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Dear Ms Collyer

**RULE CHANGE PROPOSAL - TO ENABLE GAS FACILITIES CONNECTED TO A DECLARED
DISTRIBUTION NETWORK TO PARTICIPATE WITHIN THE VICTORIAN DECLARED
WHOLESALE GAS MARKET**

Please find attached a proposal to amend the National Gas Rules to allow production and storage facilities connected to a gas Declared Distribution System, to participate within the Victorian Declared Wholesale Gas Market (DWGM).

I endorse this Rule change proposal and request that the AEMC progress with its initiation.

Yours sincerely

Hon Lily D'Ambrosio MP
Minister for Energy, Environment and Climate Change
Minister for Solar Homes

08/ 09 / 2021

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RULE CHANGE PROPOSAL - TO ENABLE GAS FACILITIES CONNECTED TO A DECLARED DISTRIBUTION NETWORK TO PARTICIPATE WITHIN THE VICTORIAN DECLARED WHOLESALE GAS MARKET

Please find attached a proposal to amend the National Gas Rules to allow production and storage facilities connected to a gas Declared Distribution System, to participate within the Victorian Declared Wholesale Gas Market (DWGM).

This Rule change proposal seeks to modify the DWGM to account for distribution injection facilities with regard to:

- Market operation including registrations, scheduling, bidding, and constraints
- Market settlements including allocations; and
- System operation and planning, including connections, metering, gas quality, and powers of direction.

These changes collectively aim to promote the transparent and effective trade of gas within Victoria as the state transitions to a renewable, sustainable energy system, which could include distributed gas resources such as hydrogen and biomethane facilities.

If you would like to discuss the proposed rule changes, please contact me by email at Matt.Garbutt@delwp.vic.gov.au or on (03) 8624 3240.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Matt Garbutt', written over a horizontal line.

Matt Garbutt
Executive Director, Energy Sector Reform
Department of Environment, Land, Water and Planning

RULE CHANGE PROPOSAL

The Rule change request proposes a series of amendments to the National Gas Rules (NGR) which would address the market, system and operational challenges presented by gas distribution connected production facilities. While this Rule change request is designed to facilitate distribution connected facilities within the Victorian gas market, there is the existing issue regarding the National Gas Law (NGL) definition for natural gas that currently excludes hydrogen.

The Victorian Government notes that a broader review of the NGL and NGR is due to commence to address this issue and believes this Rule change request should be progressed in parallel. While we request that this change be progressed in parallel to assist teasing out any further issues to be addressed, we note that this change is not be dependent on the progression of the broader review to integrate hydrogen into the NGL.

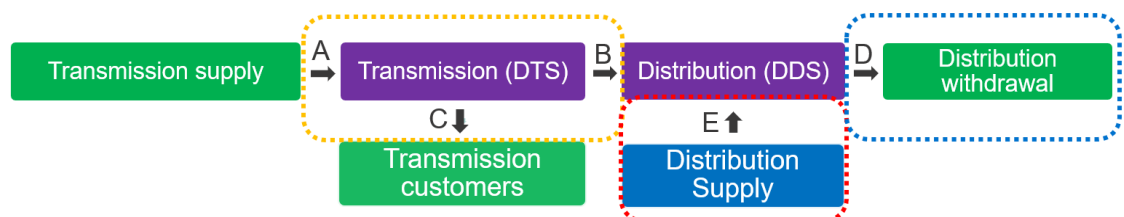
Problem Definition

The Declared Wholesale Gas Market (DWGM) is a wholesale market that enables trading of gas injections and withdrawals from the Declared Transmission System (DTS), which links producers, storage providers, and interconnected pipelines with major users and retailers. AEMO operates both the DWGM and the DTS (circled in yellow in the diagram below).

The Victorian gas retail market (circled in blue), allows licensed retailers to sell natural gas to residential and business customers who are connected to a declared distribution system (DDS) which is supplied from the DTS and DWGM. Currently the gas withdrawn from the DDS is considered equal to the gas withdrawn from the DTS ($B = D + \text{Distribution unaccounted for gas (UAFG)}$) and is managed through balancing processes in AEMO's gas market systems.

When gas supply facilities (circled in red) connect to a DDS:

- the current DWGM design and National Gas Rules (NGR) do not contemplate the selling or trading of this supply, and
- the gas withdrawn from the DDS will not equal the gas withdrawn from the DTS ($B \neq D$) creating potential gas market complexities.



