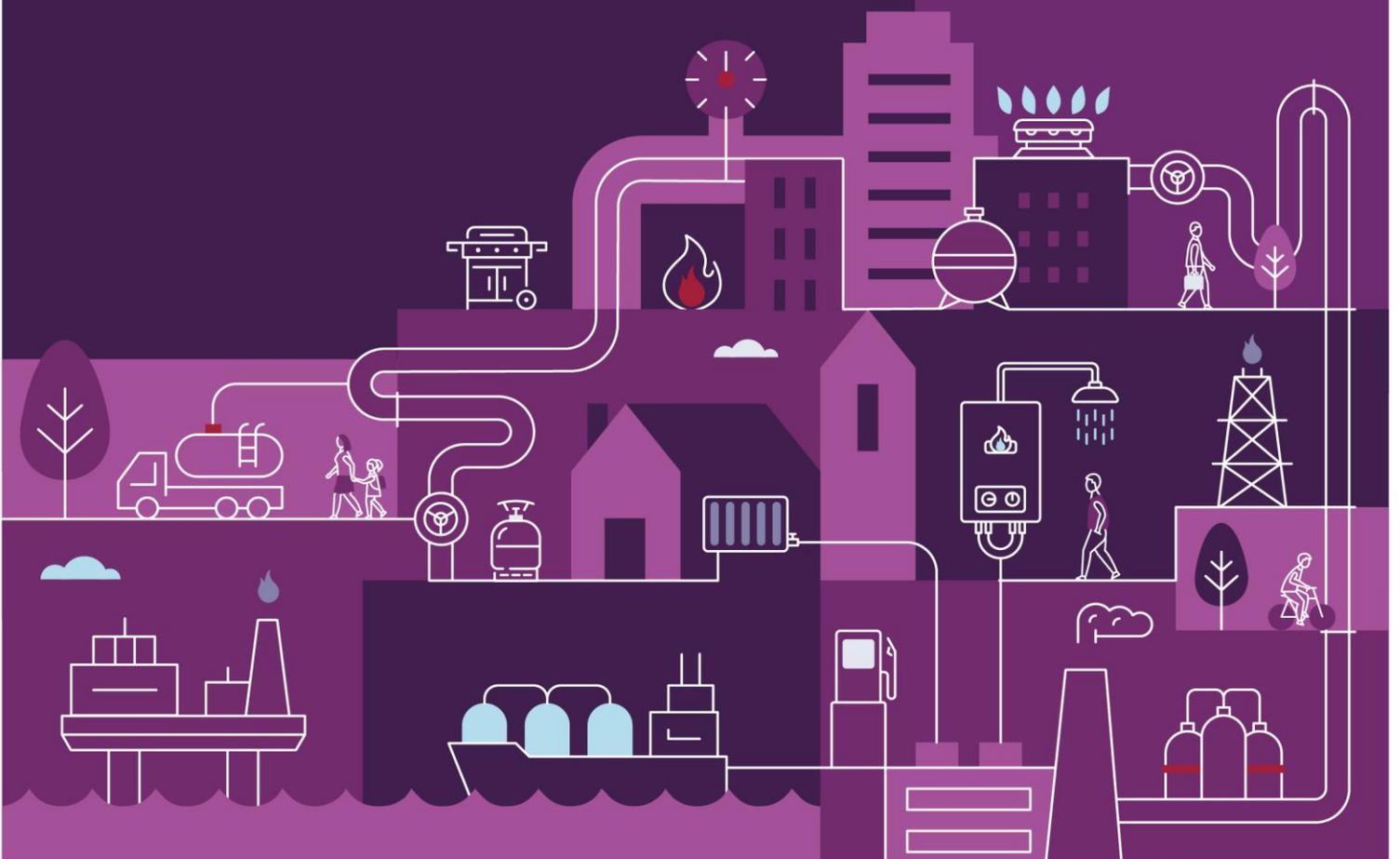


STTM Event Report

July 2022

Administered Price Cap CPT event—
Sydney Hub 8 to 14 June 2022

Prepared by Gas Market Monitoring





Important notice

Purpose

AEMO has prepared this report pursuant to Section 7.6 of the STTM Procedures, and clause 497 of the National Gas Rules (NGR), unless otherwise specified. This publication has been prepared by AEMO using information available at 22 July 2022. Information made after this date may have been included in this publication where practical.

