



10 October 2022

Australian Energy Market Operator
GPO Box 2008
Melbourne VIC 3001

By electronic lodgment: gwcf_correspondence@aemo.com.au

Gas Market Parameters Review 2022 – Draft Consultation Report

Alinta Energy welcomes the opportunity to provide a submission to AEMO's draft consultation report for the 2022 Gas Market Parameters review.

Alinta Energy is broadly supportive of undertaking a review of gas market parameters and price setting arrangements in the STTM and DWGM. Collectively, these market settings play an important role in limiting financial risk for market participants while simultaneously allowing the market to send appropriate price signals to support orderly market operation and reliability of supply. It is therefore important they remain fit for purpose over time.

The recent, and impending, closure of coal fired generation capacity has driven a greater need for gas-fired generation in the NEM, particularly during periods of high electricity demand. As a result, electricity and gas markets are now more interrelated than ever. Therefore, it is essential to ensure that price settings are appropriately aligned across these markets.

However, Alinta Energy is concerned that the draft consultation report does not sufficiently consider the interlinkage between gas and electricity. We therefore recommend AEMO, and its consultant undertake sufficient modelling and analysis ensure that the outworkings of this review don't lead to perverse or unanticipated outcomes and further electricity market dysfunction.

Over the longer term, Alinta Energy considers that regulatory change is required to vest the review of electricity and gas market parameters in one market body to:

- better coordinate the timing of each review,
- ensure alignment of inputs and assumptions, and
- provide for robust consultation processes.

This reform is necessary to ensure both the national gas objective and the national electricity objective can be met at least cost to consumers.

Finally, Alinta Energy is concerned that the different price caps and operation of these across east coast gas markets (STTM and DWGM) can lead to inefficient market outcomes, as seen in the June 2022 market events where gas flowed out of the capped price markets to uncapped or higher price nodes. This has the potential to further exacerbate potential security of supply issues. Given this

market inefficiency, Alinta Energy strongly considers that this review should ensure that the DWGM and STTM market parameters and price setting arrangements are sufficiently aligned to avoid these perverse outcomes.

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss this further, please contact me at jacinda.papps@alintaenergy.com.au or on 0417 065 955.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Jacinda Papps', written in a cursive style.

Jacinda Papps

Manager, National Wholesale Regulation