

# Retail Proposed Procedure Change (PPC) – Hydrogen and minor RMP changes



<b>Ref# (if applicable)</b>	Package 3B IN007-21 & IN007-23.		
<b>Impacted jurisdiction(s)</b>	Victoria		
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<b>Affected Gas Market(s)</b>	Victorian Retail Market and Declared Wholesale Gas Market (DWGM)		
<b>Date proposal published by AEMO</b>	15 September 2023	<b>Date proposal sent to AEMO</b>	8 April 2021 (IN007-21) 5 May 2023 (IN007-23)
<b>Short issue title</b>	Proposed changes to the Victorian Retail Market Procedures (RMP) in light of the National Gas Rules (NGR) amendments to (i) extend the regulatory frameworks to include hydrogen and renewable gases; and (ii) include distribution connected facilities (DCF). There are several minor RMP changes that have been included in this consultation.		
<b>Procedure(s) or Documentation impacted</b>	Retail Market Procedures (Victoria)		
<b>Other key contact information</b>			

Version #	Presented to	Date
1.0	GRCF	15 September 2023

# Proposed Procedure Change (PPC) – Detailed Report Section

## Critical Examination of Proposal

### 1. Description of issue

#### 1.1. Background.

AEMO is amending the Retail Market Procedures (RMP) as a consequence of the:

- (a) AEMC's Hydrogen and Declared Wholesale Gas Market (DWGM) Distribution Connected Facility rule changes;
- (b) Essential Services Commission (ESC) review of the Gas Distribution System Code of Practice; and
- (c) A review undertaken by AEMO that identified minor amendments that will add further clarity to the RMPs.

Background on each of these changes are provided below.

##### 1.1.1. AEMC's Hydrogen and DWGM Distribution Connected Facility rule changes

In August 2021, Energy Ministers agreed that the national gas regulatory framework be reviewed and extended to accommodate hydrogen, biomethane and other renewable gases. This agreement meant changes are needed to documents that underpin the framework so that they recognise and facilitate natural gas equivalents. This also meant that:

- (a) Jurisdictional officials would review the National Gas Law (NGL), National Energy Retail Law and National Energy Retail Regulations;
- (b) AEMC would review the arrangements in the National Gas Rules (NGR) which include a request to incorporate distribution connected facilities (DCF) into the Victorian declared wholesale gas market (DWGM); and
- (c) AEMO would review its market Procedures for the DWGM, Short Term Trading Market (STTM) and Retail Market (excluding Western Australia).

Those reviews concluded in September 2022 whereby the AEMC and AEMO published final recommended changes to their respective regulatory instruments. AEMO's final recommendation report outlines AEMO's final recommended changes to the each of the above procedures.

In October 2022 the Energy Ministers agreed to amendments to extend the NGL and NERL to hydrogen and other renewable gases.

AEMO is undertaking a consultation on the DWGM's Wholesale Market Procedures and the Retail Market Procedures (Victoria) required as a result of the AEMC's [review into extending the regulatory frameworks to hydrogen and renewable gases](#) and the AEMC's [DWGM distribution connected facilities](#) rule changes.

Having considered the recommendation contained in section 4.4 of [AEMO's final recommendation report](#), the recommended changes have been made to RMP. Section 3 of this PPC provides a summary of these proposed RMP amendments.

AEMO is undertaking this Procedure consultation on the basis that the draft National Energy Laws Amendment (Other Gases) Bill 2022 and the AEMC's recommended Rules for extending the regulatory frameworks to hydrogen and renewable gases (including the recommended transitional rules) are made as published.

### 1.1.2. Essential Services Commission review of the Gas Distribution System Code of Practice

The Victorian Essential Service Commission's review of the Gas Distribution System Code of Practice, which require administrative changes to the RMP to be consistent with the Distribution Code.

### 1.1.3. AEMO's proposed amendments to the RMP.

A review undertaken by AEMO identified that several defined terms within the RMP should be amended to add further clarity to the RMP. AEMO is also proposing to introduce a new guideline to assist participants and other interested parties to understand the scope of certain terms in relation to the Declared Wholesale Gas Market (DWGM), the Victorian Retail Gas Market (VRGM).