Disclaimer

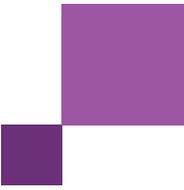
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1 Description

The Sydney STTM hub had been placed in an Market Administered Scheduling State from 24 May 2022 to 1 June 2022, followed by an Administered Price Cap (APC) State which ended on 7 June 2022, caused by a major and minor Retailer of Last Resort (RoLR) event. This event is discussed in a separate event report located on the Short Term Trading Market Reports webpage ([here](#)). On 7 June 2022 under the National Gas Rules (NGR) 428, AEMO determined that another APC State applied at the Sydney hub commencing 8 June 2022. This was due to the Cumulative Price Threshold (CPT) of \$440 being exceeded, as per NGR 428(1)(b).

The \$440 cumulative price calculation utilises uncapped ex-ante prices, ex post imbalance prices, and contingency gas prices over the 7 day CPT horizon (calculation outlined in Section 8.1 of the STTM Procedures). While Sydney was already in an APC State with prices capped at \$40/GJ, uncapped prices had been much higher, reaching the market price cap of \$400/GJ on 1, 2, and 3 June. While prices decreased from 4 June, the cumulative price for gas day 8 June was calculated to be \$1,409.5024, easily exceeding the \$440 threshold. An overview of the cumulative price calculation for the event period can be viewed in Figure 1.

As per NGR 428(5), the ex post imbalance price, high contingency gas price and low contingency gas price for the hub and the gas day must not be greater than the APC, which is \$40/GJ. As per NGR 428 (1)(b), the APC is to be applied as long as the cumulative price exceeds the price threshold. AEMO notified the market via a STTM Market Notice of this event on 7 June 2022.

The CPT calculation dropped below the threshold for gas day 15 June 2022 to \$290. As a result, AEMO issued a Market Notice on 14 June 2022 that the APC was to end at the conclusion of gas day 14 June 2022.

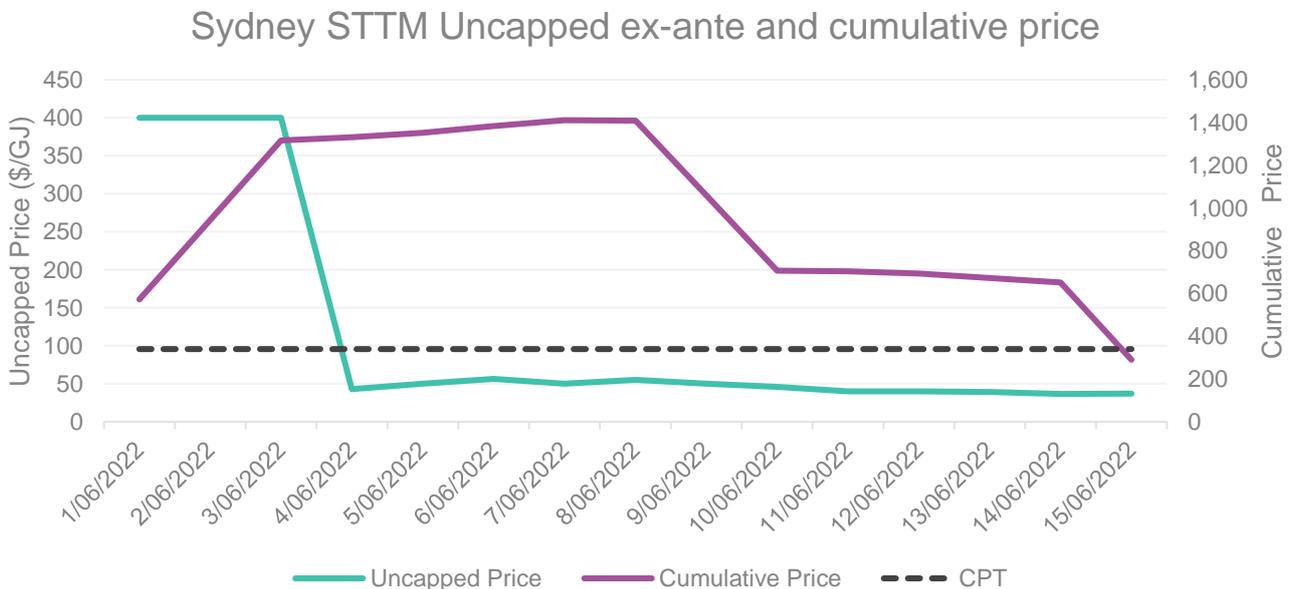
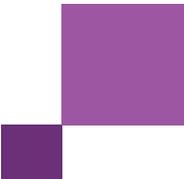


Figure 1: Sydney hub ex-ante and cumulative prices

Higher uncapped prices were a result of participant bidding behaviour, as shown in Figure 3.



