



7 August 2014

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

Project reference: **GRC0027**

Consultation Paper: National Gas Amendment (Removal of Force Majeure Provisions in the DWGM) Rule 2014

Dear Mr Pierce

AGL endorses the proposal submitted by AEMO on behalf of the Gas Wholesale Consultative Forum (**GWCF**) to remove the Participant Force Majeure (**PFM**) and System Force Majeure (**SFM**) provisions from Part 19 of the National Gas Rules. AGL supported these rule changes when they were debated and discussed at several GWCF meetings and in a dedicated workshop on Force Majeure in 2012.

The genesis for this particular rule change was the realisation by Market Participants that the Participant Force Majeure provisions in the rules did not afford the protection that they seemingly conferred. An inability to meet scheduling instructions owing to an upstream FM event would afford protection from a regulatory breach but still left the Market Participant exposed to the wholesale market. It was also realised that PFM was in effect a trigger which required AEMO to determine whether a particular supply disruption or failure warranted declaration of an SFM. It was only in the event of AEMO declaring SFM that would provide relief by applying the administered price cap to market prices.

As noted in the minutes of the FM workshops and the subsequent GWCF meetings where draft rule change proposals were considered, the general view amongst participants was that reliance should in future be placed on the Cumulative Price Threshold (CPT) as a trigger for the administered price cap to be applied. The CPT has the benefit of being an objective measure and it does not require AEMO to exercise discretion about whether a shortfall in supply is such that it requires some form of market intervention. In keeping with this line of thinking, the GWCF then proceeded to review the relativity of the CPT in the DWGM relative to the CPTs that apply in the NEM and the STTM. It did arrive at the conclusion that the CPT of \$3,700 over 35 consecutive trading intervals was considerably more than the thresholds in the NEM and STTM and moved to lower the CPT to a level of \$1,800. This has been put in place by AEMO.

Should you have any queries, I can be contacted on (03) 8633 6239 or at gfoley@agl.com.au.

Yours sincerely,

George Foley
Manager Gas Market Development