

7 October 2022

Australian Energy Market Operator  
GPO Box 2008  
Melbourne VIC 3001

Submitted by email to [GWCF\\_Correspondence@aemo.com.au](mailto:GWCF_Correspondence@aemo.com.au)

### **Gas Market Parameter Review 2022**

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 2022

AEMO's decision to conduct a review of market parameter settings in both the Short Term Trading Market (STTM) and the Declared Wholesale Gas Market (DWGM) is critical. Alignment across markets is important for the operation of the east coast gas market. The Draft Consultation Report has also demonstrated that there is sufficient operational experience and changes in the market to test the validity of the current market conditions at the current time.

AEMO's review of the market parameters is warranted. However, given the role of gas as an input fuel in the contracting strategies of gas-fired generators in the National Electricity Market (NEM) it is important that any changes in gas market parameters be implemented with sufficient lead time and remain in force for long enough to allow market participants to adjust their forward contracting strategies. Snowy Hydro therefore supports an implementation time of 1 July 2025 to allow adjustments to electricity market contracts.

The current gas price settings were taken into account by owners of gas-fired generators in their existing forward contract arrangements. The majority of those contracts extend up to 1 July 2025. Should AEMO seek to implement changes any earlier, for example 1 July 2024 (i.e. while existing contracts remain on-foot) it will create unnecessary risks. Not only will it impair generators' ability to meet their forward contract obligations, reducing liquidity, it is likely to have an unintended consequence of creating price risk for consumers. It is for these reasons we do not support early implementation of any changes made to the market parameters.

The market parameters should be able to change when they can become more effective or when they are subject to changes in cost structures. In saying that, if changes to the market Administered Price Cap (APC) are too high, for example, this will be reflected in future electricity cap strike prices, making it harder for small retailers to cover prices below the APC level therefore impacting competition.

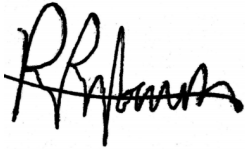
With the growing integration between gas and electricity it is important that AEMO's review aligns the market parameters between gas and electricity where the NEM should also be considered. The parameter review should recognise the current and growing relationship between the gas and electricity markets in Australia. The work currently being undertaken by the Reliability Panel for changes to the market settings post 2025 should be aligned with the gas market parameter review.

### **About the Snowy Hydro Group**

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. We are an integrated energy company with more than 5,500 megawatts (MW) of generating capacity. We are one of Australia's largest renewable generators, the third largest generator by capacity and the fourth largest retailer in the NEM through our award-winning retail energy companies - Red Energy and Lumo Energy.

Snowy Hydro appreciates the opportunity to respond to the Gas Market Parameter Review and any questions about this submission should be addressed to me by e-mail to [panos.priftakis@snowyhydro.com.au](mailto:panos.priftakis@snowyhydro.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Priftakis', written over a faint, light-colored rectangular stamp or watermark.

Panos Priftakis  
Head of Wholesale Regulation  
Snowy Hydro