2 Assessment

This CPT event followed the unprecedented major and minor RoLR events that began on 24 May 2022. While an APC was applied during the RoLR event, it is the first time in STTM history an APC has been applied because of CPT exceedance. AEMO considers processes worked in line with expectations.

2.1 Actions taken by Participants and AEMO

Once the CPT calculation produced a result over the threshold, AEMO promptly published an STTM Market Notice, following the STTM Procedures and NGR. STTM Trading Participants were given sufficient notice of the APC for Sydney. The cumulative price was able to be accessed through public STTM reports. Once the calculation dropped below the threshold at the conclusion of gas day 14 June 2022, AEMO again published a notice signalling the end of the APC from gas day 15 June 2022.

2.2 Adequacy of Part 20 of the NGR

In respect to this event, AEMO has assessed the application and adequacy of the NGR, with a primary focus on NGR 428 APC State.

2.2.1 Administered price cap state

AEMO followed NGR 428 which outlines the process for the APC State. AEMO considers the rule adequate for this event.

3 Market Impacts

Market impacts leading up to this CPT event have been discussed in the STTM RoLR event report. That report describes participants across Sydney, Brisbane STTM hubs and DWGM (which was also subject to its own CPT event at the time) reducing their total supply offers, perhaps concerned their supply would be scheduled at an uneconomic price whilst the Sydney market was in an Market Administered Scheduling State. In the Sydney hub, this led to uncapped market prices of \$400/GJ, subsequently being applied to the CPT calculation. Once the minor RoLR event in Sydney was lifted on 7 June, consequently the Sydney CPT calculation was well above the threshold, prompting a continuation of the price cap (Figure 2).

When the APC event ended from 15 June, participant bidding behaviour in the Sydney and Brisbane hubs was observed to remain at similarly low levels of total offers compared to pre RoLR events. This is contrasted with the Adelaide hub, where a higher total supply remained, though total offers also reduced there from 17 June once no STTM price caps were in place (noting the DWGM price cap was still in effect). This is shown below in Figures Figure 3, Figure 4 and Figure 5.

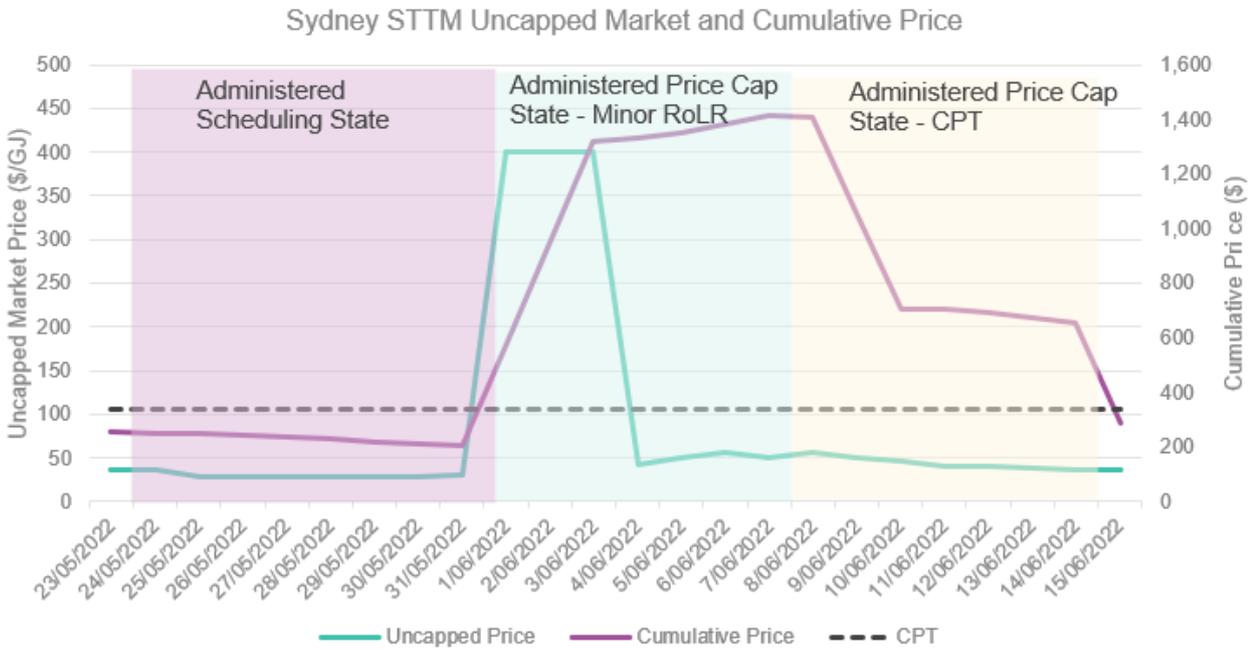
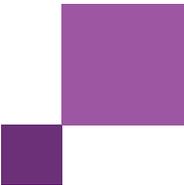