A = transmission injections
D = distribution withdrawals

B = transmission withdrawals
E = distribution supply

C = transmission customers

$$A = B + C + (\text{Transmission UAFG} + \Delta \text{Linepack})$$

$$B = D - E + (\text{Distribution UAFG})$$

The rules governing the Short Term Trading Markets (STTM) in Sydney, Adelaide and Brisbane do contemplate distribution connected facilities and allow for the trading of gas from these facilities within the market.

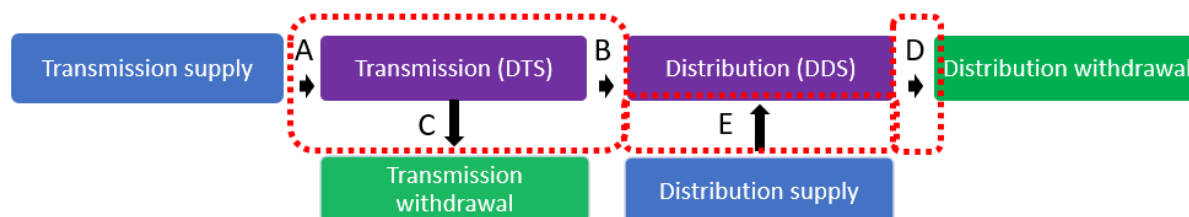
The Victorian Government wishes to maintain the high level of transparency and liquidity of the DWGM and include all supply facilities in the market similar to the STTM. An initial assessment of options on how these facilities could be integrated into the market has been conducted.

Preferred Option

The Victorian Government has considered three potential options for how distribution connected supply facilities may participate in the gas markets (Retail and Wholesale) to supply gas to end-use customers and has a preference as to which provides the most benefit. The preferred option is covered in this section while the other two options are noted in **APPENDIX 1 – Other options considered**.

The Victorian Government's preferred option is to maintain the fundamentals of the current DWGM design, which is to schedule supply and demand from declared networks but to include distribution network connected facilities. Implementing this option requires some changes in the NGR definitions that apply to the DWGM to include distribution supply facilities within the market. Currently, the DWGM operates such that injections into and withdrawals from the DTS are scheduled. Expanding the scope would mean that the market considers all injections into the DTS and DDS, and the total withdrawals supplied by these injections.

Supply bidding would be maintained in its current state with the addition of new injection points for distribution supply facilities, but the definition of demand is likely to require a change. Demand in the DWGM is defined as gas withdrawn from the transmission network ($B + C$). The existing gas withdrawn from the DDS is equal to gas withdrawn from the DTS ($B = D$ where $E = 0$). To maintain an accurate representation of demand in the Victoria, the definition of demand would need to change to incorporate all gas usage whether it is from the transmission or distribution ($D + C$). This would maintain the status quo that demand in the DWGM effectively equals the combined volumes from transmission connected customers and the distribution demand within the gas retail market.



This is the preferred option as it fundamentally maintains the market design, thereby reducing the cost and complexity of implementation, and maintains the existing DWGM benefits of transparency and market liquidity.

Scope of Change for the Preferred Option

When examining the NGR, to implement the preferred option there are three areas which appear to require updates to facilitate and integrate distribution connected facilities into the DWGM. The three categories are:

- Market operation with regards to registration categories, bidding, demand forecasting, scheduling, application of constraints, and from 1 January 2023 the allocation of capacity certificates for tie-breaking.
- Market outcomes with regards to settlements, allocations and funding.
- System operation with regards to connection requirements, gas metering, gas quality management, and system security with regards to powers of direction.

The following is a summary of these issues with details and options for resolution. The rules identified in the following list are not exhaustive but are the relevant rules which have been identified prior to broad industry consultation.

Market operation

The DWGM broadly does not contemplate distribution connected supply facilities with regards to the registration of these types of facilities, market participants bidding gas into the market from distribution connected facilities, the scheduling of these facilities or how they should be managed with constraints.

