Summary of stakeholder submissions on Gas Market Parameter Review 2018 – Draft Report

This attachment includes a summary of stakeholders' submissions in response to the Gas Market Parameter Review 2018 – Draft Report, published by AEMO on 9 March 2018 as part of a formal consultation under rule 492 of the National Gas Rules (NGR) for the STTM market parameters, in accordance with the extended consultative procedure requirements detailed in rule 9A of the NGR.

Submissions on the Gas Market Parameter Review 2018 – Draft Report

AEMO received submissions from the following organisations:

- **Alinta Energy** (Alinta)
- **Meridian Energy Australia (Pty) Ltd** and **Powershop Australia Pty Ltd** (MEA Group)
- **Origin Energy Limited** (Origin)[1]

Org	Summary of comment	Response
Alinta	Supportive of AEMO's draft decision, and of the proposed implementation date of 1 July 2020.	Noted
Origin	Supportive of the framework within which Market Reform undertook the review, and largely supportive of draft determinations that there is no case for change over STTM parameters and most DWGM parameters.	Noted

[1] sought and received permission to submit after deadline

Org	Summary of comment	Response
Origin	Increased levels of gas powered generation means market participants need to consider relativity of prices between markets. Should administered pricing occur in the DWGM at a time of high NEM pricing, Origin considers that available gas supplies may be directed to other markets from which a greater return could be achieved. AEMO should ensure appropriate balance is maintained between minimising participants' risk exposure, and the provision of market price signals that allow for efficient operational/investment decisions.	Noted. AEMO notes that the draft determination to lower the DWGM CPT was based on modelling that was constrained by a maximum number of days lost profit. While lowering CPT to $1,400/GJ will mean that only one instance of VoLL can occur before CPT is triggered, we note that the recent minimum CP of ~ $240/GJ means that administered pricing is currently likely to be triggered before a second VoLL event could occur.

Org	Summary of comment	Response
MEA Group	The worst case situation for the DWGM was not modelled, meaning market risk was understated. In MEA Group's view the worst case scenario would comprise a VoLL event in the first schedule of a gas day, with prices remaining approximately normal for the balance of the day before again returning to extreme level at the start of the subsequent gas day. This would result in higher average price levels than has been determined by Market Reform's analysis. MEA Group suggests that this scenario be included in the modelling.	AEMO notes that submissions on the choice of scenarios for inclusion in the modelling were invited and taken into account during the earlier phases of this review. While this worst case scenario is theoretically possible, it reflects an extreme low probability outcome and AEMO has decided not to include it in revised modelling. The reasons for this are as follows: **Starting cumulative price of zero** The scenario as presented would require a starting cumulative price of zero – ie the market price would have had to be $0 for seven full days in the lead up to the scenario. **Fluctation in prices between VoLL and normal price levels** For prices to fluctuate from VoLL to normal levels and then back to VoLL the next day would require extreme levels of re-bidding and/or abnormal changes to scheduling constraints that it appears an unlikelymarket outcome and contrary to normal market behaviour. **Prices during administered price period** The scenario has all market prices following the start of the administered price period at the administered price cap, rather than being limited by the administered price cap. AEMO considers this unlikely, as prices would be expected to return to normal levels once the event had resolved. **Prudent hedging** The scenario ignores the impact of prudent hedging. The Market Reform modelling assumes a prudent level of hedging (refer section 5.4.2 of their report) which will reduce the impact of this scenario on a market participant.