Figure 2: Cumulative price calculation and ex-ante prices during different administered market states

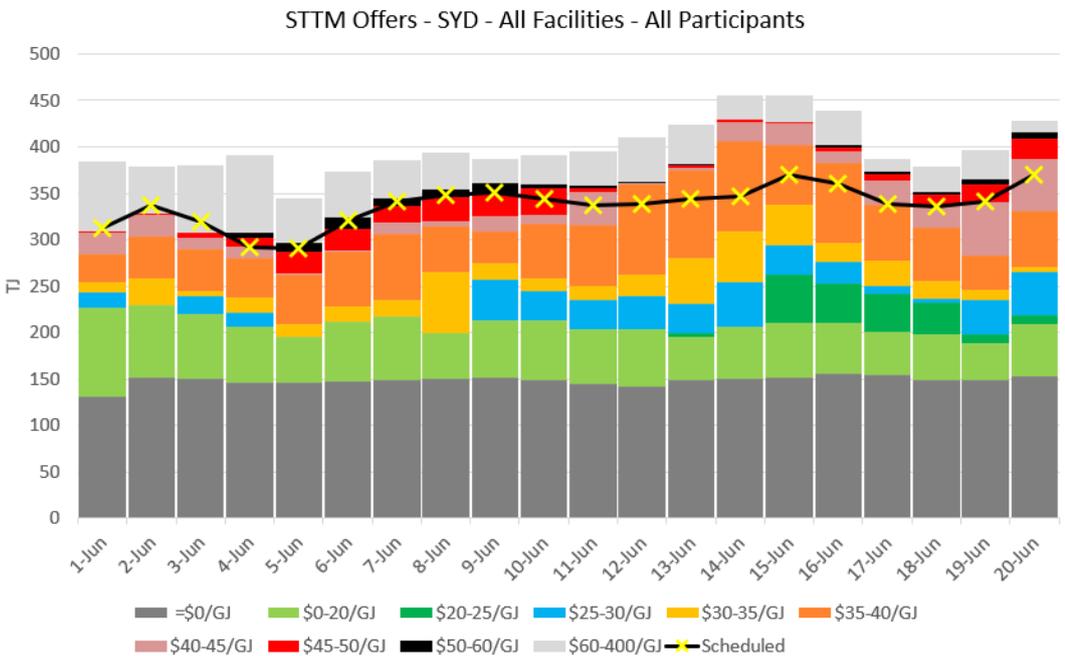


Figure 3: Sydney hub offers 1-20 June

AEMO acknowledges the Traditional Owners of country throughout Australia and recognises their continuing connection to land, waters and culture. We pay respect to Elders past, present and emerging.

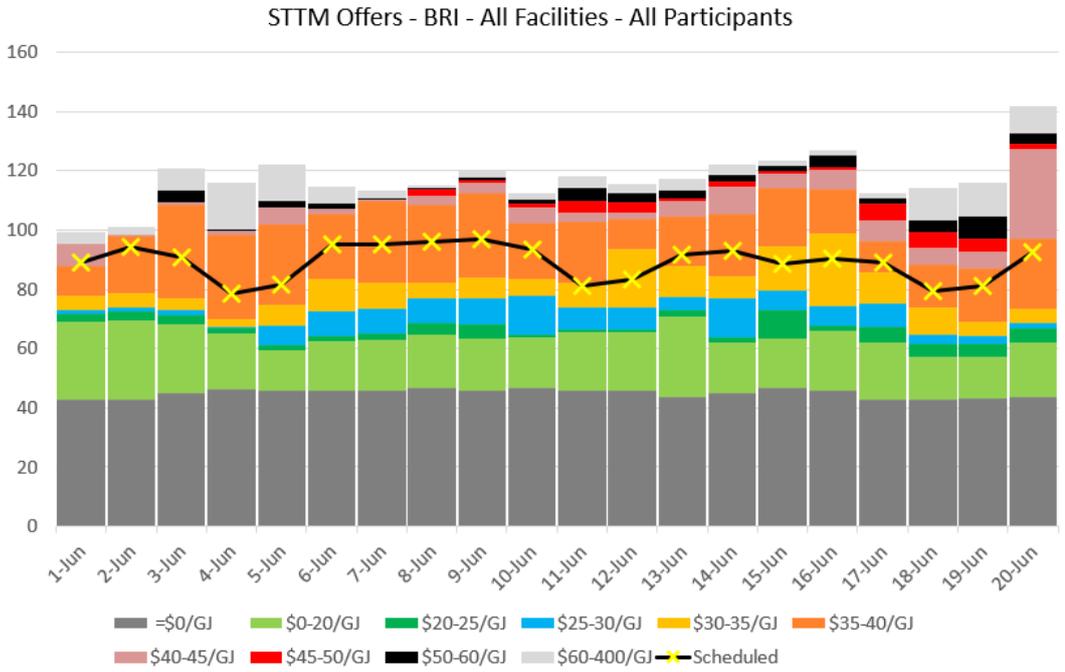
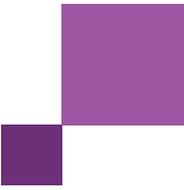