Issue identified	Rule(s)	Identified Options / Solutions	Preference
Facility registration The definitions for who can register as a participant in the DWGM is listed in the NGR. None of these participant types provide a registration category for distribution connected facilities.	Part 15A 135A	Introduce new facility types for distribution connected facilities.	Expand the existing definitions as this will then automatically flow through the Rules minimising the number of updates required.
		Expand the existing definitions for the facility types (producer, storage provider, Market Participant producer and Market Participant storage provider) to include distribution connected facilities.	
Requirement to submit bids Bidding rules don't allow market participants to bid gas supplied from distribution connected facilities into the market.	Part 19 207	Update all bidding rules to include the ability to bid the gas into the market from distribution connected facilities.	Only identified option
Gas scheduling The gas from a distribution connected facility cannot be scheduled in the DWGM.	206 213 219 320	Update all scheduling rules to allow the injections into a DDS to be scheduled.	Only identified option
Demand forecasts The rules require a Demand Forecast to be the amount of gas that will be withdrawn from the DTS. Distribution injections will offset demand reducing the DTS demand. Under Option 3, injection facilities will be scheduled in the DWGM, meaning supply and demand will not balance.	207 208	Alter the existing demand forecast to be all gas consumed from a declared system being both distribution and transmission. This then allows demand and supply to remain equal.	Expanding the existing demand forecast definition is the preferred option allowing supply and demand to balance in a clear transparent manner.
		Maintain the existing NGR gas demand forecast description being gas withdrawn from the DTS – which means supply and demand will not be equal. For example: Distribution demand = 10, Transmission supply = 8, Distribution supply = 2. Existing demand definition = 8. Supply = 10 while Demand = 8	
Determination of market price Should any distribution facility limitations such as blending constraints impact the market price?	221	Do not include distribution injection constraints within the market price and pricing schedule. Have them treated consistently to other injection network constraints.	The preference is to not treat distribution connected facilities as a negative demand. Therefore, distribution network injection

Issue identified	Rule(s)	Identified Options / Solutions	Preference
The market price has many items feeding into it. Injection side network constraints are not included in the pricing schedule, but withdrawal side network constraints are included. How should distribution injection network constraints be treated?		Include distribution network injection constraints within the market price and pricing scheduling as this is effectively being treated as a negative demand and withdrawal constraints are included within the pricing schedule.	constraints should be treated consistently with other injection network constraints and should not be included in the pricing schedule.
Operating schedules Should distribution network limitations such as blending constraints be treated as a network constraint and should they be included in the operating schedule? Who will determine and manage these types of constraints? The current rule requires that only supply side transmission constraints should be included within the operating schedule.	215	Maintain this existing design and have the distribution networks manage these constraint issues outside the DWGM which will cause market deviations.	No clear preference has been identified at this point in time.
		Expand the definition to allow distribution network constraints that impact distribution supply sources to be included within the operating schedule.	
		Introduce a new type of constraint for distribution connected facilities that is managed by the Gas Scheduling Procedures.	
MDQ Authorisation / Capacity certificates Under the new rules commencing in 2023, capacity certificates can be allocated to injection facilities in each zone for tie-breaking rights. The rules do not contemplate distribution connected facilities.	327 - 332	Allow distribution connected facilities to be allocated capacity certificates for tie-breaking rights even though they are not injecting into the transmission network.	Allow distribution connected facilities to be allocated capacity certificates for tie-breaking rights to ensure they are not preferentially de-scheduled in some circumstances.
		Leave rules as they are in that only transmission facilities can receive tie-breaking rights.	

Market outcomes

Once the gas is scheduled per the Market Operation item, this gas must then be allocated to a participant for settlements and billing. Currently the rules do not contemplate allocations to distribution connected facilities so updates will be required in line with the Market Operation changes.

Issue identified	Rule(s)	Identified Options / Solutions	Preference
Title, custody and risk AEMO currently has the right to co-mingle gas, the gas injected by a Market Participant is not the same gas that they withdraw from the DTS, and the title of the gas passes back to the Market Participant when withdrawn from	220	May be dependent on how the distribution connection facilities are to be treated. Other existing rules or legislation may already cover blending, custody and title within distribution networks adequately. Further investigation is required.	Uncertain if the distribution blending and title is already adequately covered, if so then no changes would be required. If it is not adequately covered then can

