# **submission to Consultation**

National Gas Rules – Rule 9A

## **Gas market parameter review 2018**

**Matters under Consultation**

AEMO is required to review the STTM market parameters in accordance with the extended consultative procedure as per section 9A of the NGR. AEMO is required to complete this review by producing a final report setting out its final recommendations by 30 April 2018.

The review of the DWGM market parameters will adhere to this timetable.

The matters for this consultation are:

* The market parameters to be reviewed without modelling; and
* The initial analysis and proposed methodology for the market parameters to be modelled

Further details are provided in the Consultation papers published with the notice of consultation.

**Closing Date and Time**

Submissions in response to this Notice of Consultation should be sent by email to [gwcf\_correspondence@aemo.com.au](mailto:gwcf_correspondence@aemo.com.au), to reach AEMO by 5.00pm (Melbourne time) on 24 January 2018.

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|  | Details |
| **Submission by consulted party** | **<insert name of consulted party>** |
| **Meeting requested?** | **<Yes / No>** |
| **Contact person – not for publication** | **<insert name of contact person>** |
| **Contact details – not for publication** | **<insert preferred contact details>** |

| Question | Response  *(Indicate if your response is confidential)* |
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| **Modelling Approach and Scenarios** |  |
| AEMO is seeking submissions from interested parties as to the suitability of the proposed approach, with details of any areas of potential improvements. |  |
| **Gas Market Parameter Review 2018 – Consultation Report - Market Reform Pty Ltd**. |  |
| AEMO is seeking submissions from interested parties in response to the specific questions posed in Attachment 1. |  |
| **Question1** (p23): Do you have any comments on the appropriateness of the calculation of acceptable risk? |  |
| **Question 2** (p27): A range of scenarios to be studied are listed in Appendix B. Do you think any major scenarios are missing, or that any scenarios proposed are not relevant? |  |
| **Question 3** (p32): Are there any artefacts of the modelling approach that need to be further considered or are causing concern? |  |
| **Question 4** (p34): A new feature of the Market Reform approach is a focus on simulating the drivers of high price rather than assuming a high price occurs. Do you see any limitations of this approach relative to prior methods? |  |
| **Question 5** (p36): Earlier, in section 5.6, a set of representative Market Participants was described. New types of participants have been introduced relative to prior reviews requiring variation in the methodology for calculating average daily profit relative to prior reviews. Do you have any comments on the appropriateness of using ABS data estimating loss of profits? |  |
| **Question 6** (p36): Are the investment costs and operating life reasonable estimates with respect to investment in an LNG facility such as that in Dandenong? |  |
| **Question 7** (p37): Recognising that that the Investment Cost Data presented above must apply across a range of industries and participant types, and the investment under consideration is anticipated to be used infrequently: |  |
| a. Is the equity market risk premium for the sector (7.50%) reasonable? |  |
| b. Does the combination of the risk-free rate (3.50%) and the debt margin (2%) adequately reflect the cost of debt (5.50%)? |  |
| c. Is the overall estimate of post-tax real WACC (6.67%) reasonable bearing in mind it is applicable to a facility anticipated to be used infrequently? |  |
| **Minimum market price** |  |
| AEMO is seeking submissions from interested parties as to whether the setting for MMP in the DWGM and STTM at $0 per GJ could be more effective in any way?  If so please advise the areas of potential improvements. |  |
| **CPT horizon / Cumulative price period** |  |
| AEMO is seeking submissions from interested parties as to whether the setting for CPTH at seven consecutive gas days in the STTM and CPP at 35 consecutive scheduling intervals in the DWGM could be more effective in any way?  If so please advise the areas of potential improvements. |  |

General Comments

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| Reference | Response |
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