Figure 4: Brisbane hub offers 1-20 June

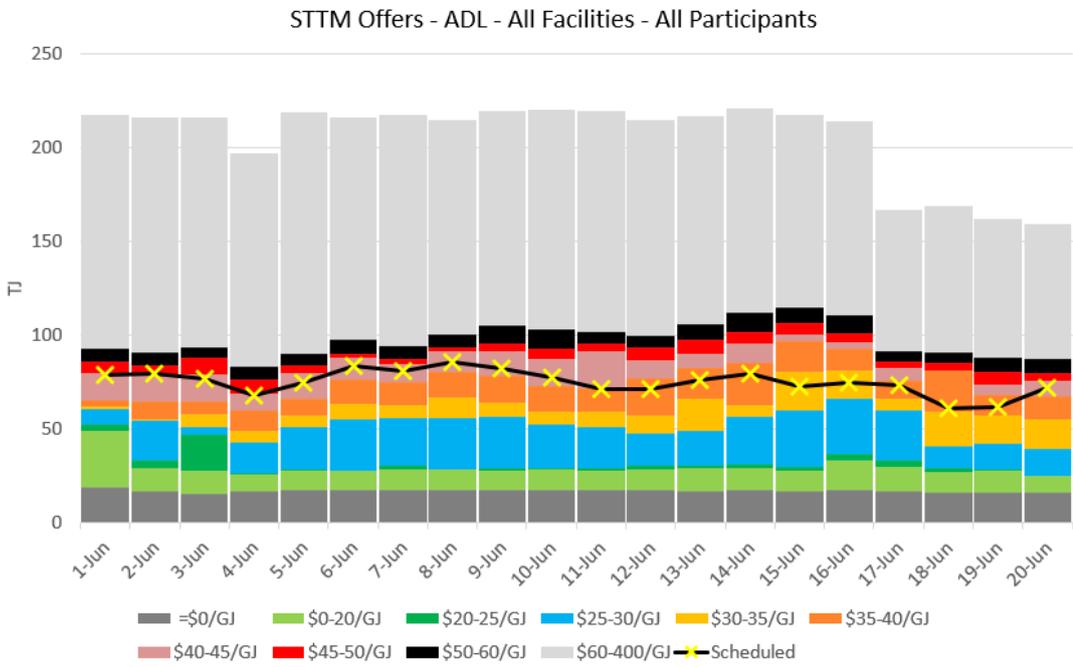
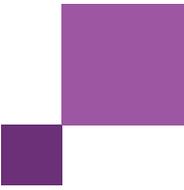


Figure 5: Adelaide hub offers 1-20 June

As noted in the RoLR event report, the application of price caps can lead to compensation claims from participants if losses are incurred. At the time of publication of this report, no claims for compensation have been received.

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4 Conclusion

The CPT event in Sydney from 8 June to 14 June 2022 was the result of participant bidding behaviour following the market administered scheduling state in Sydney from 24 May 2022 to 1 June 2022. It is unlikely that without that event, uncapped prices would have reached the market price cap, and thus it is likely this CPT event would not have occurred. AEMO believes that rule 428 was applied correctly and is adequate. However, AEMO reiterates its previous comments as to whether the market administered scheduling state in its current form is still appropriate and continues to support a review in the STTM Rules and Procedures to make them more fit for purpose.

A1. Chronology

Date and Time (AEST)	Responsible Party	Details
7 June End of gas day	AEMO	Sydney Administered price cap state due to minor RoLR event ended
8 June Commencement of gas day	AEMO	Sydney Administered price cap state due to cumulative price threshold (CPT) exceedance
14 June End of gas day	AEMO	Sydney Administered price cap state due to CPT event ended