

# Victorian Transmission System Stakeholder Engagement Group

**2023-27 access arrangement.**

**Roundtable 2 on 25 November 2020**

presented by: Scott Young, Nives Matosin, and guest speaker  
Roger Shaw (AEMO)



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# Discussion points



1	Acknowledgement of Country and traditional owners, introductions, house rules
2	Recap of last week and the feedback we received
3	Declared wholesale market, exist and entry capacity certificates – Roger Shaw (AEMO)
4	Reference service draft proposal
5	Engagement plan
6	Wrap up

## Acknowledgement of traditional custodians



**We would like to begin by acknowledging the traditional custodians of country throughout Australia and their continuing connection to land and community.**

**We pay our respect to them and their cultures, and to the elders both past and present.**

## Introductions and house rules



- Welcome to Roger Shaw from AEMO (we'll be recording this segment).
- This is intended be an open discussion between the engagement group and APA.
- We welcome you to raise any issues or questions about the access arrangement.
- We ask that discussions during the roundtable are respectful.
- We will keep notes of discussions.
- We are not intending to attribute any comments or questions to you or your organisation, unless requested.

Recap on what we heard and how we'll address them



# What we heard and first thought response



Topic	Issues	Ways to address
<b>Access arrangements, national gas rules</b>	<ul style="list-style-type: none"> <li>• Further explanation required about how the access arrangement works.</li> </ul>	We will provide further information as we progress
<b>Market carriage model</b>	<ul style="list-style-type: none"> <li>• Further explanation required about the market carriage model and how it operates</li> <li>• What are the implications of rule change to replace AMDQ certificate arrangements with AEMO administered entry and exit certificates.</li> </ul>	Roger Shaw will be presenting on this topic today
<b>Capital expenditure</b>	<ul style="list-style-type: none"> <li>• What happens if there a need for an extension and expansion?</li> <li>• Security of supply is important but who pays for it?</li> <li>• How does it work under the rules (rules 79 and 80)?</li> <li>• What happens if new capex gets stranded – who pays for it?</li> <li>• What is the Western Outer Ring Main project (WORM)? How is it progressing?</li> </ul>	These are complex issues. We will work through these issues including any potential application under rule 80 (advance determination for future capex) with you in future engagement
<b>Tariff structures</b>	<ul style="list-style-type: none"> <li>• Suggest APA talk to the AER about proposal to restructure tariffs</li> <li>• How are tariffs structured now?</li> <li>• Existing VTS tariff structure is complex and could be simplified but that the simplification process should not result in large Tariff D consumers cross-subsidising tariff V consumer</li> <li>• Is there interest/ scope in co-ordinating tariffs with AEMO's new certificate arrangements?</li> </ul>	We are preparing an issues paper on tariff structures. Let us know what concerns you have about tariff structures. We will incorporate these into the issues paper.
<b>Proposed engagement plan</b>	<ul style="list-style-type: none"> <li>• Noted that proposed approach is at the lower end of the International Association for Public Participation – IAP2 scale (inform, consult, involve, collaborate, empower)</li> <li>• Suggestions that we look at recent examples of best practice</li> <li>• Would APA release early draft proposal document for consultation – like other businesses?</li> <li>• Suggest that the proposed webpage be located on the APA webpage.</li> </ul>	Proposing to build in an early consultation proposal for consultation. Aiming for release of the early consultation proposal by early October. We will also prepare issues papers to work through issues.

# Declared wholesale market, exit and entry capacity certificates



Roger Shaw. Gas Market Specialist Market Change. AEMO

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# DWGM and entry/exit capacity certificates



- The DWGM is a mandatory market through which all gas in Victoria must be traded.
  - Suppliers bid gas into the market, and buyers bid to buy gas from the market, over 5 intervals every day
  - The market is settled through procedures established by AEMO
- New Rules come into effect 1 Jan 2023 which will affect the priority of gas supply dispatched under the market procedures.
  - These Rules will replace AMDQ and AMDQcc with **Entry and Exit capacity certificates**
- Roger Shaw from AEMO has kindly agreed to provide a short session on the DWGM auction settlement process and the operation of the new Entry and Exit capacity certificates



# Reference tariff proposal



# Reference service proposal



- Generally, a **reference service** is one for which the demand for the service is sufficient that it is reasonable for the access arrangement to set a **reference tariff**
- Rule 47A requires a service provider to provide a **reference service proposal**, which must:
  - a) Identify the VTS, and include a reference to a website where a description of the pipeline can be inspected.
  - b) Set out a list of all the pipeline services that APA VTS can reasonably provide on the VTS, and a description of those pipeline services fitting the characteristics in subrule 47A(2).
  - c) Identify, from the services in this list, at least one pipeline service that APA VTS proposes to specify as a reference service meeting the reference service factors, and provide relevant supporting information.

