**;

- rule 260 (2)(c) to read:

> (2) When issuing a suspension notice under this Part, AEMO must:
>
> (a) specify in the suspension notice the conditions applied to the suspended Market Participant, which must include restrictions relating to:
>
> (i) submitting bids or demand forecasts;
>
> (ii) injecting gas, or tendering gas for injection, into the declared transmission system **or a declared distribution system**; or
>
> (iii) withdrawing gas, or tendering gas for withdrawal, from the declared transmission system **or a declared distribution system**; and

123 For more details, please refer to the draft determination, p. 55.

5 SYSTEM OPERATIONS

The issues surrounding system operations covered in this chapter relate to connection requirements and AEMO's powers of direction with regard to system security. This chapter sets out the Commission's consideration of these issues, including the draft determination, stakeholder views, further analysis and the final determination.

5.1 Connections framework

The connection process to the DTS is covered under rules 267 to 277 of Part 19. These rules include the obligations of the declared transmission system service provider, AEMO and the connecting party in the connection process. However, connections into the DDS are not currently covered in Part 19 of the NGR.

5.1.1 Draft determination

The draft rule relies on the *Pipeline interconnection principles* as the DDS connections framework.[124]

The draft determination considered different approaches to address the DDS connections in the rules. One of the approaches was to expand the DTS connections framework for DDS connections. This would create one framework within the rules for DTS and DDS connections. However, the DTS has unique arrangements and expanding the connections' framework to include DDS connections would require specific carve-outs on whether a connecting party is seeking to connect to the DTS or DDS.

For example, AEMO's system operator role is unique to the DTS. This arrangement means that the current DTS connection rules include unique obligations on AEMO, the DTS service provider and the connecting party.

An alternative approach was using the *Pipeline interconnection principles* to address DDS connections in the rules. The objective of the *Pipeline interconnection principles* is to create a consistent pipeline connection framework for all pipelines and provide broad requirements for service providers.[125]

Taking into consideration stakeholder feedback to the consultation paper and analysis carried out by the AEMC, the Commission decided that the *Pipeline interconnection principles* will provide a consistent connection framework for all pipelines and provide flexibility to distributors while the industry develops.

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124 The *Pipeline interconnection principles* form part of a final legal package agreed to by Energy Senior Officials in March 2022. These regulatory amendments are now subject to passage through the South Australian Parliament.

125 Energy Ministers, *Improving gas pipeline regulation Proposed legal package to give effect to the Decision Regulation Impact Statement*, consultation paper, September 2021, p. 39.

5.1.2 Stakeholder views

AGIG and APA were supportive of the draft rule and suggested amendments that would allow service providers to consider the safe and reliable supply of gas to end-users and clarify the cost recovery arrangements for metering and monitoring for service providers.[126]

5.1.3 Analysis

Following stakeholder feedback on the draft determination, the Commission undertook an analysis of the amendments suggested by AGIG and APA. The analysis identified that the issues to be addressed by the suggested amendments already form part of the draft rule for DDS connections but that further changes should be made to clarify the operation of the provisions.

According to the draft rule, a service provider has the right to consider the safe and reliable supply of gas to end users under subrule 88(1) of the transitional provisions to be inserted into Schedule 1 of the NGR. The subrule states:

> (1) A person has a right to connect a proposed distribution connected facility to a declared distribution system (an interconnection) where:
>
> (a) it is technically feasible and consistent with the safe and reliable operation of the pipeline and the safe and reliable supply of gas to end users; and
>
> (b) the person agrees to fund the costs associated with making the interconnection.

AGIG's and APA's suggested amendments also noted that a service provider (where it has developed an interconnection or part of an interconnection) should be able to recover as part of its interconnection fee the cost of metering and monitoring the quality of the gas injected by the connecting party facility that is directly attributable to the interconnection.[127] Cost recovery for metering and gas quality monitoring was dealt with in the draft rule but was limited to injection of gas other than natural gas and to monitoring at the point of injection. For the final rule, the Commission decided to remove these limitations. For the final rule, the provision has been amended to state:[128]

> (4) If the Distributor develops the interconnection (or part of the interconnection), the interconnection fee that it charges to the interconnecting party must be based on the directly attributable cost of:
>
> (a) constructing, operating and maintaining the interconnection; and
>
> (b) where gas is to be injected into the declared distribution system at the interconnection point, installing, operating and maintaining metering and gas quality monitoring equipment required to be installed as a result of the

126 Submissions to draft determination: AGIG, pp. 3-4; APA, p. 5.
127 Ibid.
128 See Schedule 1, rule 88(4) of the final rule.

interconnection,

to the extent that this is undertaken by the Distributor, including so as to achieve a rate of return calculated in accordance with the applicable rate of return instrument.

5.1.4 Final determination

The Commission has decided to apply the *Pipeline interconnection principles* to address DDS connections, as proposed in the draft determination. The final rule adopts the principles in the draft rule but, as outlined above, includes changes to clarify cost recovery arrangements. The principles will apply as a transitional rule until the *Pipeline interconnection principles* are included in the NGR and NGL by the pipelines reform package and the *Hydrogen review*.

5.2 Threats and interventions

AEMO's current powers of direction under section 91BC of the NGL allow AEMO to give a written direction to registered participants with respect to the DTS or a DDS. However, where injection from a distribution connected facility could be directed by AEMO during an intervention, compensation claims are not allowed given the current definitions in the NGR.

5.2.1 Draft determination

The Commission decided in the draft determination that distribution connected facilities should be able to claim compensation for losses incurred for injections required during an intervention, consistent with market participants' ability to claim compensation under rule 237 if it incurs a loss as a direct result of injecting the gas into the DTS.[129] The draft rule includes distribution connected facilities in the relevant rules related to threats and interventions, with changes made to rules 344 and 350.[130]

5.2.2 Stakeholder views

Stakeholders did not provide feedback on this topic in the consultation to the draft determination.

5.2.3 Final determination

The Commission did not make any changes to the final rule, which remains the same as the draft rule. The final rule amends:

- rule 344 of the NGR to read:

  (2) If AEMO intervenes under rule 343 to require a Registered participant who is not a Market Participant to inject gas into the declared transmission system **or a declared distribution system**, the Registered participant:

129 See rule 237 of the NGR.

130 For more information, please refer to the draft determination, pp. 57-60.

(a) must be paid for the gas at the applicable market price as if the Registered participant were a Market Participant; and

(b) must pay the declared transmission system service provider **or the Distributor** the tariff determined under the service provider's applicable access arrangement

- rule 350 to include a registered participant claims in respect of the application of administered price cap with respect to gas injected into a declared distribution system.

The final rule also requires AEMO to update its *Wholesale market system security procedures* (Victoria) to take into account the final rule.[131]

5.3 Maintenance coordination and planning

Under rule 326 of the NGR, AEMO must make maintenance planning procedures[132] and is responsible for the coordination of maintenance in the DTS and the implementation of the procedure.

Rule 326(1) of the NGR states that AEMO must, having regard to information provided by registered participants under rule 324(4) of the NGR or otherwise, coordinate all maintenance planned by DWGM facility operators to ensure that system security is not threatened as a consequence of the unavailability of equipment undergoing maintenance.

In accordance with the procedures, AEMO uses a risk-based approach to assess all maintenance activities. Any significant impacts are discussed with the relevant parties and if deemed appropriate, AEMO may invite third parties to participate in a risk assessment.

If any maintenance proposed by a DWGM facility operator threatens system security, the facility operator must co-operate with AEMO to minimise any threat to system security. AEMO may direct them to cancel, delay or suspend maintenance in accordance with rule 326(5) of the NGR.

The definition of DWGM facility operators in the NGR currently excludes distribution connected facilities.[133]

The proponent did not include maintenance and coordination in the rule change request as one of the topics to be amended.

5.3.1 Stakeholder views

AEMO's submission to the draft determination noted that if distribution connected injections grow to become a material share of the overall supply in the DWGM, it believes that the exclusion of these facilities from the maintenance coordination and planning arrangements could be problematic.[134] AEMO argued that it would not be able to undertake the required

131 See Schedule 1, rule 84 of the final rule.
132 See AEMO, *Wholesale market maintenance planning procedures (Victoria)*, March 2021.
133 See rule 200 of NGR.
134 AEMO, submission to the draft determination, p. 6.

assessment of the supply-demand balance for the DTS which can undermine the purpose of rule 326 and increase the risk of supply disruptions.[135]

5.3.2 Analysis

In analysing whether distribution connected facilities should be included in the maintenance coordination and planning arrangements, the Commission looked at the maintenance-related obligations of DWGM facility operators.

Under rule 326(2), the maintenance planning procedures must include the following:

- notification of maintenance
- request to carry out maintenance
- approval of request (including conditions of approval)
- initiation of maintenance (including initiation at the request of AEMO)
- risk assessment and management
- information exchange and release (including the release of confidential information)
- timing (including deferral) of maintenance
- the types of equipment to be taken offline and brought back online in the course of maintenance operations and the procedures for taking it offline and bringing it back online
- any other matter contemplated by, or reasonably incidental to, rule 324 or rule 326.

Maintenance is defined in rule 200 as work carried out by DWGM facility operators that, in summary, may affect supply or the operation of the DTS.

The maintenance planning procedures require DWGM facility operators intending to perform maintenance to provide AEMO with notification of maintenance through annual, monthly, and week-ahead forecasts of maintenance.[136] Forecasts must include information on the impact of the proposed maintenance on the availability of equipment, details on any constraints put on the availability of equipment, and the timing and duration of the proposed maintenance.[137]

Requests from DWGM facility operators to initiate planned and unplanned maintenance must be approved by AEMO.[138]

5.3.3 Final determination

The Commission decided to make a new rule 326A, which requires distribution connected facilities to provide maintenance information to AEMO for maintenance coordination and planning purposes.[139]

The new rule will not subject distribution connected facilities to all the maintenance procedures that DWGM facility operators are subject to. The Commission considered that

135 Ibid.
136 AEMO, *Wholesale market maintenance planning procedures (Victoria)*, March 2021, p. 6.
137 Ibid, p. 7.
138 Ibid, p. 8.
139 See rule 326A of the final rule.

given the likely size and overall contribution to supply of these facilities for the foreseeable future (compared to the size of DTS-connected facilities and total supply through the market), it is not necessary at this time to subject them to all the requirements of the maintenance procedures.

This approach also considers AEMO's role as the DTS system operator and acknowledges that the inclusion of distribution connected facilities into the DWGM can have an impact on the supply-demand balance on the DTS if distribution connected facilities expand to become a material share of supply.

The final rule includes a minor change to the definition of *maintenance* to allow the term to extend to work on distribution connected facilities that may affect the supply of gas through the market.[140]

140 See paragraph (a) in the definition of 'maintenance' in rule 200 of the final rule.

6 GAS QUALITY AND METERING

As part of the rule change, the Commission has undertaken a detailed review of the gas quality and metering related rules in Part 19 of the NGR.

This chapter sets out the Commission's consideration of these two elements of Part 19, including the draft determination, stakeholder views, further analysis and the final determination on changes to the gas quality and metering related rules.

6.1 Gas quality

The gas quality provisions in rules 287-289 of the NGR currently only apply to the DTS. An overview of the key elements of the current provisions is provided below, including the standard gas quality specification set out in rule 200.

Standard gas quality specification

The standard gas quality specification is defined in rule 200 as:[141]

- the gas quality specification contained in Australian Standard (AS) 4564-2005, or
- if this specification has been added to or otherwise modified by Commonwealth or State legislation, the additional or modified gas quality specifications.