Issue identified	Rule(s)	Identified Options / Solutions	Preference
the DTS. Do the rules need to contemplate distribution blending?		Update the co-mingling rules to include co-mingling in a declared distribution network and require that gas consumed by an end user is not necessarily the gas which is injected. May need to note that it is under the declared distribution network service providers' responsibilities and not AEMO's.	expand the rule to recognise co-mingling within a declared distribution network.
Participant Compensation fund MP contributions to the Participant Compensation Fund (PCF) is based on withdrawals from the DTS. The injection of gas by distribution connected facilities will therefore reduce this quantity.	225	Keep existing mechanism where transmission usage pays for the PCF.	As distribution producers are to be incorporated into the market, the preference is to expand the cost recovery mechanism to cover all users.
		Expand the cost recovery mechanism to cover all users from a declared network who participate in the market to then capture gas injected at a distribution level.	
Allocations and the determination of fees payable to AEMO Allocations are only contemplated for the DTS injections and withdrawals and not at a DDS level. If injection facilities connect to a DDS and are scheduled within the DWGM then the actual gas injected will need to be allocated to Market Participants.	228 229 230	Expand the definition of what is allowed to be allocated to include injections into a DDS.	Include distribution facilities within the allocation rules to allow allocations to these facilities and to be incorporated into the fee methodologies. AEMO can then update their fee allocation methodology with an industry consultation.
		If the injections are not allocated but treated as a negative demand, then the withdrawal allocation methodology will need to undergo significant redesign to contemplate this.	
Default notices and market suspension Default notices and market suspensions currently only contemplate limitations on the DTS connected facilities and not DDS connected facilities	259 260	Expand 259 and 260 to include injections into the DDS	Only identified option

System operation

The issues identified under the system operation category are mostly physical system management items within the rules. Some of these have interlinkages with the market operation items such as metering which is required for settlements and billing.

The metering rules in some areas do contemplate distribution connected supply, but not thoroughly nor consistently. Some minor updates will be required to create consistency so that a distribution facility's metered quantities can be used for settlements and billing.

The gas quality, connections, and system security items may each be a stand-alone item. These relate to who should have responsibility for managing these types of facilities. For example, who provides the

standard specifications that state what the facility must do, who monitors the gas they provide/inject, and who determines whether it can be accepted into the network.

Issue identified	Rule(s)	Identified Options / Solutions	Preference
Connections The connections part of the rules covers connection to the declared transmission for parties who connect after 1999. This can create legacy issues with different requirements for different facilities. This also does not cover supply facilities which connect to a distribution network.	267	Replace section such that this applies to all connections to the DTS and all injections into a DDS with no time limitations. One concern is whether this creates issues where if a connection rule or procedure changes then it needs to retrospectively apply to all connections.	Replace wording to cover distribution supplies and add transitional wording here to acknowledge that changes to the connection rules or procedures have a timeframe within which they must comply and do not immediately come into effect for existing connections.
Obligations of declared transmission system service provider These sections cover the obligations of the DTS SP to connect a party but nothing in the rules regarding a connection to a DDS.	268 273	Could expand 268 to include injection connections to a DDS	Initial perspective is to create a new section (e.g. 268A & 273A) specific to a DDS SP to clearly distinguish who is responsible and what they are responsible for.
		Could create a 268A & 273A to cover the obligations of a declared distribution system service provider.	
Obligations of AEMO assessing and approving connections This section covers the current obligations on AEMO to assess and approve connections only to the DTS.	269 272 275 276 277	Have AEMO play an active role in the distribution injection connections.	Initial perspective is the DDS SP should be the main facilitator of the connection process to their network with only some market operator involvement from AEMO with regards to market operation.
		Have the process managed by the distributor with AEMO only being informed as a market operator to manage the registration and scheduling processes	
Obligations of Connected Parties This section covers the connection agreements between a connecting party and the transmission service provider and not a distribution service provider.	270 271 274	Update to state that the connected party ensures they comply with the requirements under the connection agreement with the facility they connect to whether it be the DTS SP or a DDS SP.	Only identified option
Gas quality Gas quality management is made via a documented plan provided by the connected facility and approved by AEMO. The plan contains details regarding	287 288 289	Expand AEMO's role to set the standards for which the distribution gas must comply with, approval of the monitoring systems and plans, and also actively monitor the distribution gas quality at distribution injection points.	The initial perspective is to slightly expand AEMO's role to centrally set the standard which all connected parties

