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Submitted electronically via: GWCF_Correspondence@aemo.com.au.

AER Submission – Gas Market Parameter Review 2022 Draft Decision

The Australian Energy Regulator (AER) welcomes the opportunity to provide a further submission following the Australian Energy Market Operator's (AEMO) Gas Market Parameter Review 2022 Draft Determination. This submission addresses two of the seven findings.

Proposed new Administered Price Cap trigger event – *Draft Determination 7*

The AER's previous submission stated a preference for the Cumulative Price Threshold (CPT) setting in the STTMs and DWGM to be aligned (changed) for the improvement of spot market functionality during administered pricing periods. AEMO's Draft Determination was for all gas market parameters to remain unchanged. The AER notes this is in part based on Market Reform (AEMO's consultant) finding that the different market designs of the STTM (scheduled once) and DWGM (scheduled 5 times for each day) make it challenging to align parameters across the STTMs and the DWGM.

AEMO proposes, however, exploring a new administered state trigger mechanism that would allow simultaneous administration of two or more additional markets upon one of the DWGM or the three STTM hubs entering administration. Market Reform notes that this new trigger mechanism could be in addition to the existing trigger mechanisms and could be applied to mitigate potential detrimental impacts on inter-market gas flows when some markets are administered while others are not.

The AER submits for further consideration:

- (a) AEMO's proposed new trigger could effectively lower the CPT in the STTMs. In winter 2022 during a time of high and volatile prices, the DWGM was administered (based on CPT) prior to the STTMs. This was due to the differences in the CPT trigger - an average price of approximately \$63/GJ is required to reach the CPT in the STTM where only \$40/GJ in Victoria is required. AEMO's new additional trigger proposal is that following the DWGM CPT being triggered, a decision could be made to administer one or more of the STTMs. The effect of this proposal could be to effectively cap the price in STTMs, based on (Victorian) average prices of \$40/GJ. The AER highlights this appears to be an indirect way of changing existing (STTM) parameters and asks AEMO to consider any potential and unintended effects of the new trigger in further detail.
- (b) If possible AEMO's Final Determination should consider the workability of the recommended approach to adjust the CPT in other market(s) on an event basis and subject to criteria. The proposed trigger may be complex to administer at times when the market is experiencing significant volatility.

View on consultation process to be followed in future reviews – Draft Determination 6

The AER supports the concurrent review of market parameter setting in the NEM and gas markets due to the interrelated nature of these markets for future reviews.

We look forward to continuing to work with AEMO on the Gas Market Parameter Review 2022. If you have any queries relating to this submission, please contact Jeremy Llewellyn at [Jeremy.llewellyn@aer.gov.au](mailto:Jeremy.llewellyn@ aer.gov.au).

Yours sincerely



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