The reference to legislation in this definition captures both the *Gas Safety Act 1997 (Victoria)*, which contains requirements to maintain gas quality and supply, and the *Gas Safety (Gas Safety Case) Regulations 2018 (Victoria)*, which contains requirements for testing the quality and odour of gas.

How alternative gas quality standards can be set at points in the DTS

Rule 287 allows AEMO to approve a written agreement that provides for the use of a different gas quality standard at a system injection point, subject to:

- the written agreement involving directly affected parties (i.e. the registered participant proposing to inject gas that does not comply with the standard, registered participants with whose gas that gas would be co-mingled and any provider of gas processing services, after its injection into the DTS)
- AEMO being satisfied it would not impair the quality of gas transferred into a distribution pipeline, such that it no longer complies with the standard gas quality specification.

It also allows AEMO to determine for a particular transmission delivery point a gas quality standard that differs from the standard gas quality specification if all registered participants who withdraw at that point agree to the determination.

141 AEMO's Gas quality standard and monitoring guidelines are not prescribed in the NGR, but the document acts as a practical centralised document for market participants to refer to. The guidelines capture all requirements under the Australian Standards, Victorian legislation, and other physical asset requirements AEMO needs to ensure gas quality is on-specification in the DTS.

Responsibility for gas quality monitoring in the DTS

Rule 288 accords AEMO responsibility for approving gas quality monitoring systems and plans to ensure the accuracy and reliability of the gas quality monitoring system, and specifying points on the DTS where monitoring systems must be installed by the DTS service provider.

This rule also sets out what the gas quality monitoring system must provide for, the equipment it must include and the obligations of the provider of the monitoring system.

Treatment of off-specification gas in the DTS

Rule 289 requires all market participants to ensure that any gas they inject or tender to inject into the DTS, complies with the gas quality standard and if it becomes aware that the gas does not comply, to notify AEMO.

This rule also allows AEMO to accept off-specification gas if it meets certain requirements, such as being required to ensure public safety or the safety, security or reliability of the DTS.

6.1.1 Draft determination

The draft determination and draft rule provided for the following:[142]

- **The extension of gas quality requirements to the DDS with distributors responsible for managing gas quality in their distribution systems:** draft rules 287A and 289A provided for the application of similar gas quality provisions to those applying to the DTS to the DDS, but with the distributors (rather than AEMO) responsible for the management of gas quality in their own networks and decisions relating to:
  - whether to allow an alternative gas quality specification at a DDS injection point
  - off-specification gas.
- **A restructured and strengthened gas quality monitoring framework:** draft rules 289B-289H provided for a restructure of the gas quality monitoring approvals and compliance framework for both the DTS and DDS, the purpose of which was to provide more clarity about:
  - the ability of registered participants to elect to become the gas quality monitoring service provider
  - the obligations applying to gas quality monitoring providers and market participants and the compliance and enforcement framework sitting around these obligations
  - gas quality monitoring equipment requirements, including the development of AEMO-made *Gas quality monitoring procedures.*
- **Data sharing:** draft rule 317A(b) provided for the introduction of new data sharing provisions that will allow AEMO to share information that is reasonably required by the distributor for the operation of the DDS, having regard to the impact or potential impact of the injection of gas into its DDS at DDS injection points and its scheduling through the market.

142 AEMC, *DWGM distribution connected facilities*, draft determination, pp. 73-76.

6.1.2 Stakeholder views

With the exception of AGL, who thought that AEMO should be responsible for managing gas quality in the DDS,[143] stakeholders were generally supportive of this aspect of the draft determination, although some concerns were raised about:

- the proposed power that distributors would have to approve an alternative gas quality specification at a DDS injection point
- the risk of off-specification gas being supplied to customers and the effect this would have on retailers' liabilities
- the proposed introduction of the *Gas quality monitoring procedures*.

Gas quality standards at DDS injection points

AGIG and AusNet supported the proposal to allow distributors to approve an alternative gas quality specification at a DDS injection point.[144] Other stakeholders, on the other hand, expressed some concerns about this proposal.

AEMO, for example, was concerned that this could result in multiple standards applying across Victoria and potentially different standards between the DTS and DDS. AEMO noted that if this were to occur it could undermine investment and participation in the gas market and impact end-users (i.e. if equipment, installation and appliance requirements have to comply with multiple standards).[145]

APA also expressed concerns about the potential for different gas specifications to apply across the market.[146]

To address these concerns, AEMO and APA suggested that a single gas quality specification applies across the DTS and DDS,[147] with AEMO suggesting this could be developed through a collaborative industry-based process.[148]

Origin also supported the development of a single gas quality specification across the market, stating this would increase transparency for regulators and market participants and reduce administrative complexity. Origin did, however, note that there could be benefits in distributors retaining some flexibility to agree on an alternate specification "where appropriate" and "within a defined envelope".[149]

Through bilateral discussions, stakeholders also noted that:

- distributors should not be able to determine the gas specification to apply at a DDS injection point in isolation, given the effect it may have on the DTS and other DDS if gas can flow into these other pipelines
- withdrawing parties should be involved in and advised of any changes to gas specification

143 AGL, submission to draft determination, p. 2.
144 Submission to draft determination: AusNet, p. 2; AGIG, p. 4.
145 AEMO, submission to draft determination, p. 3.
146 APA, submission to draft determination, pp. 33-34.
147 APA, submission to draft determination, pp. 33-34.
148 AEMO, submission to draft determination, p. 3.
149 Origin, submission to draft determination, p. 2.

- there should be transparency around any different gas specification that is allowed.

AusNet also suggested that draft rule 287A be amended to allow the distributor to propose changes to the agreed quality standards and that if these are not agreed to or rejected within 90 days, the amended standards be deemed to apply.[150]

Liability risks associated with off-specification gas

Through bilateral discussions, a number of retailers expressed concerns about the liability they may have under the *Gas Safety Act (Victoria) 1997* if distributors do not notify them of gas quality issues and off-specification gas is delivered to customers.

These retailers noted that the risk of off-specification gas being supplied to customers is likely to be greater with the movement to other gases and that if distributors are responsible for monitoring gas quality, they may fail to notify retailers in a timely manner of any gas quality issues.

Some of these retailers also noted that in the DTS, AEMO immediately notifies retailers if there is off-specification gas, so that retailers can inform customers, as required.

Changes to the gas quality monitoring approvals and compliance framework

APA was the only stakeholder that commented on the proposed changes to the gas quality monitoring approvals and compliance framework. In short, APA was supportive of the changes but noted some caution should be taken to ensure that the movement of some obligations from the rules to procedures does not result in more frequent changes to the requirements.[151]

6.1.3 Analysis

Responsibility for gas quality in distribution systems

As outlined above, most stakeholders supported the draft determination to accord distributors responsibility for managing gas quality in their distribution systems. AGL, however, was of the view that this responsibility should sit with AEMO.[152]

This issue was considered at length by the Commission through the draft determination process. As noted in the draft determination, extending AEMO's responsibilities in this way would fundamentally alter the operational frameworks of each DDS. It would also be at odds with the gas quality related responsibilities that distributors have under the *Gas Safety Act (Victoria) 1997* and under their respective gas safety cases.[153]

When coupled with the fact that AEMO would be unable to take any direct action if a gas quality issue were to arise in a DDS (i.e. because it does not have operational control of distribution systems), the Commission remains of the view that distributors should be responsible for managing gas quality in their distribution systems. No changes have therefore been made to this aspect of the draft rule.

150 AusNet, submission to draft determination, p. 2.
151 APA, submission to draft determination, p. 34.
152 AGL, submission to draft determination, p. 2.
153 AEMC, *DWGM distribution connected facilities*, draft determination, p. 69.

Gas quality standards at DDS injection points

In a similar manner to the approach that applies in the DTS (described above in section 6.1),[154] the draft determination provided for distributors, at the request of a distribution connected facility operator, to allow an alternative gas quality specification at a DDS injection subject to:

- any applicable pipeline safety duty or pipeline service standard being met
- the new standard being set out in a written agreement between:
  - the distributor
  - the registered participant that is proposing to inject gas that does not comply with the standard gas quality specification
  - other registered participants proposing to inject at the same point
  - AEMO if any part of that gas may be reinjected into the DTS
  - other distributors if any part of that gas may be injected into another DDS.

The inclusion of this equivalent power for distributors was intended to overcome any impediment in the rules to hydrogen and other gases that do not meet the standard gas quality specification from being directly injected into a DDS if, once co-mingled, the blended gas would meet the gas quality specification and any safety related requirements applying to the pipeline.

In the draft rule, the Commission used the phrase "applicable pipeline safety duty or pipeline service standard (each as defined in the NGL)" to refer to the gas quality and safety related requirements applying to the pipeline. However, in draft rule 289B where reference is made to these types of requirements, different terminology was used.

To avoid any confusion across Part 19, the Commission has decided to refer to a 'duty or requirement under any regulatory instrument relating to gas quality or safety' when referring to the constraint that distributors will be subject to when considering whether to allow a different gas quality standard at a DDS injection point and in rule 289B, which relates to gas quality monitoring procedures.[155]

In relation to the concerns that some stakeholders have raised about distributors having this power, it is worth noting that the restriction to DDS injection points, coupled with the constraint outlined above, means that distributors will not have unilateral power to change the gas quality standard applying to the pipeline. Rather, the Victorian regulatory framework will continue to govern gas safety and quality and Energy Safe Victoria (ESV) will remain responsible for administering and enforcing the regulatory framework.

The Victorian regulatory framework currently provides for a single gas quality specification to apply across the DTS and DDS and the framework would need to be amended, or the ESV would need to grant exemptions, if different gas quality specifications are to apply across different pipelines. While the Commission agrees that there would be value in the industry

154 See rule 287 of the NGR.

155 The defined term 'regulatory instrument' in rule 200 extends to any law, statute, regulation, code, etc.

being involved in any consideration of proposed changes to the framework or proposed exemptions and for matters such as impacts on consumers, competition, the efficient operation, use of and investment in infrastructure and compliance costs to be considered, this is ultimately a matter for the Victorian Government and ESV.

As to the concerns that some stakeholders raised about the potential for distributors to unilaterally change the gas specification at a DDS injection point, it is worth noting that distributors would only be able to change the standard through a written agreement with affected parties.

As outlined above, this includes all registered participants proposing to inject at that DDS injection point, AEMO (if any part of the gas may flow into the DTS), and other distributors (if any part of the gas may flow into their DDS). If one or more of these parties does not agree to the change, the standard gas quality specification will be retained at that DDS injection point.

This is akin to the approach that has been adopted in the DTS and should address the concerns stakeholders have about distributors unilaterally changing the gas specification at a DDS injection point.[156] The protections afforded to affected parties by the written agreement process are, in the Commission's view, appropriate, which is why it has decided not to amend rule 287A in the manner proposed by AusNet.

Finally, it is worth noting that as part of the *Hydrogen review*, the Commission is recommending that distributors and transmission pipelines publish a list of the production and blend processing facilities connected to their pipeline, the type of gas these facilities are supplying into the pipeline and the gas specification applying at those connection points. The publication of this information should address the concerns that have been raised about the transparency that will surround the gas specification applied at DDS injection points.