## 1.2. How to make a submission

Anyone wanting to make a submission for this first consultation stage (Retail Proposed Procedure Change (PPC)) are requested to use the response template provided in Attachment C.

Submissions are due **COB 16 October 2023** and should be e-mailed to [grcf@aemo.com.au](mailto:grcf@aemo.com.au).

IMPORTANT NOTE-1: Some RMP changes may overlap with Wholesale Market Procedure changes. Details about the Wholesale Market Procedure changes are described PPC – DWGM Procedure changes for Hydrogen and DCF. In relation to feedback on the proposed amendments to the Wholesale Market Procedure changes, please use the DWGM – PPC response template<sup>1</sup> which can be [here](#).

IMPORTANT NOTE-2: The scope of works is limited to the initiatives described in this PPC. The scope maybe expanded to pick up other minor typographical errors that are identified. A more thorough review of the other clauses of the Procedures is out of scope for this consultation.

## 2. Reference documentation

The following Procedures, provided in Attachment A, are being consulted on as part of this Procedure change process. AEMO is also introducing a new guideline, as detailed in Attachment B.

AEMO will only republish documents that change at each stage of the Procedure consultation.

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<sup>1</sup> Submissions close **COB 16 October 2023** and should be e-mailed to [GWCF\\_Correspondence@aemo.com.au](mailto:GWCF_Correspondence@aemo.com.au)

Title	Legal Requirement
<b>Retail Market Procedures (Victoria) Ver 17.0.</b> Click <a href="#">here</a> to view	Retail Market Procedures (Victoria) required by rule 135EA (1) of the NGR.

As noted in section 1.2 of this PPC, some RMP changes may overlap with Wholesale Market Procedure changes. Details about the Wholesale Market Procedure changes are described PPC – DWGM Procedure changes for Hydrogen and DCF which can be found [here](#) .

### 3. Overview of changes

The marked up RMP changes are provided in Attachment A of this document which also includes the changes that relate to consultation package 3A (Zonal Heating Value). Attachment B contains a new guide that AEMO will publish on its website that explains the scope of the Declared Wholesale Gas Market (DWGM) and the Victorian Retail Gas Market (VRGM). AEMO has prepared this document to assist participants and other interested parties to understand the scope of term such as declared transmission system (DTS), the declared distribution systems (DDS), as applied in each market.

AEMO has provided the “Attachment C Package 3B PPC Retail Procedure response template” for participants to make their submissions in response to this consultation.

The following table indicates which initiative affects which Procedure and Guide. The clauses of each document that have been updated have had a colour-coded comment applied to them indicating which initiative is related to which change of drafting.

Initiative #	Short description of the issue	Document affected
<b>IN007-21</b>	Victorian Hydrogen integration includes DCF and AEMC Victorian hydrogen review changes. (Note: Includes IN017-22)	RMP
<b>IN007-23</b>	Review Declared Distribution System definition.	RMP New guide

Note: The RMP shows track changes for consultation package 3A (Zonal Heating Value). They are shown in **green**. For the avoidance of doubt, they are not part of this consultation. Any feedback in relation to the drafting of those provisions should communicated via the consultation package 3A.

The following is a summary of the proposed changes for each initiative.

Victorian Hydrogen integration (IN007/21).

#### Retail Market Procedures (Victoria)

- Clause 1.1.1 - Add the term “Gas” under the Part 19 meaning. This allows for the Part 19 definition of “gas” (includes covered gas and processable gas) to be applied to the RMPs. The word “gas” has been italicised in the remaining clauses of the RMP which links that term back to clause 1.1.1 (Definitions).
- Clause 1.1.1 – Delete the term “Market Participant” from the part 19 definition list and add the term “Market Participant” to the list of terms applicable to the RMPs. In addition, the meaning has been modified so that it excludes registerable capacities’ that aren’t applicable. The registerable capacity of Producer, Storage Provider and Trader don’t have any specific assigned retail market obligations within the scope of the RMPs.

- Clause 1.1.1 – Modify the term “custody transfer meter” so that this term has the same meaning to the term that applies to the Wholesale Market Metering Procedures.

Minor changes to the RMPs (IN007/23).

