

11 December 2013

Mr John Pierce  
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Australia Energy Market Commission  
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Dear Mr Pierce

### **Supplementary submission - Proposed changes to Victorian gas planning review**

The Australian Energy Market Operator (AEMO) has proposed changes to Part 19 of the National Gas Rules to allow the publication of a Victorian Gas Planning Review (VGPR) every two years. This supplementary submission explains how the proposed changes meet the national gas objective (NGO).

Before the Australian Energy Market Commission can make a rule change it must apply the rule making test set out in the National Gas Law (NGL), which requires it to assess whether the proposed rule will, or is likely to, contribute to the NGO. Section 23 of the NGL sets out the NGO as follows:

*... 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, quality, safety, reliability and security of supply of natural gas.*

AEMO believes that the proposed changes meet the NGO as they are in the long term interests of consumers of natural gas with respect to price, promote efficient investment in natural gas services, and promote the efficient operation of markets through the timely provision of information. Each is explained in more detail below.

#### 1. Consumer price impact

The proposed changes will have a positive impact on the consumer pricing value chain. Savings of approximately one full time equivalent employee in developing assumptions, modelling and presenting information will be allocated to other prioritised matters, at a cost saving of approximately \$150k per annum to market participants.

Victoria's competitive gas retail market encourages retailers to pass on this value to attract or retain customers.

#### 2. Efficiency of investment

Changing the VGPR reporting cycle to two years does not reduce the VGPR's value in providing efficiency of investment. With a five year access arrangement cycle, investment decisions are informed by at least two VGPR publications and by annual forecast updates. Sensitivity analyses on system capacity for varying input assumptions within the VGPR will highlight areas of potential investment concern should circumstances change.

Additionally, AEMO will update the most recent VGPR if it is materially affected by new information consistent with rule 323(5) of the National Gas Rules.

3. Efficiency of operation – Information provision to the market

With lead times for system augmentation typically 2 to 3+ years, the market will always be informed of upcoming capacity changes through scheduled VGPR releases. Should any material augmentation be fast tracked, AEMO will provide an updated VGPR consistent with rule 323(5) to ensure effective provision of information to the market.

Should have any queries or wish to discuss the matter further, please contact Roger Shaw on 03 9609 8585.

Yours sincerely



Mike Cleary

**Chief Operating Officer**

cc: Sandra McLaren, Acting Group Manager Market Development, AEMO

Roger Shaw, Senior Manager Gas Wholesale Market Development