Liability risks associated with off-specification gas being supplied to customers

The Commission has considered the concerns raised by retailers about the liability related risks associated with off-specification gas. The source of this concern appears to stem from section 33 of the *Victorian Gas Safety Act 1997*, which requires:

- a gas company to ensure that, as far as practicable, the gas which it conveys meets the prescribed standards of quality
- a gas company that supplies or sells gas to a customer for use in a gas installation to ensure that, as far as practicable, the gas supplied or sold meets the prescribed standards of quality.

The term 'gas company' is defined in that Act to include AEMO, pipeline service providers and retailers. All parties, including distributors, are therefore responsible for ensuring that 'as far as practicable' gas quality meets the prescribed quality standard, which may give rise to some uncertainty as to who is liable for off-specification gas that is supplied to customers.

156 See rule 287(2) of the NGR.

While it is beyond the scope of this rule change to clarify liabilities under the *Victorian Gas Safety Act 1997*, the draft rule did address one of the key concerns that retailers raised about the new arrangements, which is that distributors may fail to notify them that off-specification gas has been supplied into the network. Draft rule 289A(4), for instance, states that if a distributor accepts or intends to accept any off-specification gas, the distributor must:

> promptly give notice of that fact to each Registered participant who the Distributor reasonably believes is likely to be affected by gas that does not comply with the relevant gas quality specifications and, so far as known, the extent to which gas is likely to fail to comply with the relevant gas quality specifications and the likely quantity and duration of the off-specification gas.

This draft rule, which mirrors what applies in the DTS, is intended to ensure that retailers are promptly informed of any off-specification gas supplied (or to be supplied) in the DDS so that retailers can inform their own customers and take any other action that may be required. In the Commission's view, this should be sufficient to address the notification related concerns raised by retailers. No changes have therefore been made to this aspect of the draft rule.

Changes to the gas quality monitoring approvals and compliance framework

The Commission has considered the concerns raised by APA about the requirement for AEMO to develop *Gas quality monitoring procedures* to result in frequent changes to the gas quality monitoring requirements.

While it is possible that this may occur, it is important to recognise that Part 15B of the NGR does impose some constraints on AEMO's ability to make and amend procedures. Rules 135EE and 135EF, for example, require AEMO to prepare an impact and implementation report that critically examines the proposed procedures and assesses their likely effect and consult with stakeholders on the proposed procedures.

Rule 135EB also states that AEMO can only make procedures if it is satisfied that they are consistent with the NGL and NGR and have regard to the NGO and any compliance costs that are likely to be incurred by AEMO and registered participants.

In the Commission's view, these existing provisions provide a sufficient constraint on AEMO when making or amending procedures. No changes have therefore been made to this aspect in the final rule.

Other minor changes to the gas quality rules

As part of the Commission's final review of the gas quality rules, it identified some other minor changes that need to be made to draft rules 289E and 289F to better reflect the intention of these rules or correct drafting errors. These changes include:

- in draft rule 289E(1), specifying that a gas quality monitoring system must comply with rule 289G and a gas quality monitoring plan must comply with rule 289H
- using the correct defined terms in draft rules 289E(3) and (4) and 289F(1) and (2)
- moving what is now rule 289E(7) from its former location in draft rule 289G.

6.1.4 Final determination

In keeping with the draft determination, the Commission's final determination provides for:

- The application of similar gas quality provisions to those applying to the DTS to the DDS, with distributors responsible for the management of gas quality in their own networks and decisions relating to:[157]
  - whether to allow an alternative gas quality specification at a DDS injection point (subject to any duty or requirement under any regulatory instrument relating to gas quality or safety)
  - off-specification gas.
- The restructuring and strengthening of the gas quality monitoring approvals and compliance framework for both the DTS and DDS.[158]
- The introduction of new data sharing provisions that will allow AEMO to share information that is reasonably required by the distributor for the operation of the DDS, having regard to the impact or potential impact of the injection of gas into its DDS at DDS injection points and its scheduling through the market.[159]

Further detail on the final rules can be found in Appendix C.

157 See rules 287A and 289A of the final rule.
158 See rules 289B-289H of the final rule.
159 See rule 317A(b) of the final rule.

6.1.5 Summary of obligations and recommendations on civil penalty and conduct provisions

Table 6.1 below provides a summary of the new obligations relating to gas quality that will apply under the final rule and the Commission's recommendations in relation to civil penalty and conduct provisions.

Table 6.1: **Gas quality – summary of obligations and recommendations on penalty provisions**

FINAL RULE	OBLIGATION	CIVIL PENALTY PROVISION	CONDUCT PROVISION
Responsible gas quality monitoring provider's obligations			
289E(1)	Establish and maintain gas quality monitoring arrangements, and where applicable, have them approved by AEMO or the relevant distributor.	Proposed tier 1	No
289E(3)	Ensure that the gas quality monitoring arrangements are in place and operational at all times unless otherwise agreed with AEMO.	Proposed tier 1	No
289E(4)	Install, operate and maintain its gas quality monitoring system in accordance with the applicable gas quality monitoring arrangements.	Proposed tier 1	No
289E(5)	Provide AEMO and any other affected market participant with all data and information relating to gas quality monitoring at the monitoring point.	No	Yes
289E(7)	Provide, at its own cost, data from the gas quality monitoring system in a form and manner compatible with the metering database.	Proposed tier 2	Yes
Market participant's obligations			
289F(1)	Prohibited from supplying gas at a market injection point unless the gas quality monitoring arrangements have been approved and are being maintained.	No	Yes
289F(2)-(3)	Required to contribute its proportionate share of the costs incurred by the responsible gas quality monitoring provider in establishing and maintaining approved gas quality monitoring arrangements for the market injection points.	No	Yes
289F(4)	Required to provide AEMO or the relevant distributor, on request, information, records and access to facilities to ensure reasonable precautions are in place to prevent delivery of off-	No	Yes

FINAL RULE	OBLIGATION	CIVIL PENALTY PROVISION	CONDUCT PROVISION
	specification gas to a market injection point.		
Registered participant's obligations			
289A(1)	Each registered participant must use its reasonable endeavours to ensure any gas it injects or tenders for injection at a DDS injection point complies with the gas quality specifications for that DDS injection point.	No	Yes
289A(2)	Each registered participant must notify the distributor as soon as it becomes aware that gas that does not comply with the applicable gas quality specification is being, or is likely to be delivered at a DDS injection point. This notification is to include all information available to the registered participant in respect of the off-specification gas.	No	Yes

6.2 Metering

The metering framework in the DWGM is currently set out in rules 290 to 316 of the NGR. An overview of the key elements of the current framework is provided below.

Market participants' obligations

Rule 290 sets out the obligations market participants have in relation to metering, with market participants:

- prohibited from:
  - injecting or withdrawing gas unless the connection point has an approved metering installation registered with AEMO
  - injecting or withdrawing if the metering installation at the point does not comply with the provisions in Part 19 Division 3 Subdivision 4, without the express permission of AEMO
- required to have an agreement in place with the responsible person to contribute its proportionate share of the responsible person's costs.

DTS service provider obligations:

Rule 291 prohibits the DTS service provider from:

- withdrawing gas at a connection point on the DTS delivering operational gas unless the connection point has an approved metering installation registered with AEMO
- withdrawing gas at a connection point on the DTS delivering operational gas if the point does not comply with the provisions in Part 19 Division 3 Subdivision 4, without the express permission of AEMO.

Responsible persons' obligations

Rule 292 provides for the service provider of the relevant declared system to be the responsible person, although connected parties can also provide metering installations if agreed with the pipeline service provider.

Rules 292-309 and rule 316 also set out the obligations applying to the responsible person and their metering installations and equipment, including in relation to:

- the location of the metering point (rule 296)
- meter accuracy (rule 298), the calibration of metering installations (rule 299), changes to metering parameters and settings (rule 302), energy metering and measurement (rule 303), the performance of metering installations (rule 304), meter time (rule 305) and pulse output facilities (rule 306)
- the security of metering equipment (rule 300) and the metering data held in a metering installation (rule 301)
- changes to metering data (rule 307)
- the metering installation database (rule 309)

- data collection and transfer (rule 308)
- the obligation to ensure that extraneous use of the metering installation does not interfere with the provision of metering data (rule 316(3)).

Note that some of these rules apply to all metering systems, while others only apply to metering installations at system injection points, system withdrawal points and system withdrawal zones.

AEMO's roles and obligations

Rule 308 sets out how metering data is to be transferred and collected by AEMO, while a number of rules set out AEMO's metering related responsibilities, which include:

- developing a number of procedures, a metering database and metering register (rules 297, 303, 308-311)
- reviewing the calibration requirements at intervals not exceeding 1 year (rule 299)
- data validation and substitution of metering data (rule 314)
- using metering data as the primary source of data for settlement purposes (rule 316(1)) and the limitation of AEMO's liabilities in relation to defects in metering data (rule 316(2))
- how confidential information is to be treated (rule 315).

Access to metering data

Rules 312-313 set out the rights that various parties have to access metering data (rule 312) and how the associated costs can be recovered (rule 313).

Additional meters

Rule 294 allows an affected participant to provide additional meters or similar equipment at or near the metering installation provided by the responsible person.

6.2.1 Draft determination

The draft determination provided for:[160]

- The extension of the metering framework applying to metering installations used for settlements to:
  - metering installations provided for DDS injection points
  - metering installations between distribution systems.
- A restructure and strengthening of the metering framework to:
  - provide more clarity about:
    - the ability of connecting parties to elect to become the responsible person for metering installations
    - the obligations applying to responsible persons and market participants and the compliance and enforcement framework applying to these obligations

160 AEMC, *DWGM distribution connected facilities*, draft determination, pp. 85-86.

  - metering installation coordination, including through the development of *Metering installation coordination procedures* by AEMO
- provide for more flexibility in relation to AEMO's calibration review, and remove outdated references to standards from relevant rules.

6.2.2 Stakeholder views

Extension of the metering framework

AGIG and AusNet supported the proposed extension of the metering provisions to DDS injection points and metering installations between distribution systems, while other stakeholders were silent on this aspect of the draft determination.[161]

Restructured metering framework

Stakeholders were generally supportive of the proposed restructure of the metering framework. APA did, however, express some concerns about the following elements of the framework:

- The requirement for AEMO to develop *Metering installation coordination procedures*, with APA noting that this could increase compliance costs if the requirements in these procedures are frequently altered.[162]
- The ability of the connecting party to elect to be the responsible person for a metering installation without having to obtain the pipeline service provider's agreement, with APA noting the removal of service provider consent may result in parties without the requisite capabilities undertaking this role, which could affect the functioning of the market.[163] APA also observed that the rules do not deal with what would happen if a new connecting party wants to undertake the role but there is already someone carrying out the role.[164]

In addition to these concerns, APA suggested that the testing requirements in draft rule 300(3) be amended to allow AEMO to agree to provide the responsible person more than two business days when there is evidence of tampering at a settlement metering point.[165]

APA also suggested that the notification requirements be amended so that the responsible person does not have to separately notify each affected participant under the various obligations set out in the draft rule. Elaborating on this further, APA noted that it would be an unnecessary administrative burden for the responsible person to maintain contact details for all affected participants, particularly given the potential for details to go out of date quickly.[166] Similar concerns were raised by other stakeholders in the draft determination stakeholder workshop. As an alternative to having to notify each affected participant, APA suggested the responsible person be able to either publish a notice on the service provider's website or have AEMO notify affected persons on their behalf.[167]

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161 Submissions to draft determination: AGIG, p. 4; AusNet, p. 2.
162 APA, submission to draft determination, p. 38.
163 APA, submission to draft determination, p. 38.
164 APA correspondence with AEMC via email, 20 June 2022.
165 APA, submission to draft determination, p. 41.
166 APA, submission to draft determination, p. 40.