Retail Market Procedures (Victoria)

- Clause 1.1.A – Add a new clause called Application. This clause has been added to the RMP to harmonise with other jurisdictions such as NSW/ACT. The clause provides information in relation to what the Victorian retail gas market covers. It also informs about a AEMO’s guide that explains the scope of the DWGM and the VRGM.
- Clause 1.1.1 - Add the definition “market” under the Part 19 meaning. This resolves an existing error in the RMP. Adding this definition is required as the term “market” is used in the clause 4.1.1 (c).
- Clause 1.1.1 - Add the definition “installation database” under the Part 19 meaning so that it just refers to the existing definition in part 19 instead of linking that term to other regulatory instruments. Also deleted this definition from the list of terms that just only relate to the RMPs.
- Clause 1.1.1 – Add the definition “declared distribution system”. The definition references the Part 19 definition of the Rules. This is the same definition in the Wholesale Market Metering Procedures. A note is also included that links to the new clause 1.1.A (Application) which provides information about a guide that has further information on the various distribution systems.
- Clause 1.1.1 – Modify the definition “Distribution Code” so that it refers to the correct title of the ESC code.
- Clause 1.1.1 – Modify the definition “Distributor” to include references to the newly added definition for “declared distribution system” and “Non-DTS distribution system”.
- Clause 1.1.1 – Add the definition “Non-DTS distribution system”. This definition has been added to improve the clarity within the RMPs and should be a point of difference in relation to obligation that may only apply to areas that are part of a declared distribution system or vice versa.
- Clause 1.1.1 – Modify the definition “Retailer” to include references to the newly added definition “declared distribution system” and “Non-DTS distribution system”.
- Clauses 1.1.1 (definition of second tier supply point), 2.1.4, 2.8.2 (b), 2.8.4 (b) and (c), (d), 2.9.7 – Modify these clauses so that reference the definition “Non-DTS distribution system”.
- Attachment 6, clause 1.1. - Delete the words “Part C of schedule 1” as this section does not need to specifically reference the actual section of the Distribution Code.

Guideline to understand the scope of the Victorian DWGM and Retail Market.

- This is a new guideline. AEMO's view is to provide precise and unambiguous definitions of the declared transmission system (DTS), the declared distribution systems (DDS) are critical to understanding and defining the scope of the DWGM, the VRGM and AEMO's directions powers. This guide should assist participants and other interested parties to understand the scope of these terms, as applied in each relevant section of the document.

## 4. Likely implementation requirements and effects

Section 4 of the DWGM Procedures for Hydrogen and DCF PPC, provide a detailed explanation of likely implementation requirements and effects in relation to the in terms of the DWGM in relation to AEMC's Hydrogen and DWGM Distribution Connected Facility rule changes. In a retail market context, for AEMO and participants the proposed changes represent documentation changes only. AEMO and participants will not be required to make any modifications to their existing Retail market systems or business processes.

In relation to the minor RMP change initiative for participants the proposed changes represent documentation changes only and participants will not be required to make any modifications to their existing systems or business processes.

## 5. Impact of issue not proceeding

In relation to Victorian Hydrogen initiative, as described in the DWGM Procedures for Hydrogen and DCF PPC, these changes are to be made on the basis that the draft National Energy Laws Amendment (Other Gases) Bill 2022 and the AEMC's recommended Rules for extending the regulatory frameworks to hydrogen and renewable gases will be made as published. The consequence for not making the proposed changes will result in the Wholesale and Retail Market Procedures to be misaligned with the new Law and Rules.

As described in the DWGM Procedures for Hydrogen and DCF PPC, the Victorian Essential Service Commission's review of the Gas Distribution System Code of Practice, which requires administrative changes to the Wholesale Market Distribution UAFG Procedure to be consistent with the Code. If the change is not implemented then Market Participants utilising the existing Procedure will face regulatory uncertainty due to inconsistency between the Code and the Wholesale Market Distribution UAFG Procedures.

In relation to the minor RMP change initiative, if the changes identified in this PPC do not proceed, then non-controversial clarification improvements to the RMP will not be effectuated, and as such, the benefit of clearer, precise, and unambiguous procedures will not be realised.

