

Summary of stakeholder submissions on Gas Market Parameter Review 2018

This attachment includes a summary of stakeholders' submissions in response to the Gas Market Parameter Review 2018 – Consultation paper, published by AEMO on 8 December 2017 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.

This attachment also includes a summary of stakeholders' submissions at and following the Gas Market Parameter Review workshop on 13 February 2018.

Submissions on the Gas Market Parameter Review 2018 – Consultation paper

AEMO received submissions from the following organisations:

- **Snowy Hydro Limited** (Snowy)
- **Origin Energy Limited** (Origin)

Org	Summary of comment	Response
Snowy	Supportive of AEMO's review of STTM and DWGM parameters together.	Noted
Snowy	Support the view that market parameters should remain in force for long enough for market participants to establish their forward contracting strategy, and should also be able to change when they can become more effective in some aspect, or when they are subject to changes in cost structures.	Noted
Origin	Supportive of a review of gas market parameters in DWGM and STTM, and note the importance that the market parameters remain fit for purpose.	Noted

Org	Summary of comment	Response
Origin	Supportive of Market Reform's proposal to consider market parameters against a broad range of scenarios that test interactions between both gas and electricity markets.	Noted
Origin	Noted that the cumulative price threshold and market price caps in the NEM had increased over time.	Noted
Origin	Suggested that AEMO give consideration to assessing market outcomes for the broader range of representative market participants for a range of different contracting levels.	Noted The modelling of market outcomes will include a range of prudent contract levels for representative market participants.

Submissions following the February 2018 Gas Market Parameter Review workshop

AEMO received submissions from the following organisations:

- **ERM Power Limited** (ERM)
- **M2 Energy Pty Ltd** (trading as Dodo Power & Gas) (M2)
- **COVAU Pty Ltd** (CovaU)

Attendees at the workshop noted issues presented below.

Org	Summary of comment	Response
Alignment of DWGM VoLL with STTM MPC		
ERM	Modelling of market parameters in DWGM should include the benefits of setting the DWGM VoLL at \$400 per GJ to align with STTM Market Price Cap.	<p>Noted.</p> <p>Modelling includes a range of lower VoLL values between \$400 and \$1,400 per GJ.</p> <p>It is the purpose of the modelling to establish if parameters are fit for purpose and, if not, to propose alternate values.</p>
M2	Supported submission by ERM to consider benefits of setting the DWGM VoLL at \$400 per GJ to align with the STTM MPC.	
CovaU	Noted that the review provides an opportunity to consider the benefits of setting the DWGM VoLL at \$400 per GJ to align with the STTM MPC.	
Comments in Workshop	The value of VoLL in DWGM is too high at \$800 per GJ and is inconsistent with STTM MPC of \$400 per GJ	

Org	Summary of comment	Response
ERM	Modelling of participant risk exposure should include events impacting multiple markets.	<p>Noted.</p> <p>Scenarios model markets independently, but are designed to cover extreme events in each market. This should ensure that modelling identifies well performing sets of market parameters.</p>
ERM	Modelling of participant risk exposure should consider impact of a VoLL pricing event at the 6am ex ante schedule.	<p>Noted.</p> <p>The setting for VoLL/MPC are primarily designed to be high enough to allow the market to clear rather than limit risk. Thus the value should be high enough to attract the necessary investment to meet demand.</p> <p>Risk is better managed through prudent hedging and the CPT/APC settings which limit market participant's exposure to events once the market can no longer effectively operate.</p>

Org	Summary of comment	Response
ERM	<p>The calculation of a seven-day price in the Market Reform February 2018 presentation could be presented in another way that takes the amounts traded per scheduling interval into account.</p> <p>The resultant seven-day average DWGM price of \$150 per GJ is higher than the STTM at \$91 implies an inconsistency between the markets.</p>	<p>Noted.</p> <p>This is considered in the simulations.</p> <p>The prices in the presentation were indicative, and are not included in the more detailed modelling.</p> <p>The modelling includes the impact on a range of market participants with a range of hedging.</p>
Comments in Workshop	<p>The DWGM 6am ex ante schedule covers a 24-hour period, which means that high 6am prices would have an increased impact on market participants.</p>	<p>Noted.</p> <p>The modelling reflects this feature of the market design.</p>