6.2.3 Analysis

Restructured metering framework

The Commission has considered the concerns raised by APA about the restructured metering framework. As outlined in section 6.1.3, Part 15B of the NGR already imposes constraints on AEMO's ability to make and amend procedures. In the Commission's view, these existing provisions are sufficient to address the concerns that APA has raised about the potential for these procedures to be frequently amended. No changes have therefore been made to this aspect of the draft rule.

The Commission has also considered the concern that APA has raised about the removal of the requirement for a pipeline service provider to agree to a change in the responsible person. These concerns appear to centre on the effect that a connecting person who does not have the requisite capabilities to undertake this role could have on the operation of the market, rather than on the operation of the pipeline.[168] It is unclear therefore why the consent of the pipeline service provider should be required.

That is not to say that the risk that APA has identified (i.e. that a connecting person who does not have the requisite capabilities elects to be the responsible person) is not a potentially valid one. It is just that there is no clear basis for pipeline service providers to act as gatekeepers to connecting parties becoming the responsible person if the risk that they pose is to the operation of the market. In the Commission's view, this risk is more appropriately dealt with through the rules by:

- only allowing registered participants to elect to be the responsible person
- clearly setting out the obligations that apply to the responsible person and their metering installations and the penalties that may apply if the responsible person fails to meet these obligations.

The Commission nevertheless agrees with APA that the draft rule did not provide any clarity on what would happen if a new connecting party wants to become the responsible person but there is already someone carrying out that rule. The draft rule also did not provide for a responsible person to be able to relinquish the role. These are limitations in the draft rule that the Commission has addressed by amending the final rule to:[169]

- clarify that only a registered participant can elect to be the responsible person for a metering installation
- clarify that the ability of a connecting party to elect to be the responsible person only applies where there is not an existing responsible person at that point
- allow a responsible person to be able to request approval from AEMO to cease to be the responsible person. The final rule also requires AEMO to refuse to grant approval unless another registered participant has elected to be, or the declared service provider has agreed to be, the responsible person with effect from the time the approval takes effect.

167 Ibid.

168 To the extent there are any concerns about a connecting party taking on this role from a pipeline operation perspective, then this could be addressed by a pipeline service provider through the connection and/or gas transportation agreement.

169 See rules 292(2), 292(3A), (5A) and (5B) of the final rule.

As to APA's other suggested refinements, the Commission agrees that draft rule 300(3) should provide some additional flexibility in relation to the testing requirements where there is evidence of tampering at a metering installation for a settlement metering point. Final rule 300(3) has therefore been amended to allow this testing to be carried out within 2 business days, or any longer period approved by AEMO.

The Commission also agrees with the observations made by APA and other stakeholders regarding the administrative burden that may be associated with each person that has an obligation under the rules to inform registered participants of metering related matters, having to maintain a database of contact details for potentially affected participants.

The Commission has therefore worked with AEMO on an alternative approach to notifying affected participants of the matters set out under the restructured framework. The alternative approach allows (but does not require) the person to request that AEMO send the information to registered participants on its behalf.[170] AEMO must then use its reasonable endeavours to comply with the request. This is reflected in final rule 318A and notes to the relevant final rules (i.e. final rules 293(3), (5), (7), 299(9) and 300(2)).

Other minor changes to the metering rules

As part of the Commission's final review of the metering rules, it identified some other minor changes that need to be made to draft metering rules to correct drafting, clarify the intention or ensure that the metering provisions for the market withdrawal points for DDS-connected facilities are the same as those applicable to DTS-connected facilities. These changes are as follows:

- amending draft rule 293(4)(b) to align it with rule 293(5)
- amending draft rule 294(1) to correct the drafting
- amending draft rule 302 to extend the requirement to keep Distributors informed about changes to metering parameters and settings to market withdrawal points on a declared distribution system
- amending draft rule 303 so that the same energy metering and measurement provisions apply to all market injection and market withdrawal points
- extending draft rule 304(1)(a) so that the same accuracy requirements apply to metering installations at transmission delivery points and distribution delivery points for distribution connected facilities
- making a consequential change to rule 305(2) to reflect the extended meaning of system point
- amending draft rule 306(1) to replace the term 'production or consumption' with 'injection or withdrawal' to be consistent with terminology used elsewhere in Part 19 and to avoid doubt about whether the rule applies where gas is withdrawn and reinjected
- amending draft rule 312(1)(f) to allow allocation agents for market withdrawal points on the DDS and DTS the same rights of access to metering data.

170 Under the final rule, it would still be open to the responsible person to directly contact the affected participants.

6.2.4 Final determination

Consistent with the draft determination, the Commission's final determination provides for:

- The extension of the metering framework to DDS injection points and metering installations between distribution systems. The rules required to give effect to this extension are set out in final rules 290, 294, 302 and 303, which, apart from the minor changes set out above, are largely unchanged from the draft determination.
- The restructure and strengthening of the metering framework. The rules required to give effect to this restructure are set out in final rules 290-316, which have been amended since the draft determination to:
  - make it clearer that the ability of a connecting party to elect to be the responsible person only applies where there is not an existing responsible person at that point[171]
  - allow a responsible person to request approval from AEMO to cease to be the responsible person and require AEMO to refuse to grant approval if another registered participant has not elected, or the relevant service provider has not agreed to be, the responsible person[172]
  - provides more flexibility in relation to the testing requirements where there is evidence of tampering at a metering installation for a settlement metering point, by allowing AEMO to agree to a longer period for testing than 2 business days[173]
  - allow persons that are required to inform registered participants of metering related matters under rules 293(3), (5) or (7), 299(9) or 300(2) to ask AEMO to inform the registered participants on its behalf and requires AEMO to use its reasonable endeavours to comply with the requirements.[174]
  - address the other minor matters outlined above.

The only other change that the Commission has made between the draft and final determinations is to include new rule 290A (with consequential changes to rule 290). The new rule provides flexibility for AEMO to approve alternative metering installation configurations for net bidding facilities where AEMO is satisfied that the net quantities injected by the facility will be accurately measured using the alternative configuration. The inclusion of this rule reflects the Commission's decision to provide for net bidding by distribution connected facilities and may result in more efficient investment in net bidding facilities than might otherwise have been required (see Chapter 3 for more detail).

Further detail on these final rules can be found in Appendix C.

171 See rule 292(3A) of the final rule.
172 See rule 292(5A) of the final rule.
173 See rule 300(3) of the final rule.
174 See rule 318A of the final rule.

6.2.5 Summary of new obligations and recommendations on civil penalty and conduct provisions

Table 6.2 below provides a summary of the new obligations relating to metering that will apply under the final rule and the Commission's recommendations in relation to civil penalty and conduct provisions. Note that there are other civil penalty provisions in this subdivision of the NGR, which have not been included in this table because the obligations have not changed.

Table 6.2: **Metering – summary of obligations and recommendations on penalty provisions**

FINAL RULE	OBLIGATION	CIVIL PENALTY	CONDUCT PROVISION
Responsible persons' (or proposed responsible persons') obligations			
293(2)	Requires the responsible person to have repairs made to the metering installation as soon as practicable if a metering installation malfunction or defect occurs.	No	Yes
293(3)	Requires the responsible person to monitor the metering installation, make test results available and allow inspections.	No	Yes
293(5)	Requires the responsible person to notify all affected participants and AEMO if they become aware that the accuracy of a metering installation does not comply with the relevant requirements or could affect the integrity of the metering data.	Proposed tier 1	No
293(6)	Requires the responsible person to provide certain information regarding metering installations where AEMO becomes aware or reasonably believes the metering installation was not in compliance with relevant requirements, has malfunctioned or is defective.	Proposed tier 1	No
293(7)	Requires the responsible person to notify all affected participants and AEMO of any modification, adjustment, repair or replacement of any metering installation.	Proposed tier 1	No
293(8)	Requires the responsible person to ensure that any extraneous use of a metering installation does not infer with the provision of metering data in accordance with the Part	No	Yes
295	Requires the responsible person to have a metering installation that meets the technical requirements in this rule.	No	Yes[(a)(b)]
300	Responsible persons' obligations relating to the security of metering equipment (includes a	No	Yes[(a)(b)]

FINAL RULE	OBLIGATION	CIVIL PENALTY	CONDUCT PROVISION
	requirement to notify affected participants if there is evidence of tampering and to test the metering installation within 2 business days, or any longer period approved by AEMO).		
302	Responsible persons' obligations relating to changes to parameters or settings within a metering installation that may affect the accuracy of metering data.	No	Yes[a][b]
303(2A)	A metering installation at a market injection point or a market withdrawal point on a DDS must be capable of determining the energy content of gas flowing through the metering point unless agreed by AEMO and the responsible person.	No	Yes
Net bidding facility operator			
290A(3)	Requires net bidding facility operators to comply with any approval conditions required by AEMO.	Proposed tier 1	No

Note: [a] This whole rule is classified as a conduct provision.
[b] Existing classification of penalties.

7 IMPLEMENTATION OF THE FINAL RULE

This chapter sets out the Commission's consideration of the timeframe for implementing the final rule, transitional arrangements and changes to systems and procedures that may be required, including the draft determination, stakeholder views, further analysis and the final determination.

7.1 Draft determination

In the draft determination, the Commission proposed a 15-month implementation period, with the final rule commencing on 1 October 2023. This recognised that system changes are not a trivial task and require careful planning and management, detailed design work, and thorough testing.

The draft determination also required AEMO to update existing procedures no later than six months before the commencement date, and new procedures no later than three months before the commencement date.[175]

7.2 Stakeholder views

AEMO noted in its submission to the draft determination that it considers the proposed timeline will be a challenge to meet, given the extent of change proposed by this rule change coupled with the large number of regulatory changes expected to the gas markets over the next 24 months.[176]

According to AEMO's initial assessment, all DWGM procedures will need to be reviewed and many will need to be amended. Changes to most existing procedures are likely to be definitional or scope related in nature to bring them into line with the changes in the NGR. As such, they are unlikely to have any impact on participant systems and therefore participant readiness. Accordingly, AEMO considers it would be more practical to have a three-month lead time for all procedures (current and new) ahead of the commencement date in collaboration with the industry.[177]

AGIG noted its appreciation that the proposed implementation date intends to align with the expected commencement date of HyP Murray Valley in Q2 2024, which will need the new rules in place in order to be able to legally inject gas into the local distribution network. However, it noted that it would prefer to have the expected implementation date in Q1 2024 to allow more time for systems and processes to be implemented.[178]

ENGIE was supportive of the proposed implementation date of 1 October 2023, however, it also argued that this would be a challenging timeframe in which to develop and implement the required new and revised procedures.[179]

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175 AEMC, *DWGM distribution connected facilities*, draft determination, pp. 87-88.
176 AEMO, submission to the draft determination, p. 6.
177 AEMO, submission to the draft determination, pp. 6-7.
178 AGIG, submission to the draft determination, p. 4.
179 ENGIE, submission to the draft determination, p. 3.

7.3 Commencement of the rules

Taking into account the feedback provided by stakeholders, the Commission decided that the final rule will commence on 1 May 2024.

This allows AEMO more time to consult on and finalise the necessary procedures (as set out below) and to make the necessary system changes, which include software development, testing and implementation.