## 6. Overall cost, benefits and magnitude of the changes

In relation to Victorian Hydrogen initiative, as described in the DWGM Procedures for Hydrogen and DCF PPC, AEMO considers that the AEMC's [review into extending the regulatory frameworks to hydrogen and renewable gases](#) and the AEMC's [DWGM distribution connected facilities](#) rule

changes provides the assessment of cost and benefits of the rule changes as required by the National Gas Objective (NGO).

As described in the DWGM Procedures for Hydrogen and DCF PPC, the Victorian Essential Service Commission’s review of the Gas Distribution System Code of Practice, which requires administrative changes to the Wholesale Market Distribution UAFG Procedure to be consistent with the Code. AEMO considers these administrative changes are consistent with NGO.

In relation to the minor RMP change initiative, as these are only documentation changes AEMO does not expect there to be any participant costs as a result of these changes. In terms of benefits, it is envisaged that clearer, precise, and unambiguous procedures should reduce the overhead of spending time interpreting provisions within these procedures.

## 7. Consistency with the National Gas Rules (NGR) and National Gas Objective (NGO)

Regarding these changes, AEMO’s preliminary assessment of the proposal’s consistency with the NGR and NGO is:

Requirement	AEMO’s Preliminary Assessment
<b>Consistency with National Gas Law (NGL) and NGR</b>	<p>In relation to the Victorian hydrogen integration reform, AEMO’s view is that the proposed procedure change is consistent with the NGL as required by the Energy Ministers and NGR as amended in the AEMC’s rule changes.</p> <p>In relation to the minor RMP change initiative, these amendments provide clarity to participants and ensure defined terms within the RMP are accurately defined.</p>
<b>National Gas Objective (NGO)</b>	<p>In relation to the Victorian hydrogen integration reform, it is AEMO view’s that the changes are expected to contribute to the achievement of the NGO by promoting efficient investment in the safe and efficient operation and use of covered gas services for the long term interests of consumers.</p> <p>In relation to the minor RMP change initiative, this change will provide a consistent set of documentation that ensures the efficient operation of the Victorian gas market for all market participants.</p>
<b>Any applicable access arrangements</b>	<p>In relation to the Victorian hydrogen integration reform, no Distributor raised concerns in relation to their Access Arrangement during AEMO’s initial view consultation on potential changes that may be required to the procedures to facilitate hydrogen blends. On that basis it is AEMO’s view that the proposed change is not in conflict with existing Access Arrangements.</p> <p>In relation to the minor RMP change initiative, as there are no system changes, it is AEMO’s view that there are no negative impacts on applicable access arrangements.</p>

If any participant believes that any of the above AEMO views are contentious, this feedback needs to be included in the Attachment C (Package 3B PPC Retail procedure response template).

## 8. Supporting Documentation

Attachment A and B contains the proposed changes to Procedures.

## 9. Proposed timelines

The AEMC's rule change requires AEMO to have published the Wholesale Market to take into account the amending rule by no later than 1 February 2024.<sup>2</sup> The Procedure consultation process is as follows:

- PPC published: 15 September 2023
- PPC consultation submissions due: 16 October 2023
- Expected IIR publication date: 30 October 2023
- Expected IIR consultation submissions due: 28 November 2023
- Expected Decision published: 15 December 2023
- Effective Date of Procedures: 1 May 2024

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<sup>2</sup> AEMC Final Rules Report, 24 November 2022, pg. 148



## Attachment A – Retail Market Procedure changes

Blue underline represents additions ~~Red~~ and strikeout represents deletions – Marked up changes

The draft versions of the Retail Market Procedures showing tracked changes between the current version and the proposed changes is attached separately to this document.

## **Attachment B – Guide to understanding the scope of the Victorian DWGM and Retail Market.**

The draft version of the Guide to understanding the scope of the Victorian DWGM and Retail Market attached separately to this document.

## Attachment C – Package 3B PPC Retail Procedure Response Template.

The Package 3B PPC Retail procedure response template has been attached separately to this document. There are two sections in the template:

- Section 1 seeks general feedback on AEMO's examination of the proposal in sections 1–9 of this PPC.
- Section 2 seeks feedback on the proposed changes listed in attachment A and B

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