

Energy in
action.®



7 November 2014

Mr John Pierce
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Project reference: **GRC0027**

**Draft Rule Determination: National Gas Amendment (Removal of
Force Majeure Provisions in the DWGM) Rule 2014**

Dear Mr Pierce

AGL fully supports the AEMC's draft rule determination of 2 October 2014 regarding the above rule change proposed by AEMO. The proposal to remove the Participant Force Majeure (**PFM**) and System Force Majeure (**SFM**) provisions from Part 19 of the National Gas Rules emerged from discussions and debate at the Gas Wholesale Consultative Forums (**GWCF**) at AEMO. AGL supported this rule change at the GWCF and in its submission dated 7 August 2014 to the first-round consultation run by the AEMC.

As we indicated in our earlier submission, the impetus for this rule change was the realisation by Market Participants that the PFM provisions in the rules did not afford the protection that they seemingly conferred or were thought to have conferred on participants who were unable to meet scheduling instructions — the only relief on offer was protection from a regulatory breach. This was confirmed by the experiences and events of gas day 22 November 2008. Based on that experience, the general view amongst market participants was that we should rely on the Cumulative Price Threshold (CPT) as the objective trigger for invoking the administered price cap which would set an upper limit on market prices for the duration of the administered price period. The CPT does not require AEMO to exercise discretion about whether to intervene or not where there is a disruption to normal supply, which was the shortcoming with the previous arrangements where AEMO would have to determine whether a particular supply disruption or failure warranted declaration of an SFM.

The move away from a daily ex post market to an ex ante market with intra-day renomination opportunities has also meant that participants now have the opportunity to revise their positions in light of changed market circumstances. The concept of PFM, which made eminent sense in the context of the earlier gas market, was beginning to look less useful as a risk management tool.

The CPT in the DWGM of \$3,700 over 35 consecutive trading intervals was considered to be relatively more than the thresholds in the NEM and STTM, and the GWCF agreed to lower this level to \$1,800. This has been put in place by AEMO.



On that basis, AGL fully supports the AEMC's draft determination to accept the AEMO proposal in its entirety.

Please refer any queries to George Foley who can be contacted on (03) 8633 6239 or at gfoley@agl.com.au.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Duncan MacKinnon', is written over a light blue horizontal line.

Duncan MacKinnon

Manager Wholesale Markets Regulation