Issue identified	Rule(s)	Identified Options / Solutions	Preference
<p>what services and information the connected facility must provide to AEMO for monitoring, and how the accuracy of the equipment will be maintained.</p> <p>It is important to maintain the rules which contemplate multiple gas quality standards as hydrogen in its pure form does not comply with the typical gas quality standard.</p> <p>The other rules, however, only contemplate gas quality systems, plans and agreements with regards to injections into the DTS.</p>		Slightly modify AEMO's role to expand the existing standards to include distribution connections to which the connected party must comply with, but allow the agreements around how they comply to be agreed upon between the DDS and the connected party with the DDS SP conducting the ongoing monitoring.	<p>must comply with. This is considered an efficient outcome rather than having every party set their own standard which may create confusion for new parties wishing to connect. The DDS SP, however, should be responsible for the monitoring plans and active monitoring as the distribution network operator with compliance managed by ESV through the gas safety case provisions.</p>
		Allow DDS SPs to enter into agreements and have the same powers and abilities as AEMO at a distribution level, to create their own injection standards that they monitor and comply with.	
<p>Metering The NGR does contemplate connections to declared distribution networks, but the framework is not comprehensive. This rule also places the obligation for metering on the DDS SP or the DTS SP. Does not allow connected parties to provide their own compliant metering unless the service provider agrees to allow them to.</p>	290	The NGR already contemplates distribution injection facilities under 292(2). Minor updates needed in the wording on metering accuracy and calibration requirements, etc to ensure distribution supply is included.	<p>Update the metering rules to ensure distribution supply is covered by metering accuracy rules, however no clear preference has been identified at this point in time regarding whether the connected parties should be able to provide their own compliant metering.</p>
		Conduct the minor updates as above but also modify the obligations to allow connected parties to provide their own compliant metering.	
<p>Threats and interventions Current rules only contemplate AEMO intervention for issuing directions to transmission connected facilities.</p>	343 344 350	Expand existing intervention powers in the NGR to allow AEMO to intervene by directing distribution connected facilities. Note there are risks that need to be explored here if the over-injection of hydrogen has safety implications.	<p>AEMO powers under the NGR should be consistent with the NGL to allow AEMO to direct distribution connected facilities. This is in-line with existing powers of direction regarding the curtailment of distribution customers.</p>
		Leave existing powers in the rules as is and do not allow AEMO to direct distribution connected supply facilities. Note this may create inconsistency with 91BC which already contemplates AEMO directing any registered participant with regards to a DTS or DDS.	

Other design considerations

Materiality threshold

The Victorian Government has considered whether small facilities should have to participate in the market and comply with all requirements such as the installation of remote telemetry, monitoring and metering equipment, or whether this would be an unreasonable cost burden on small facilities.

It is assumed that hydrogen facilities will have remote telemetry and monitoring to allow remote ramping of the electrolyzers based on market conditions and existing Tariff D sites (which are expected to be of a comparable size to electrolyser facilities) already have metering requirements.

DELWP's perspective is that a materiality threshold could create market complexity, uncertainty, and if a large number of small facilities participate in the market, this could eventually create risks to system security.

Bidding rules for the DWGM (NGR 209), however, state that bids are to be expressed on a GJ basis, thus potentially providing a market materiality threshold. If a facility produces 1 GJ/hour or less, then the hourly quantity of gas may not be able to be bid into the DWGM. Therefore, the question arises as to whether production facilities smaller than the bidding rules should be included within the market but have reduced requirements, e.g. daily bidding/allocations?

Scheduling intervals

Hydrogen facilities are expected to be more flexible in their operation, ramping up and down based on the NEM price. While it is not a near-term consideration, over time if there is substantial growth in hydrogen production, then whether the DWGM should have shorter scheduling horizons and allow rebidding more frequently to allow them to utilise their flexibility should be considered.

While this may be a longer-term matter for hydrogen production, there may be shorter term benefits for gas powered generation in Victoria as renewable uptake increases within Victoria.