7.4 Transitional arrangements

The transitional arrangements will commence on 22 September 2022.

- Current procedures: no later than 3 months before the commencement date, AEMO must prepare, consult and publish any necessary changes to existing procedures to take into account the draft rule.
- New procedures: no later than 3 months before the commencement date AEMO must prepare, consult and publish the new procedures required by the draft rule:
  - *distribution operations coordination procedures*
  - *gas quality monitoring procedures*
  - *metering installation coordination procedures*
  - *net bidding facilities procedures*.
- Interconnection principles for declared distribution systems: this Division applies to a distributor in relation to its declared distribution system from the effective date and ceases to apply when the South Australian Minister first makes a Rule under section 294FB of the NGL.
- Transition period: means the period commencing on the commencement date and ending 6 months after the commencement date.
  - metering: a person who, immediately before the commencement date was the responsible person for a metering installation under the old DWGM rules continues on and from the commencement date to be the responsible person for the metering installation.
  - gas quality monitoring system provider:
    - A person who, immediately before the commencement date was the provider of an existing gas quality monitoring system is taken, on and from the commencement date, to be the responsible gas quality monitoring provider responsible facility operator for the system injection point or other points for which the gas quality monitoring system is provided.
    - An existing gas quality monitoring system is taken to have been approved in accordance with the gas quality monitoring procedures, except if it is altered or replaced following the commencement date.
    - During the transition period, rule 289E(1)(b) of the new DWGM rules does not apply to an existing gas quality monitoring system.

— The responsible gas quality monitoring provider responsible facility operator for an existing gas quality monitoring system must ensure that on and from the end of a transition period, a gas quality monitoring plan under rule 289E(1)(b) of the new DWGM rules has been established for the point for which the gas quality monitoring system is provided and, where applicable, has been approved in accordance with rule 289E(2) of the new DWGM rules.

ABBREVIATIONS

AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
AGIG	Australian Gas Infrastructure Group
AMDQ	Authorised maximum daily quantity
AS	Australian Standards
Commission	See AEMC
DDS	Declared distribution system
DTS	Declared transmission system
DWGM	Declared wholesale gas market
GJ	gigajoule
MCE	Ministerial Council on Energy
NERL	National energy retail law
NERR	National energy retail rules
NGL	National Gas Law
NGO	National gas objective
NGR	National Gas Rules
SEA	Service envelope agreement
STTM	Short term trading market
TUoS	Transmission use of system

A SUMMARY OF OTHER ISSUES RAISED IN SUBMISSIONS

This appendix sets out the issues raised in the second round of consultation on this rule change request and the AEMC's response to each issue. If an issue raised in a submission has been discussed in the main body of this document, it has not been included in this table.

Table A.1: Summary of other issues raised in submissions to draft determination

STAKEHOLDER	ISSUE	AEMC RESPONSE
Private individual — Michael Nolan	Electrification of households and the commercial sector is a better economic option to achieve decarbonisation goals. Allowing the injection of hydrogen will increase the costs to gas users and with the pathway to 100% renewables being unlikely due to the economics of electrification. Government authorities should be focused on planned reduction in gas demand rather than gas growth, with a focus on managing the gas asset cost allocation to a declining customer base.	The Commission outlined in section 1.2, that while the rule change request does not explicitly target the integration of hydrogen and renewable gas blends, its focus on allowing distribution connected facilities to participate in the DWGM has implications for enabling hydrogen and renewable gas to be injected into gas distribution networks in Victoria. The final rule treats any facility connected to a distribution network on an equivalent basis to transmission networks, where applicable. The Commission notes that hydrogen injection facilities may wish to connect to a distribution network. The final rule contemplates the injection from hydrogen facilities and includes provisions necessary for this to occur. While there will be costs associated with this decision, the Commission's analysis of the costs and benefits is outlined in section 2.4. Any views on government policies should be raised directly with the relevant jurisdiction and are out of the scope of this rule change.

STAKEHOLDER	ISSUE	AEMC RESPONSE
Private individual — John Godfrey	The DWGM rule change is likely to artificially subsidise the life of the gas supply network. Additionally, any effort to include hydrogen within the national framework is not in the long-term interests of consumers. A hydrogen economy is more likely to be suited towards specialist pipelines, with the introduction into distribution systems being the worst possible way to foster the industry. This is because electrification is rapidly becoming cheaper. Mr Godfrey asserts that the focus of introducing hydrogen should be on hard to electrify sectors instead of its introduction into distribution systems. Finally, it was recommended that the definition of hydrogen blends and other gases should state their carbon intensity of production as well as the emissions when burnt.	The decision to allow hydrogen and other gas blends is an issue being considered through the *Hydrogen review*. This rule change's focus is on enabling any facility to connect to a Victorian declared distribution network and participate in the DWGM. The Commission notes that this rule change aims to treat any facility connected to a distribution network on an equivalent basis to transmission networks. Therefore, any facility, including hydrogen or renewable gas facilities, wishing to connect to a distribution system would need to have their injections bid into the market and will be scheduled according to the merit order of bids, where they will compete with other existing sources of supply. Additionally, the Commission notes that any costs related to gas supply network upgrades will follow the existing access arrangement process and have these costs assessed and approved by the AER. This process allows for consultation and scrutiny of investments made in these networks. The Commission's analysis of the costs and benefits with respect to the NGO is outlined in section 2.4. The issue of whether hydrogen blends and other gases should have their carbon intensity of manufacture is outside the scope of this rule change request.

B LEGAL REQUIREMENTS UNDER THE NGL

This appendix sets out the relevant legal requirements under the NGL for the AEMC to make this final rule determination.

B.1 Final rule determination

In accordance with ss. 311 and 312 of the NGL the Commission has made this final rule determination for a more preferable final rule, in relation to the rule proposed by the Victorian Minister for Energy, Environment and Climate Change.

The Commission's reasons for making this final rule determination are set out in section 2.4.

A copy of the more preferable final rule is attached to and published with this final rule determination. Its key features are described in Chapters 3-7 and appendix C.

B.2 Power to make the rule

The Commission is satisfied that the more preferable final rule falls within the subject matter about which the Commission may make rules. The more preferable final rule falls within s. 74 of the NGL as it relates to the operation of a declared wholesale gas market and the activities of persons in a regulated gas market.[180]

Under s. 296 of the NGL, the Commission may make a rule that is different (including materially different) to a proposed rule (a more preferable rule) if it is satisfied that, having regard to the issue or issues raised in the rule change request, the more preferable rule will or is likely to better contribute to the achievement of the NGO. The Commission is satisfied that the more preferable final rule will, or is likely to, better contribute to the achievement of the NGO. The Commission's reasons are set out in section 2.4 and chapters 3 to 7.

B.3 Commission's considerations

In accordance with s. 313 of the NGL, the Commission has made a rule.

In assessing the rule change request the Commission considered:

- its powers under the NGL to make the rule
- the rule change request
- submissions received during the first and second round consultations for the rule change request and the review
- feedback provided at the workshops on 13-15 December 2021, 8 April 2022, 29 July 2022 and meetings with stakeholders, including AEMO and distribution service providers
- the Commission's analysis as to the ways in which the proposed rule will or is likely to, contribute to the NGO.

180 Section 74(1)(a)(v) of the NGL.

There is no relevant Ministerial Council on Energy (MCE) statement of policy principles for this rule change request.[181]

The Commission may only make a rule that has effect with respect to an adoptive jurisdiction if satisfied that the proposed rule is compatible with the proper performance of AEMO's declared system functions.[182] The more preferable final rule is compatible with AEMO's declared system functions because:

- the final rule provides for scheduling of DDS injections based on bids and settlement of the resulting market charges, which are consistent with AEMO's declared system functions with respect to DTS injections
- AEMO's system operation role remains confined to the DTS
- the final rule addresses the potential impact of injections into a DDS on DTS operational matters; for example, in the forecasting rule and the gas quality monitoring systems and metering installation provisions
- to the extent operational matters in the DDS could impact on scheduling or the market (for example, the application of constraints to maintain gas quality), the draft rule provides for DDS service providers to remain primarily responsible subject to coordination arrangements with AEMO
- the final rule is intended to give AEMO the tools it needs to maintain the integrity of market settlements and maintain gas quality in the DTS, consistent with AEMO's functions, by giving AEMO approval roles in relation to gas quality at DDS injection points, gas quality monitoring systems at DDS injection points, metering installations for DDS injection points or gas quality monitoring systems and metering installations at points where gas flows from one DDS to another.

B.4 Civil penalties

The Commission cannot create new civil penalty provisions. However, it may recommend to the Victorian Minister for Energy, Environment and Climate Change that new or existing provisions of the NGR be classified as civil penalty provisions under the *National Gas (Victoria) (Declared System Provisions) Regulations*.

The Commission's more preferable final rule includes the addition of a number of rules into the NGR. The new and existing provisions that the Commission is recommending to the Energy Ministers Meeting and the Victorian Minister for Energy, Environment and Climate Change as civil penalty provisions are set out in the table below.

181 Under s. 73 of the NGL the AEMC must have regard to any relevant MCE statement of policy principles in making a rule. The MCE is defined in the NGL as, in summary, the group of Ministers responsible for energy matters at a national level, sitting as the MCE.

182 Section 295(4) of the NGL.

Table B.1: **Recommended civil penalty provisions**

RULE	DESCRIPTION OF RECOMMENDED CIVIL PENALTY PROVISION	PROPOSED TIER AND RATIONALE
289E(1)	This subrule requires that the responsible gas quality monitoring provider for a market injection point, DTS monitoring point or DDS transfer monitoring point must ensure that gas quality monitoring arrangements are established and maintained.	Tier 1 is proposed because failure to perform this role poses a risk to public safety.
289E(3)	This subrule requires that the responsible gas quality monitoring provider for a market connection point ensures that gas quality monitoring arrangements are in place and operational at all times that gas is injected at the market injection point, unless otherwise agreed with AEMO.	Tier 1 is proposed because failure to monitor gas quality injected at market injection points poses a risk to public safety.
289E(4)	This subrule ensures that a responsible gas quality monitoring provider install, operate and maintain its gas quality monitoring system in accordance with applicable gas quality monitoring arrangements.	Tier 1 is proposed because failure to install, operate and maintain a gas quality monitoring system in accordance with the requirements established under the Rules and procedures poses a risk to public safety.
289E(7)	This subrule requires a responsible gas quality monitoring provider to ensure that, at its own cost, data from its gas quality monitoring system is transmitted to the metering database in a form and manner compatible with the metering database.	Tier 2 is proposed because failure to comply may result in failure to retain records appropriately and inadequate record keeping and administrative processes.
290A(3)	This subrule requires a facility operator for a net bidding facility to comply with any approval conditions set by AEMO.	Tier 1 is proposed because failure to comply risks distortion of market outcomes.
293(5)	This subrule ensures that a responsible person notifies all affected participants and AEMO if they become aware that the accuracy of a metering installation does not comply with the relevant requirements or could affect the integrity of the metering data.	Tier 1 is proposed because failure to keep the market informed about metering inaccuracies risks adverse impacts on the integrity of the wholesale market.
293(6)	This subrule ensures that a responsible person provides certain information regarding metering	Tier 1 is proposed because failure to comply with this

RULE	DESCRIPTION OF RECOMMENDED CIVIL PENALTY PROVISION	PROPOSED TIER AND RATIONALE
	installations where AEMO becomes aware or reasonably believes that the metering installation was not in compliance with relevant requirements or has malfunctioned or is defective.	metering-related obligation risks adverse impacts on the integrity of the wholesale market.
293(7)	This subrule ensures that a responsible person notifies all affected participants and AEMO of any modification, adjustment, repair or replacement of any metering installation.	Tier 1 is proposed because failure to keep the market informed about changes to a metering installation risks adverse impacts on the integrity of the wholesale market.
317B(3)	This subrule requires a Distributor to ensure that its constraint methodology does not result in outcomes that are inconsistent with the principle that operating schedules which specify injections and withdrawals for each hour of gas day should do so in a way that minimises the cost of satisfying expected demand for gas over that gas day.	Tier 1 is proposed because failure to comply risks distortion of market outcomes.
317B(7)	This subrule requires a Distributor to comply with a requirement to revise a constraint methodology in accordance with the distribution operational coordination procedures.	Tier 1 is proposed because failure to comply risks distortion of market outcomes.
326A(2)	This subrule requires a distribution connected facility operator to provide information to AEMO about maintenance in accordance with the maintenance planning procedures.	Tier 3 is proposed given the nature of the obligation.

