

9 January 2018

Australian Energy Market Operator (AEMO)
GPO Box 2008
Melbourne VIC 3001

Submitted by email to gwcf_correspondence@aemo.com.au

Gas Market Parameter Review 2018 Consultation Paper

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Consultation Paper from the Australian Energy Market Operator (AEMO) on the Gas Market Parameter Review 2018

Snowy Hydro Limited is a producer, supplier, trader and retailer of energy in the National Electricity Market ('NEM') and a leading provider of risk management financial hedge contracts.

Snowy Hydro welcomes AEMO's decision to conduct a review of market parameter settings in the Short Term Trading Market (STTM) and the Declared Wholesale Gas Market (DWGM). There is sufficient operational experience and changes in the market to test the validity of the current market conditions at the current time. We therefore believe AEMO's review of the market parameters is warranted at this time and believe that market parameters should remain in force for long enough for market participants to establish their forward contracting strategy. The market parameters 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.

STTM and DWGM concurrently reviewed

Snowy Hydro believes there is value in pursuing market alignment from a policy and an efficiency perspective. The current nature of gas markets in Australia provides an opportunity to ensure that a coherent and robust development strategy is in place moving forward.

AEMO's review of the STTM parameters being carried out concurrently with a review of the DWGM parameters is therefore supported by Snowy Hydro with the approach of addressing all parameters at the one time considered good practice. It is important that there is consistency between all gas markets and that where there is any difference between the two sets of parameters, any opportunity for significant arbitrage does not eventuate.

Linkages with the National Electricity Market (NEM)

With the growing integration between gas and electricity it is important that AEMO's review align's the market parameters between gas and electricity where the NEM should also be considered.

The parameter review needs to recognise the current and growing relationship between the gas and electricity markets in Australia. Snowy hydro understands that the current market price caps (MPC) in the gas and electricity markets may not align directly although it is important that there is no increased disparity between the two energy markets through a reduction in the MPC in the gas markets.

The increasing level of intermittent and distributed generation mean that gas turbines will play an increasingly important role in the NEM. Both open and combined cycle gas turbines are flexible and responsive enough to operate stably at different generation levels.

Snowy Hydro appreciates the opportunity to respond to the Consultation Paper and any questions about this submission should be addressed to Panos Priftakis, Regulation Manager, by e-mail to panos.priftakis@snowyhydro.com.au.

Yours sincerely,



Kevin Ly
Head of Wholesale Regulation
Snowy Hydro

