

GAS MARKET PARAMETER REVIEW WORK SHOP

Notes

Organisation
AEMO
AGL
Alinta Energy
APA Group
Australian Energy Market Commission (AEMC)
BlueScope
Energy Australia
ERM Power
Major Energy Users Association (MEUA)
Market Reform
Origin Energy
Santos
SEAGas
Snowy Hydro

1.0 INTRODUCTION

Today's workshop will inform attendees of progress on the Gas Market Parameter Review 2018 submissions received and inform of the next steps to be taken in the review.

2.0 AEMO PRESENTATION

AEMO has circulated their presentation.

3.0 MARKET REFORM MODELLING PRESENTATION

Market Reform outlined progress of the Gas Market Parameters Review 2018 presentation as per Meeting Pack.

Discussion points

6am prices apply for whole day imbalances

In relation to the 'return available from gas' analysis on Slide 24, AGL and others noted that while the ex ante market prices in the DWGM were at 4 or 8 hourly intervals, market participants are charged for imbalances over the remaining scheduling horizon (ie 24 hours at 6am, 20 hours at 10am etc). This would mean that high prices in the 6am schedule would have a greater impact on an MP.

- AEMO and Market Reform will ensure the model reflects this

The value of VoLL in DWGM is too high at \$800 and is inconsistent with STTM

Market Reform reported that, based on incomplete modelling, there is no evidence that DWGM VoLL needs adjustment. ERM Power and MEUA raised concerns that \$800 per GJ for DWGM VoLL was too high and was out of step with the \$400 per GJ STTM MPC, and asked Market Reform if there was evidence that a lower VoLL would not work. Market Reform noted that their modelling used a range of VoLL/MPC between \$400 and \$1,000 but was currently incomplete so they could not yet draw any conclusions.

AEMO noted the consultation paper had stated that the review approach was that market parameters should remain in force for long enough for market participants to establish their forward contracting strategy, but should change when they could be more effective in some aspect, or when they are subject to changes in cost structures¹. Accordingly, the review would need evidence of the need to change.

4.0 NEXT STEPS

AEMO expects to publish the draft report by 2 March 2018², with 2 weeks for comments. The final report must be published by 30 April 2018. Both will include Market Reform's reports.

If the final recommendation is to change any parameters, AEMO will proceed with the regulatory change process. This would allow interested parties to make submission to the AEMC (for the rule changes) or AEMO (for DWGM Procedure changes).

Meeting closed at 10.45

¹ AEMO Gas Market Parameter Review 2018 - Consultation Paper – published December 2017 section 3.1

² Subsequently AEMO postponed the Draft Report until 9 March 2018.