Source: National Gas Amendment (DWGM distribution connected facilities) Rule 2022 No.3.

The Commission considers that the provisions classified as tier 1 civil penalty provisions are important to the operation of the DWGM and ensure the safe, secure and reliable supply of gas to consumers. A failure to comply with these rules has the potential to cause serious harm to consumers and the operation of the DWGM and DDS.

The Commission has consulted with the Victorian Department of Energy, Land, Water and Planning and the AER with respect to the new and existing civil penalty provisions, and the AER supports these changes.

B.5 Conduct provisions

The Commission cannot create new conduct provisions. However, it may recommend to the Victorian Minister for Energy, Environment and Climate Change that new or existing

provisions of the NGR be classified as conduct provisions under the *National Gas (Victoria) (Declared System Provisions) Regulations*.

The Commission's final rule amends a number of rules of the NGR, which are currently classified as conduct provisions under clause 4 and Schedule 2 of the *National Gas (Victoria) (Declared System Provisions) Regulations*. The amended rules are 213(2), 219, 225(5), 229(4), 229(7), 229(8), 290, 292(5), 293(1), 295, 300, 302 and 303(5). The Commission considers that these amended rules should continue to be classified as conduct provisions. In addition, the Commission considers that rules 288 and 316(3) of the NGR should cease to be classified as a conduct provision because they have been deleted.

The Commission's more preferable final rule includes the addition of a number of rules into the NGR. The new provisions that the Commission is recommending to the Victorian Minister of Energy, Environment and Climate Change as conduct provisions are set out in the following table:

Table B.2: **Recommended conduct provisions**

RULE	DESCRIPTION OF RECOMMENDED CONDUCT PROVISION
289A(1)	This subrule requires each Registered participant to use reasonable endeavours to ensure that any gas it injects or tenders for injection into a declared distribution system at a DDS injection point complies with the gas quality specifications for that DDS injection point.
289A(2)	This subrule requires each Registered Participant to notify the relevant Distributor where there is off-specification gas that is being, is likely to be, or has been delivered at a DDS injection point.
289E(5)	This subrule requires the responsible gas quality monitoring provider to provide AEMO and other affected Participants on request with all data and information relating to gas quality at the monitoring point.
289E(7)	This subrule requires a responsible gas quality monitoring provider to ensure that, at its own cost, data from its gas quality monitoring system is transmitted to the metering database in a form and manner compatible with the metering database.
289F	This rule requires Market Participant to have an agreement with the responsible gas quality monitoring provider for a market connection point under which that Market Participant contributes to its proportionate share of the costs incurred in establishing and maintaining gas quality monitoring arrangements for the market injection point. The proposed new rule also requires the Market Participant to give AEMO or a Distributor on request information, records and access to facilities that AEMO or the Distributor reasonably requires to verify compliance with gas quality specifications and that reasonable precautions are in place to prevent the delivery of off-specification gas to market injection points, consistent with access rights under a Distributor's access arrangement.
293(2)	This subrule requires that if a metering installation malfunction or defect occurs,

RULE	DESCRIPTION OF RECOMMENDED CONDUCT PROVISION
	the responsible person must have repairs made to the metering installation as soon as practicable.
293(3)	This subrule requires the responsible person to monitor the metering installation, make test results available and allow inspections.
293(8)	This subrule requires that any extraneous use of a metering installation does not interfere with the provision of metering data in accordance with the Part.
303(2A)	This subrule requires a metering installation at a market injection point on a declared distribution system to be capable of determining the energy content of gas flowing through the metering point unless otherwise agreed by AEMO and the responsible person.
317A(4)	This subrule requires a Distributor to only use information disclosed in accordance with the distribution operational coordination procedures for the purpose for which it was disclosed and that confidentiality is maintained.
317B(3)	This subrule requires a Distributor to ensure that its constraint methodology does not result in outcomes that are inconsistent with the principle that operating schedules which specify injections and withdrawals for each hour of gas day should do so in a way that minimises the cost of satisfying expected demand for gas over that gas day.
317B(7)	This subrule requires a Distributor to comply with a requirement to revise a constraint methodology in accordance with the distribution operational coordination procedures.

Source: National Gas Amendment (DWGM distribution connected facilities) Rule 2022 No. 3.

The Commission considers these provisions should be classified as conduct provisions for the following reasons:

- the provisions deal with DDS injection points, gas quality and gas quality monitoring arrangements, metering, constraint methodologies, and disclosure and use of information. As such, classification as conduct provisions allow for a person that suffers a loss due to a breach of the provision to bring an action for damages. This in turn may support the operation of gas quality and metering or allocation arrangements in upstream contracts
- it is consistent with the classification of equivalent provisions relating to DTS injections
- in some cases, the current classification of provisions is being replaced or supplemented by these new provisions.

The Commission has consulted with the Victorian Department of Energy, Land, Water and Planning and the AER with respect to the new and existing conduct provisions, and the AER supports these changes.

C OVERVIEW OF CHANGES TO THE NATIONAL GAS RULES PROPOSED IN THE FINAL RULE

C.1 Part 15A — Registered participants

Rule 135A

Rule 135A lists the activities that give rise to an obligation to register for the DWGM. The current text has been renumbered as subrule (1).

A new registration category has been added to cover a person who injects gas into a declared distribution system (**DDS**) at a DDS injection point from a storage facility, production facility or blend processing facility, in the person's capacity as a facility operator. This is consistent with the draft rule, although drafting corrections have been made for the final rule.

For the final rule, an additional market participant registration category has been added for a blend processing facility operator who participates in the market to buy and sell gas. This is a change from the draft rule, which provided for this new category to cover distribution connected producers and storage providers. This was not needed because these entities would be covered by existing market participant registration categories.

Other changes to rule 135A replace references to 'natural gas' with references to 'gas'.

A new subrule (2) defines 'gas' and other terms used in subrule (1) that have the meaning given in Part 19. In Part 19, gas is defined to include natural gas and processable gas.

C.2 Part 15B — Procedures

Rule 135EA(2)

Rule 135EA(2) lists matters that may be dealt with in the procedures made by AEMO for the DWGM. Consequential changes have been made to reflect the additional procedures provided for in the final rule, and are the same as the draft rule but with the addition of net bidding facility procedures.

C.3 Part 19 — Declared wholesale gas market

C.3.1 Rule 200 — definitions

- **actual injections:** The reference to 'system injection points' (which relate to the DTS only) has been replaced with the new term 'market injection points' (which includes DSS injection points) so that for settlement purposes, actual injections will be calculated using injections at all market injection points.
- **adjusted withdrawals:** The reference to 'rule 235' in this definition has been replaced with a reference to 'rule 235(11)' which is the subrule that, for settlement purposes, calculates adjusted withdrawals from the DTS and any additional withdrawals from the DDS.
- **allocation:** For the final rule, a minor drafting correction has been made.

- **bid:** For the final rule, 'bid' has been extended to refer to bids for withdrawals of gas from the distribution system. This reflects the policy intention that distribution connected facilities, other than net bidding facilities, can submit withdrawal bids for controllable withdrawals. These are likely to be storage facilities and results in consistent market participation arrangements for storage facilities whether connected to a DTS or DDS.
- **blend processing facility:** This new term is used to refer to a facility in which gas of different types is blended for injection into a pipeline.
- **capacity certificates zone:** For the final rule, this term has been amended to reflect that both injection points and withdrawal points for distribution connected facilities will be included in capacity certificates zones.
- **controllable quantity:** For the final rule, this term has been amended to reflect that controllable quantities may be used for withdrawal points for distribution connected facilities (other than net bidding facilities).
- **DDS constraint methodology:** For the final rule, a new definition has been added cross-referencing the definition in new rule 317B.
- **DDS injection point:** A new definition has been included to refer to a receipt point on a DDS at which gas is received into the pipeline. The term 'receipt point' excludes any 'transfer point' with the intended result that the definition will not extend to points where gas is injected from the DTS.
- **DDS transfer monitoring point:** For the final rule, a new definition has been added cross-referencing the definition in rule 289.
- **declared distribution system:** The term 'declared distribution system' is defined in the NGL by reference to the legislation of the relevant participating jurisdiction. The Victorian legislation in turn defines the declared distribution system by reference to an Order made by the Minister and published in the Victorian Government Gazette. The gazette declaration is broad enough to pick up certain distribution pipelines in Victoria that are not covered by the DWGM arrangements. This new definition of 'declared distribution system' excludes the non-DWGM distribution pipelines. For the final rule drafting corrections have been made to the definition in the draft rule.
- **delivery point:** This definition has been amended to extend it to delivery points for distribution connected facilities, which is achieved by amending the definition of 'distribution delivery point' as explained below.
- **distribution connected facility:** This new term refers to a storage facility, gas production facility or blend processing facility connected to a DDS. For the final rule a drafting correction has been made.
- **distribution connected facility operator:** This new term refers to a person who owns, operates or controls a distribution connected facility.
- **distribution constraint:** This new term refers to constraints relating to the flow of gas in a DDS as notified to AEMO by the Distributor. AEMO will take these constraints into account in the operating schedule and the pricing schedule.
- **distribution delivery point:** This definition has been amended to include points at which gas is delivered to any distribution connected facility (not just storage facilities).

- **distribution operational coordination procedures:** For the final rule, a new definition has been added cross-referencing the definition in new rule 317A.
- **distribution supply or demand constraint:** This new term replaces the term 'distribution injection or flow constraint' from the draft rule. The term is used to refer to constraints on injections at DDS injection points or withdrawals at a market withdrawal point on a DDS, whether notified by the facility operator or by the Distributor or worked out by AEMO using the applicable DDS constraint methodology AEMO will take these constraints into account in the operating schedule and the pricing schedule.
- **DTS monitoring point:** For the final rule, a new definition has been added cross-referencing the definition in new rule 289D.
- **DWGM facility operator:** Minor drafting changes have been made to this existing term.
- **flow rate:** The final rule amends this term so that it can be used to refer to the flow rate in a DDS.
- **gas production facility:** This defined term excludes LNG processing facilities and storage facilities. For the final rule it has been amended to exclude blend processing facilities.
- **gas quality monitoring arrangements:** For the final rule, a new definition has been added cross-referencing the arrangements required by rule 289E.
- **gas quality monitoring plan:** For the final rule, a new definition has been added cross-referencing the requirements under rule 289F.
- **gas quality monitoring procedures:** This new signpost definition refers to the new procedures to be made under rule 289B.
- **gas quality monitoring system:** The final rule amends this existing term to align it with the requirements in new rules 289E and 289G.
- **gas quality specifications:** The final rule amends this existing term to extend it to alternative gas quality specifications agreed for a DDS injection point under new rule 287A.
- **injection bid:** The final rule amends this existing term to provide for DDS injections.
- **maintenance:** For the final rule, paragraph (a) has been amended to reflect the extension of the market arrangements into the declared distributions systems. This also supports the operation of new rule 326A, which deals with the provision to AEMO of maintenance information relating to distribution connected facilities.
- **Market:** This existing term would be amended to provide for DDS injections.
- **market injection point:** This new term is used to refer to a system injection point or a DDS injection point. It replaces 'system injection point' where appropriate in Part 19.
- **market withdrawal point:** This new term is used to refer to a system withdrawal point or a distribution delivery point for a distribution connected facility. It replaces reference to system withdrawal points where appropriate in Part 19.
- **metering installation coordination procedures:** This new signpost definition refers to the new procedures to be made under rule 292A.

