

By email

Hi Roger,

Hope you are doing well.

M2 strongly agrees with all the points made by ERM Power on the Gas Market Parameters Review in its email to AEMO dated 16/02/18 (see below).

M2 supports the recommendation that the review specifically consider the benefits of reducing the Victorian VOLL from \$800/GJ to \$400/GJ.

We believe that moving the Victorian VOLL to \$400/GJ would lower barriers to entry by reducing financial exposure and price risk to a more acceptable level. M2 considers the current DWGM VOLL of \$800/GJ to pose an excessive level of risk, particularly for smaller players who may have limited access to flexible gas supplies or who may not have a diverse a supply portfolio as the larger players, and hence who may be more likely to be exposed and impacted in high priced events.

Reducing the Victorian DWGM VOLL to \$400/GJ would also achieve alignment with the STTMs and reduce the risk of intermarket distortions involving the inefficient diversion of gas from other regions to Victoria. Alignment across markets is also consistent with the direction of east coast gas market reforms currently underway.

Please let us know if we need further discussion.

Regards,

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