## Pipeline services that APA VTS can reasonably provide on the VTS



- NGL s91BA(1)(b)) appoints AEMO as the operator of the Declared Transmission System (DTS) under the market carriage model
- NGL s91BE(2): “the service provider makes the declared transmission system available to AEMO (*and, in doing so, provides a pipeline service*)”
- AEMO controls the dispatch of compressors, actuation of valves, management of line pack, etc
- APA VTS is unable to offer any pipeline services other than the provision of the system for AEMO to operate

## Reference service proposal

- APA VTS proposes the following reference service:

**APA VTS makes the DTS available to the Australian Energy Market Operator Limited (AEMO) under s91BE(2) of the National Gas Law (NGL) to operate in accordance with the Service Envelope Agreement under NGL s91BA(b).**

- It is important to note that, under the market carriage model, the reference service does not have a related reference tariff.
  - APA VTS recovers its allowed revenue through the **tariffed transmission service**, for which the AER will set reference tariffs
  - The nature of this service, and the structure of the tariffs for it, will be discussed in this group
- **Questions and comments?**

# Engaging with stakeholders



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## VTS stakeholder engagement plan

- We heard that:
  - Better stakeholder engagement by APA is long overdue
    - We are committed to better engagement
  - Other businesses have released a draft proposal for review by stakeholders? Will APA do the same?
    - Yes, we have taken this on board and will release a consultation draft proposal
- APA draft engagement approach is at the lower end of the IAP2 scale
  - We are proposing to release short (2 page) issues papers on key topics
  - This will provide information about our thinking and an opportunity for stakeholders to provide feedback and influence our position
  - We're not seeking agreement from the group but hope that by the end there'll be no surprises in the consultation draft proposal.

# Ways we will engage...



Engagement plan

VTS stakeholder  
engagement group

Series of roundtables

Webpage  
[under construction]

One-on-one meetings

Issues papers on key topics  
Consultation draft proposal (early  
October)

## Engagement plan - timeline

- Still envisaging online engagement
  - But with Australia's COVID situation improving – we will consider a face-to-face roundtable some time in 2021
- The indicative timeline has been amended to include the consultation draft proposal
  - Key dates on next page...



# Indicative engagement dates



Topics	Dates
APA releases draft Reference Service proposal for consultation	November 2020
APA submit Reference Service Proposal to AER	Tuesday, 1 December 2020
Roundtable 3 - VTS Asset management - key issues & projects for 2023-27 period	Wednesday, 10 February 2021
Roundtable 4 - Regulatory building block; and forecast operating costs	Wednesday, 10 March 2021
Roundtable 5 - VTS demand and utilisation. AEMO Victorian Gas Planning Report	mid-April (note Easter break is 2-5 April)
APA release issues paper - Capital program	Early May
Roundtable 6 - Proposed capital program	mid May
AER Reference services decision	1-Jun-21

Topics	Dates
Roundtable 7 - AER decision on reference services, access arrangement, preliminary discussion on tariff structures	mid-June
APA release issues paper - Tariff structures	
Roundtable 8 - Total revenue, revenue allocation and tariffs/ pricing structures	mid-July
Roundtable 9 - Proposed changes to tariff structures	mid-August
Roundtable 10 - Proposed tariff structure	mid-September
APA release Consultation draft proposal	early October
Roundtable 11 - Early consultation proposal	mid-October
Roundtable 12 Our proposal and how you shaped our thinking?	mid-November
APA submit access arrangement revisions proposal	1-Dec-21

## Engagement plan – any further feedback

- Provide us with your feedback.
- We will finalise and publish the engagement plan early December.

### We would welcome feedback on the following questions

1. Do you have any comments about the way we propose to engage? Do you have any suggestions?
2. Is there other information you want us to provide about the Victorian Transmission System?
3. Is there other information you want us to provide about the Victorian Transmission System access arrangement?
4. Is there any further information you would like to know about the regulatory landscape for the VTS?
5. What are your views about the indicative timeframe and the proposed discussion topics?
6. Are there other things you wish to discuss during APA's engagement on VTS?

# Wrapping up



## Wrap up



- Summary of key outcomes from today
- Suggestions on other attendees/organisations to be involved
- Next roundtables
  - R3 proposed for Wednesday, 10 February
  - R4 proposed for Wednesday 10 March
- *(Let us know if there any conflicts)*

**Thank you for participating,  
See you in 2021!**



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