- **net bidding facility:** This new term, added for the final rule, refers to a distribution connected facility that satisfies the criteria for classification as a net bidding facility in the net bidding facility procedures and is classified as a net bidding facility in accordance with new rule 204B.
- **net bidding facility procedures:** This new signpost definition, added for the final rule, refers to the new procedures to be made under new rule 204B.
- **net injected quantity:** This new term, added for the final rule, explains how the net injected quantity is calculated for a net bidding facility as a whole, and for the market participants using the facility.
- **off-specification gas:** The final rule extends this term to DDS injection points by using 'market injection point' in place of 'system injection point'.
- **receipt point:** The final rule adds a reference to blend processing facilities to be consistent with the approach elsewhere.
- **responsible gas quality monitoring provider:** This new signpost definition refers to the definition in rule 289C.
- **settlement metering point:** This new term is used to refer to points where the metering is used for settlements. As in the draft rule, it covers system points (including DDS injection points) and points where gas is transferred between declared distribution systems. For the final rule, distribution delivery points for distribution connected facilities and points approved under new rule 290A for alternative metering installations for net bidding facilities have been added.
- **system point:** This term has been extended to DDS injection points by using 'market injection point' in place of 'system injection point'. For the final rule, 'system withdrawal point' has been replaced with 'market withdrawal point' to extend the term to distribution delivery points for distribution connected facilities.
- **withdrawal bid:** For the final rule, 'system withdrawal point' has been replaced with 'market withdrawal point'.

C.3.2 Other provisions

- **Rule 204A (new):** New rule 204A addresses a situation in which there is more than one facility operator for a distribution connected facility, by allowing one of the group to nominate as the person responsible for performing the obligations on behalf of all the group. The rule is modelled on a similar provision in Part 20, for the STTM.
- **Rule 204B (new):** For the final rule, new rule 204B has been inserted to set out the framework for determining the classification criteria for net bidding facilities and the obligation for the distribution connected facility operator to classify its facility if it satisfies the criteria.
- **Rule 204C (new):** For the final rule, new rule 204C has been added to explain how Part 19 applies to net bidding facilities. In general, a reference to a quantity, in relation to a net bidding facility is a reference to the net injected quantity. However, the provisions dealing with gas quality apply in respect of all gas injected from a net bidding facility. The rule also requires the net bidding facility procedures to provide for the application of Part

19 in respect of negative net injected quantities, with specific guidance on how the Part should apply.

- **Rule 206(1):** Rule 206 requires AEMO to schedule in accordance with bids. The amendments to subrule (1) extend the rule to gas injections into a DDS at DDS injection points and gas withdrawals from a DDS for which bids are submitted. Consequential amendments have been made to subrules (2) and (3).
- **Rule 207:** Consequential amendments to rule 207 reflect the requirement for market participants to submit bids for gas to be injected into a DDS and to submit withdrawal bids where required under the rules.
- **Rule 208:** Rule 208 deals with demand forecasts. The final rule amends subrule (1) to require demand forecasts to be provided with respect to withdrawals from declared distribution systems to the extent not included in the demand forecast for withdrawals from the DTS or DDS and, where AEMO requires, from one or more specified DDS withdrawal points. For the final rule, the amendments clarify that the quantities to be withdrawn at the distribution delivery point for a net bidding facility are not included in demand forecasts. Consequential amendments have been made to subrules (2), (3) and (5) and for the final rule, drafting corrections have been made.
- **Rule 209:** Rule 209 sets out the requirements to submit bids and has been extended to DDS injection points by using 'market injection point' in place of 'system injection point'. For the final rule, the rule has also been extended to withdrawal points for distribution connected facilities by using 'market withdrawal point' in place of 'system withdrawal point'. Consequential amendments have also been made.
- **Rule 210:** Rule 210 deals with accreditation of controllable quantities and has been extended to DDS injection points by using 'market injection point' in place of 'system injection point'. For the final rule, the accreditation framework in rule 210 has also been extended to distribution delivery points for distribution connected facilities (other than net bidding facilities).
- **Rule 213(2):** Rule 213(2) requires market participants to ensure that forecasts and bids are made in good faith and represent the market participant's best estimates. Consequential changes have been made to reflect the inclusion of DDS injections and withdrawals in bidding and scheduling processes and, for the final rule, the exclusion of netted out quantities from demand forecasts.
- **Rule 213(3):** Rule 213(3) provides information rather than imposing an obligation. It is no longer relevant to the DWGM arrangements and has been deleted.
- **Rule 214A(2)(a):** Subrule 214A(2)(a) deals with information about tie-breaking events. It has been extended to DDS injection points by using 'market injection point' in place of 'system injection point'. For the final rule, it has also been extended to distribution withdrawal points for distribution connected facilities.
- **Rule 215(1):** Rule 215(1) deals with the inputs and assumptions to be used by AEMO when producing operating schedules. Paragraph (c) has been amended so that it refers only to supply or demand point constraints in respect of the DTS and a new (f1) has been

added to allow AEMO to take into account distribution supply or demand point constraints.

- **Rule 215(2):** Rule 215(2) deals with the principle to be applied by AEMO when producing operating schedules. The subrule has been amended to clarify that AEMO may take into account distribution constraints affecting the transportation of gas in a DDS. The draft rule restricted this to injections but for the final rule this qualification has been removed and the drafting adjusted.
- **Rule 215(11):** Rule 215(11) explains the information to be included in scheduling instructions. The final rule uses the defined term 'system point' to extend the subrule to DDS injection points and distribution withdrawal points for net bidding facilities but is not otherwise intended to change the meaning of the subrule.
- **Rule 216(4):** Rule 216(4) deals with the circumstances in which a market participant is not obliged to comply with a scheduling instruction issued in respect of a bid. The final rule extends the subrule so that it applies to distribution connected facility operators in the same way that it applies to Producers and Storage Providers.
- **Rule 217(2):** Rule 217(2) lists the circumstances in which there will not be an unintended scheduling result and has been amended to reflect the proposed new framework for dealing with distribution supply or demand point constraints.
- **Rule 219(1):** Rule 219(1) deals with injection and withdrawal confirmations and has been amended to provide for DDS injections and, for the final rule, withdrawals (which, due to the operation of rule 204C(1), will exclude the withdrawals of net bidding facilities).
- **Rule 220:** A consequential change has been made to the heading of rule 220 due to the addition of new rule 220A.
- **Rule 220A (new):** New rule 220A provides for title to gas injected into a DDS from the DTS or from a distribution connected facility to be transferred to the market participants who withdraw from the DDS.
  - For the final rule, additional changes have been made in subrule (3) to provide for transfer of title to gas withdrawn by a net bidding facility and reinjected as part of a blend.
  - New subrules (4) to (6), added for the final rule, confirm that a Distributor's access terms deal with custody, control and risk of loss of gas injected into and withdrawn from a DDS, confirm that the Distributor may comingle gas and that the specification of gas delivered to a market participant by the Distributor may not match the specification of gas injected into the DDS by the market participants. These matters are addressed with respect to the DTS in existing rule 220.
- **Rule 221(3):** Rule 221(3) lists the matters AEMO must have regard to in producing pricing schedules. It has been amended to reflect the proposed new framework for dealing with distribution supply or demand point constraints.
- **Rule 221(4):** Rule 221(4) states that AEMO cannot take into account transmission constraints for the pricing schedule. The subrule has been amended to clarify that AEMO

may take into account distribution constraints affecting the injection or withdrawal of gas in a DDS. The draft rule restricted this to injections.

- **Rules 225(4) and (5):** Rule 225 provides for the calculation of contributions to the participant compensation fund and has been amended to provide for gas injected into a DDS to be included in the calculation.
- **Rule 228:** Rule 228 is a general statement about the application of Subdivision 5 and has been amended to refer to DDS injections and withdrawals.
- **Rule 229:** Rule 229 deals with the appointment of allocation agents or sub-allocation agents for system injection points used by more than one market participant. It has been amended to extend it to all market injection points. For the final rule the following changes have been made to the draft rule:
  - A note has been added to subrule (8) to confirm that in relation to a net bidding facility, the aggregate quantity of gas allocated to market participants in an hour must equal the net injected quantity and that settlement of negative net injected quantities will be dealt with in the net bidding facility procedures.
  - Subrule (10) has been corrected to refer to market injection points (in place of system injection points) and in subrule (15) the reference to system withdrawal points has been replaced with a reference to market withdrawal points.
- **Rule 230:** Rule 230 deals with the appointment of allocation agents or sub-allocation agents for delivery points used by more than one market participant. The rule has been amended to refer consistently to the DDS, where relevant.
- **Rule 235:** Rule 235 provides for the calculation of imbalance payments and deviation payments, and explains how the gas quantities used for those calculations are determined. For the final rule, three changes have been made.
  - Subrule (8) deals with the adjustment of withdrawals at distribution delivery points for UAFG and has been amended to exclude quantities withdrawn at the distribution delivery point for a net bidding facility where the net injected quantity is negative.
  - Subrule (10) specifies how withdrawals at distribution delivery points are determined, and has been amended to specify that this will be zero for a net bidding facility where the net injected quantity is positive, and otherwise will be determined under the net bidding facility procedures.
  - Subrule (11) provides for the aggregate net adjusted withdrawals. For the final rule, minor drafting changes have been made to clarify the operation of the subrule.
- **Rule 240(8):** As a drafting correction, the reference to 'the volume of gas in GJ' in rule 240(8) has been changed to 'the quantity of gas in GJ'. Under rule 202(1), volume refers to cubic meters, and quantity refers to energy content.
- **Rules 259 and 260:** Rules 259 and 260 deal with default notices and suspension notices respectively and allow AEMO to apply conditions which may include restrictions relating to the declared transmission system. The rules have been amended to allow restrictions to relate to injections or withdrawals of gas to or from a DDS.

- **Rule 267:** Rule 267 describes the application of the provisions relating to connection agreements. At present, it applies to connection agreements made after 15 March 1999, deemed connection agreements and requests to establish a connection or modify an existing connection after 15 March 1999. The rule has been deleted so that the provisions dealing with connection agreements apply to all connection agreements regardless of when they are made.
- **Subdivision 3 of Division 3:** The headings of Subdivision 3 of Division 3 and rules 287 and 289 have been updated to reflect other changes made to the subdivision.
- **Rule 287A (new):** New rule 287A provides for a Distributor to approve an alternative gas specification for a DDS injection point. It is modelled on rule 287 but with changes to reflect the role of the Distributor as both owner and operator of its system and to include requirements for:
  - AEMO to be a party to the agreement approving the specification where any part of the gas may be re-injected into the DTS, and
  - an adjacent distributor to be a party where any part of the gas may be injected into the other distributors declared distribution system.

