

20 December 2012

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Dear Mr Cefai

Submission – Gas Distribution System Code: Review of Unaccounted for Gas Benchmarks

AEMO appreciates the opportunity to respond to the Essential Services Commission (Commission) Paper on the review of Unaccounted for Gas (UAFG) benchmarks.

AEMO notes that benchmark rates are required, under the NGR, for wholesale market settlement purposes in the Declared Transmission System, which are applied prospectively. The current configuration of the market systems also allows AEMO to apply different benchmark rates to different discrete networks, including those networks in the non-Declared Transmission System (Bairnsdale, Grampians, and South Gippsland). The benchmark rates are also used in the UAFG wash-up process prescribed under the Retail Market Procedures (Victoria).

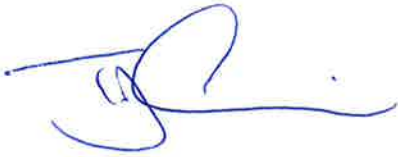
AEMO notes that the Commission has proposed the timetable to make a UAFG Benchmark rate effective 1 July 2013. Historically, UAFG Benchmarks have been published and applied for a calendar year. As benchmark rates apply from a specific date, the Distributor will apportion the gas within a bi-monthly read cycle that crosses a UAFG benchmark rate change. This apportionment usually occurs on 1 January and 31 December of any given year. If the Commission wish to set the benchmark commencing on 1 July 2013, AEMO notes that there will be an additional split in the apportionment of the gas where an actual read does not occur on 30 June 2013 or 1 July 2013. It is noted that this will add another layer of complexity to the UAFG wash-up process and potentially increase the risk of dispute between the retailers and the Distributor during the wash-up processes.

Additionally, in relation to the proposed timetable, as UAFG Benchmark rates are applied prospectively, AEMO requires a minimum of 5 business days' notice to effect the change within the market systems.

As a part of the Commission's review of the UAFG Benchmarks, AEMO recommends that Part C excludes "C2 Reconciliation Amount". The Wholesale Market DUAFG Procedure made under Part 19 of the National Gas Rules currently includes the formula to calculate the reconciliation amount.

If you have any questions regarding this submission, please do not hesitate to contact Peter Alberts, Senior Manager Retail Market Strategy on 03 9609 8411.

Yours sincerely



Terry Grimwade
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