Definitions

Within Part 19 of the NGR there are many definitions used to describe a connection. This list includes;

- **Connected Party** means a person (other than a declared transmission system service provider) who is party to a connection agreement or who owns, operates or controls a pipeline or pipeline equipment that is connected to the declared transmission system
- **connection** means a physical connection between a pipeline or pipeline equipment and the declared transmission system or a modification of such a connection.
- **connection point** means a delivery point, a transfer point or a receipt point.
- **delivery point** means a point on a pipeline at which gas is withdrawn from the pipeline and delivered to a Customer or injected into a storage facility.
- **Distribution Customer** means a Customer who withdraws gas at a distribution delivery point.
- **distribution delivery point** means a point on a distribution pipeline at which gas is withdrawn from a declared distribution system and delivered to a Customer or injected into a storage facility.
- **receipt point** means a point at which gas is received into a pipeline, other than a transfer point, including a point at which gas is received into the pipeline from a storage facility or a gas production facility.
- **supply point** means a transmission supply point or a distribution supply point as defined in the Retail Market Procedures

- **system injection point** means a connection point on the declared transmission system that is designed to permit gas to flow through a single pipe into the declared transmission system, which may also be, in the case of a transfer point, a system withdrawal point
- **system point** means a system injection point, a system withdrawal point or a system withdrawal zone.
- **system withdrawal point** means a connection point on the declared transmission system that is designed to permit gas to flow through a single pipe out of the declared transmission system, which may also be, in the case of a transfer point, a system injection point.
- **transfer point** means a point where gas is transferred between the declared transmission system and:
 - (a) a transmission pipeline that is not part of the declared transmission system; or
 - (b) a declared distribution system.
- **transmission delivery point** means a point on the declared transmission system at which gas is withdrawn from the declared transmission system and delivered to a Transmission Customer or injected into a storage facility.

With the implementation of distribution connected facilities within the rules and market, some of these definitions may have to be examined in both the way they are defined and where they are used to ensure they remain fit for purpose.

National Gas Objective

This rule change is expected to help achieve the National Gas Objective, set out in the National Gas Law as follows:

"The objective of this Law is 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."

The implementation of this rule change:

- Encourages investment that is in the long term interests of consumers by providing a framework for the delivery of sustainable renewables gases as Victoria's energy system progresses towards net-zero
- facilitates efficient operation by incorporating these facilities into the existing market design and not requiring bespoke complex arrangements.

Expected benefits and costs

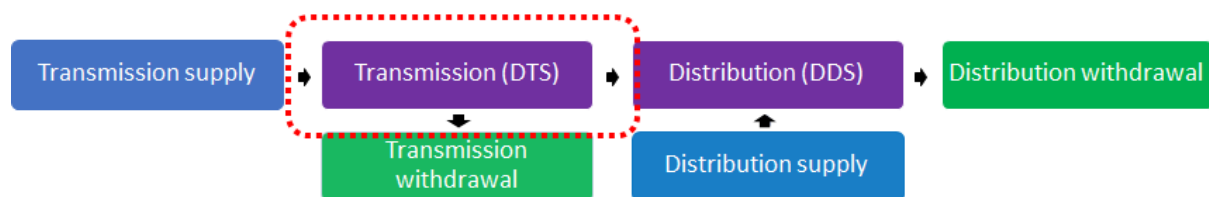
As the energy industry transitions to net zero, the Victorian Government envisages biogas and hydrogen as being a prominent, viable path towards decarbonisation. The substitution of natural gas will initially only occur through distribution connected facilities. Ensuring a streamlined, consistent and transparent process for the connection and integration of these facilities into the market will minimise the costs of these facilities participating in the market.

The Victorian government notes that there will be costs associated with the change, but that the long term costs of inaction (namely the scenario described under option 1) would be higher than the costs of the preferred option. The Victorian Government's preferred option, as noted within the Rule change request, is to maintain the fundamentals of the current DWGM design which will minimise the cost of implementation.

APPENDIX 1 – Other options considered

Option 1 – Supply from the distribution connected facilities is managed contractually to retail customers outside of the DWGM

This is effectively the do-nothing option which would see the Victorian retailers contract the supply from the distribution connected facility to supply gas to their own customers within that distribution network. The DWGM would encompass the existing scope highlighted in red, only covering the ins and outs from the transmission network.