For the final rule, drafting changes have been made to clarify that agreement on an alternative specification is subject to any duty or requirement under any regulatory instrument relating to gas quality or safety.

- **Rule 288:** Rule 288 deals with the provision of gas quality monitoring systems. As proposed in the draft rule, the rule has been deleted and provisions dealing with gas quality monitoring have been moved to a new Subdivision 3.1 of Division 3.
- **Rule 289A (new):** New rule 289A requires each Registered Participant to use its reasonable endeavours to ensure that gas it injects into a DDS at a DDS injection point complies with the gas quality specifications, provides for steps to be taken where there is off-specification gas and allows the Distributor to accept delivery of off-specification gas subject to the conditions in the rule. For the final rule some drafting corrections have been made.
- **Subdivision 3.1 of Division 3 (new):** As proposed in the draft rule, new Subdivision 3.1 of Division 3 deals with gas quality monitoring. It provides for AEMO to make gas quality monitoring procedures, allocates responsibility for gas quality monitoring arrangements at market injection points and other points on a declared system, sets out the obligations of the person responsible for gas quality monitoring at those points (the 'responsible gas quality monitoring provider'), sets out the obligations of market participants with respect to gas quality monitoring, and sets out the minimum requirements for gas quality monitoring systems and gas quality monitoring plans. Gas quality monitoring is discussed in more detail elsewhere in the determination. For the final rule some drafting changes have been made as follows:
  - Correcting and simplifying the drafting in rule 289B.
  - Changes to rule 289E to correct the drafting, to tie the requirements to establish gas quality monitoring arrangements in subrule (1) to the specific technical requirements

in rules 289G and 289H, and to relocate subrule (289G(4) of the draft rule to 289E(7).
    - Corrections to the drafting in rules 289F and 289G.
- **Rule 290:** Rule 290 deals with the obligations of market participants in relation to metering installations at connection points on a DTS (subrules (1) and (2)) and on a DDS (subrules (3) and (4)).
    - For the final rule, subrule (1) has been extended to connection points for distribution connected facilities, so that these points are subject to equivalent obligations to DTS connected facilities.
    - Subrules (5) and (6) provide for market participants to contribute to the costs of operating and maintaining both a metering installation and a gas quality monitoring system. As proposed in the draft, the final rule moves the provisions dealing with cost recovery for a gas quality monitoring systems from rule 290(5) and (6) to new rule 289F.
- **Rule 290A (new):** New rule 290A has been included in the final rule to allow AEMO to approve alternative metering configurations for net bidding facilities. This is explained further in the determination.
- **Rule 291:** Drafting corrections have been made to the heading of rule 291.
- **Rule 292:** Rule 292 specifies who is the responsible person for a metering installation.
    - The final rule amends subrule (2) to allow a Registered participant to elect to be the responsible person.
    - Other changes for the final rule are explained elsewhere in the determination and include changes to prevent an election being made for a metering installation that already has a responsible person, and to prevent a person ceasing to be a responsible person unless someone else takes on the role.
- **Rule 292A (new):** New rule 292A requires AEMO to make metering installation coordination procedures to provide for the obligations of the responsible person with respect to a range of matters relating to metering installations for settlement metering points.
- **Rule 293:** Rule 293 has been substantially amended to bring together and extend provisions setting out the key responsibilities of the responsible person with respect to the metering installations it provides. These include obligations to remedy defects, investigate issues identified by AEMO and notify affected m participants of issues affecting metering data. For the final rule, changes have been made to subrules (2), (3) and (4) to correct drafting and to ensure information is provided to all relevant parties.
- **Rule 294(1):** Rule 294 allows any affected Participant at its own cost to provide check metering at or near a point specified in the subrule. The rule has been amended to accommodate distribution injections. For the final rule, the drafting has been simplified compared to the draft rule.
- **Rule 295:** Rule 295 specifies the components of a metering installation and the requirement to be accurate in accordance with the procedures. The rule has been

amended to clarify that the responsible person is required to ensure that its metering installations meet the requirements of the rule.

- **Rule 299:** Rule 299 deals with requirements for calibration of metering installations and currently applies only to metering installations at system points.
  - The rule has been amended to extend it to all settlement metering points.
  - Other changes to the rule delete provisions that have been moved (in modified form) to rule 293 or rule 316(4).
  - Subrule (3) provides for AEMO to review the calibration requirements at intervals not exceeding one year. This has been changed to intervals not exceeding five years and not more than once a year.
  - Subrule (4) has been amended to require a responsible person to give its calibration procedures to AEMO.
  - For the final rule, a note has been added to subrule (9) referring to the arrangements in rule 318A allowing a responsible person to request AEMO to provide metering-related information to affected Participants on its behalf.
- **Rule 300:** Rule 300 deals with security of metering equipment.
  - Changes to subrule (2) clarify that the obligation to notify affected Participants of tampering with a metering installation extends to a responsible person that is not a Registered participant. For the final rule, the amendments provide for a Registered participants (who is not the responsible person) that finds evidence of tampering to notify the responsible person as well. A note has been added to refer to the arrangements in new rule 318A.
  - Changes to subrule (3) set a time limit of two business days for the responsible person to test the metering installation to ensure that the metering equipment remains accurate. The final rule allows the two days to be extended with AEMO's approval.
- **Rule 302:** Rule 302 requires information to be given to AEMO where there are changes to parameters or settings within a metering installation that may affect the accuracy of metering data. The obligation has been extended so that the information must also be given the Distributor for receipt points on its DDS (as proposed in the draft rule) and (for the final rule) market withdrawal points on the DDS.
- **Rule 303:** Rule 303 deals with energy metering and measurement.
  - A new subrule (2A) requires a metering installation at a market injection point on a DDS to be capable of determining the energy content of gas flowing through the metering point unless otherwise agreed by AEMO and the responsible person. This is consistent with the existing requirement for DTS injection points in subrule (2). For the final rule, the new requirement in subrule (2A) has been extended to market withdrawal points on a DDS and a consequential change has been made to subrule (3).

  - Subrule (5) has been amended to allow the standards to be used to calculate the energy content of gas to be specified in the energy calculation procedures. A consequential change has been made to subrule (6).
- **Rule 304:** Rule 304 deals with the performance of metering installations. Subrule (2) has been deleted and moved to rule 293(2) in modified form. For the final rule, subrule (1) has been amended so that the same standards apply to transmission delivery points and distribution delivery points for distribution connected facilities.
- **Rule 305:** Rule 305 deals with meter time. For the final rule, subrule (2) has been amended so that the same accuracy requirements apply to all delivery points. This is a consequential change arising out of the changes to the definition of 'system point' to allow for withdrawal bids for DDS withdrawals.
- **Rule 306:** Rule 306 allows for pulse outputs to be provided to affected Participants for use in controlling 'production or consumption' of gas. For the final rule, this has been changed to 'injection or withdrawal' to avoid doubt about whether it applies in relation to a blend processing facility.
- **Rule 312:** Rule 312 provides for rights of access to metering data. For the final rule, the right of an Allocation Agent to access metering data under subrule (1)(f) has been extended to market injection points and market withdrawal points. This is a consequential change to allow for injection and withdrawal points in a DDS participating in the market.
- **Rule 314(4)(a):** In rule 314, which deals with data validation and substitution, a minor change has been made to clarify that 'removal from service' of a metering installation includes temporary removal from service.
- **Rule 316:** Rule 316 deals with data used for settlements. The heading has been amended to better reflect the subject matter of the rule. Other drafting changes clarify subrule (1). Subrule (3) has been moved to rule 293 and former rule 299(7) has been relocated to rule 316 as subrule (4).
- **Subdivision 5 of Division 3:** The heading to Subdivision 5 of Division 3 has been amended to reflect changes made elsewhere in the subdivision.
- **Rule 317A and 317B (new):** New rules 317A and 317B set out the new framework for information to be exchanged or other arrangements established between AEMO and Distributors where needed to perform their respective roles in relation to injections and withdrawals from a DDS that are scheduled through the market.
  - New rule 317A provides for AEMO to make new distribution operational coordination procedures. These will cover the exchange of information and the arrangements for submission, assessment, acceptance and review of methodologies for determining distribution supply or demand point constraints at DDS injection and withdrawal points for scheduling purposes.
  - New rule 317B sets out the detail of the framework for putting in place methodologies for determining distribution supply or demand point constraints. For the final rule, the draft rule has been amended to provide for only one constraint methodology covering each DDS, to clarify in subrule (6) that a Distributor may initiate a review of the methodology and to add new subrule (8) to require publication of the methodology,

subject to exclusion of confidential information. Other drafting corrections and clarifications have also been made.

- **Rule 317C (new):** New rule 317C confirms that a Distributor may constrain the injection of gas into its distribution system in accordance with its service contracts, the law, or for safety reasons and that this does not give rise to compensation under Part 19. For the final rule, new subrule (2) has been added requiring the Distributor to notify AEMO promptly where it applies an ad hoc constraint.
- **Rules 318A (new):** For the final rule, new rule 318A allows a person required to give metering related information under specified rules to one or more Registered participants to ask AEMO to send it to the Registered participants on the person's behalf.
- **Rule 319(4)(d):** For the final rule, this new paragraph requires the electronic communication procedures to provide for requests under new rule 318A.
- **Rule 320(2):** Rule 320 deals with information to be included in each operating schedule. Consequential changes have been made so that the rule does not extend to declared distribution systems where that is not intended.
- **Rule 320(3):** Rule 320(3) specifies information to be published by AEMO for each scheduling interval in the previous gas day. Paragraph (c) has been extended to details of the total quantity of gas injected into a DDS at a DDS injection point.
- **Rule 326A (new):** For the final rule, a new rule 326A has been included to allow the maintenance planning procedures to require information about maintenance of distribution connected facilities to be provided to AEMO.
- **Rule 327B:** Rule 327B deals with the determination of capacity certificates zone and the allocation of injection and withdrawal points to zones. Amendments to the rule provide for AEMO to determine the allocation of DDS injection points to entry capacity certificates zones. For the final rule, the rule has also been extended to deal with the allocation of the market withdrawal points in declared distribution systems to exit capacity certificates zones.
- **Rule 328D:** A consequential change to subrule (3) reflects the changes to rule 327B.
- **Rule 344:** Rule 344 provides for Registered participants to claim compensation if there is market intervention. The right to compensation has been extended to DDS injections and the right to payment of a transportation tariff has been extended to the Distributor.
- **Rule 350:** Rule 350 provides for Registered participants to claim compensation in respect of gas injected into the DTS where an administered price cap is applied. The rule has been extended to injections into a DDS.

C.4 Schedule 4

- **Part 17 (new):** New Part 17 of Schedule 4 sets out the transitional rules. The approach to implementation, including the transitional rules, is explained in the implementation chapter of the determination. For the final rule, changes have been made to:
  - define connection agreement (since the definition in Part 19 is limited to DTS connections)

- align the timing for amended and new procedures to 3 months before the commencement date
- include the net bidding facilities procedures in the new procedures to be made by AEMO
- clarify the cost recovery arrangements in the interconnection principles.