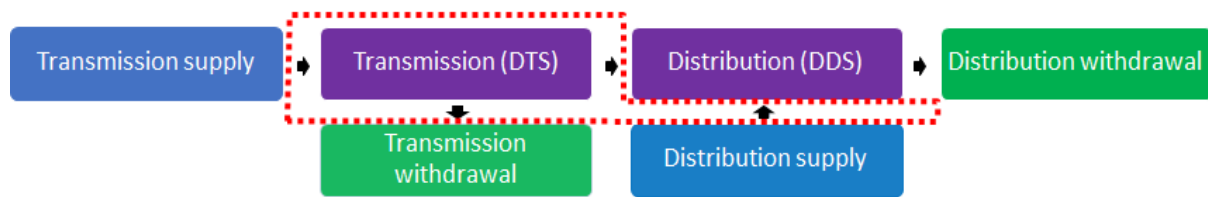
This is not considered a desirable solution as it:

- **Limits the number of possible customers available to each distribution supplier** – For example, supply into the Wodonga distribution network can only then be purchased via a contract with a customer within the Wodonga distribution network.
- **Lacks transparency** – Currently, all DTS capacity, bidding, supply and demand information is published to the industry creating a highly transparent Victorian market. This option would mean the distribution supply information would not be published with the DWGM data reducing market transparency.
- **Creates demand uncertainty within the DWGM** – Distribution supply will negate demand for natural gas from the DWGM. If this supply information is not forecast and fed into the DWGM then this could create uncertainty within the DWGM as to what the actual gas demand is.
- **Potentially increases retail market complexity** – The retail market currently only manages retail competition for customers by facilitating them changing their retailers and providing market share information which is used for DWGM settlements. If supply is added to the retail market which did not come from the DWGM then bespoke and complex arrangements may be required.

Option 2 – Supply from the distribution connected facilities is managed as a negative demand within the DWGM to offset supply from the DTS

Under this option, Victorian retailers would contract the supply from the distribution connected facility to supply gas to their own customers within the network that the distributed supply facility is connected to. This supply could then be bid into the market as a negative site-specific demand reducing the locational demand.

This would keep the existing demand forecasting rules the same as what currently exists in that they are a forecast of gas withdrawn from the DTS. This forecast will effectively be treated as a total consumption forecast offset by the negative locational demand of the distribution supply. The DWGM would encompass the slightly expanded scope (highlighted in red) covering the ins and outs from the transmission network.

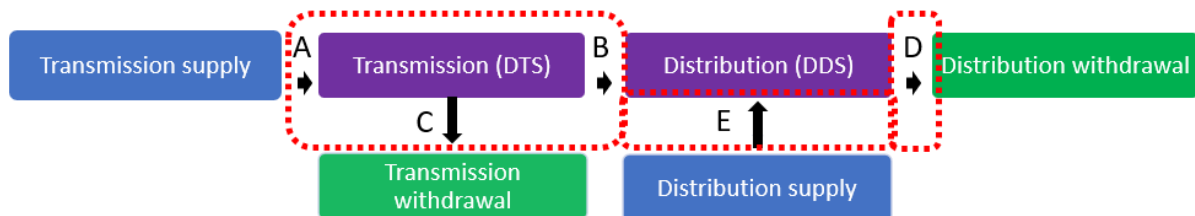


Compared to option 1, this option is more transparent and provides greater demand certainty. However, this option still limits the number of possible customers available to each distribution supply facility and still has the potential to create retail market complexity. Furthermore, there is potential for increased complexity in the DWGM due to the introduction of negative demand.

Option 3 (the preferred option)– Supply from the distribution connected facilities is fully integrated and scheduled as an injection into the DWGM

This is the Victorian Government’s preferred option as it maintains the fundamentals of the current DWGM design, which is to schedule supply and demand from declared networks. Implementing this option requires some changes in the NGR definitions that apply to the DWGM to include distribution supply facilities within the market. Currently, the DWGM operates such that injections into and withdrawals from the DTS are scheduled. Expanding the scope would mean that the market considers all injections into the DTS and DDS, and the total withdrawals supplied by these injections.

Supply bidding would be maintained in its current state with the addition of new injection points for distribution supply facilities, but the definition of demand is likely to require a change. Demand in the DWGM is defined as gas withdrawn from the transmission network ($B + C$). The existing gas withdrawn from the DDS is equal to gas withdrawn from the DTS ($B = D$ where $E = 0$). To maintain an accurate representation of demand in the Victoria, the definition of demand would need to change to incorporate all gas usage whether it is from the transmission or distribution ($D + C$). This would maintain the status quo that demand in the DWGM effectively equals the combined volumes from transmission connected customers and the retail market.



This is the preferred option as it fundamentally maintains the market design, thereby reducing the cost and complexity of implementation, and maintains the existing DWGM benefits of transparency and market liquidity.