



7 October 2022

Australian Energy Market Operator
Level 22
530 Collins St
Melbourne Victoria 3000

Submitted by email: GWCF_Correspondence@aemo.com.au

Dear Sir/Madam,

Gas Market Parameter Review 2022

The Australian Financial Markets Association (AFMA) is responding to the Draft Consultation Report for AEMO's 2022 Gas Market Parameters Review.

AFMA is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets. AFMA has more than 120 members reflecting a broad range of participants in financial markets, including a number of energy companies who are active in Australian energy markets.

The recent unprecedented disruptions in electricity and gas markets have highlighted the need to review parameters in all energy markets and to consider how effectively the arrangements for administered market states operated during this period of stress. AFMA considers that the review of the gas market parameters should consider the interaction between the gas market and the NEM and also look to learn from the application of administered pricing during the recent administered states.

1. Interaction between markets

The events of May and June this year demonstrated the interrelatedness of the gas and electricity markets. This was shown in the gas market when gas flowed from markets where price caps were in place to markets without caps and other demand outside the regulated markets. In the NEM the interaction between gas and electricity price caps resulted in many gas generators being unable to run economically under the price caps and was a key contributor to AEMO's decision to suspend the NEM.

AFMA therefore considers that it is critical to the success of both gas and electricity markets that the interaction between market parameters in all markets are considered holistically.

2. Coordination of reviews

There are currently three reviews of market parameters underway or recently completed:

- a) AEMC – amending the administered price cap rule change
- b) Reliability Panel – 2022 Reliability standard and settings review
- c) AEMO – Gas Market Parameters Review

All of these reviews have identified the need consider the interaction between the parameters in gas and electricity markets. But the fact that they are being done to different timelines by different bodies complicates the process for all involved. For instance, the Reliability Panel’s recommendation to increase the Administered Price Cap (APC) in the NEM to \$500 is predicated on a gas APC of \$40, should this review decide to increase APC significantly in gas markets it could render the Reliability Panel’s work redundant.

AFMA considers AEMO should coordinate its review with the AEMC’s work on the electricity APC rule change and any rule changes coming out of the Reliability Panel’s Final Report. Additionally, we suggest AEMO should initiate discussions with policy makers to develop a mechanism to allow future reviews to be conducted in a single process covering all markets.

3. STTM administered settlement and scheduling states

The May and June market disruptions gave the market a demonstration of how the administered states operated in the various gas markets. This included the first application of an administered settlement and scheduling states in the STTM following a major ROLR event in Sydney. AFMA recommends that this review should consider the experience of different administered states applying across the gas markets. The different administered states meant that the market parameters (particularly APC) applied differently between gas markets. This resulted in different pricing outcomes in the markets which complicated the supply of gas and ultimately led to government intervention in the Sydney STTM hub. Particularly AEMO should consider if it is necessary to have different administered states for minor and major ROLR events in the STTM.in the STTM.

AFMA would welcome the opportunity to discuss the Gas Market parameters Review. Please contact me on 02 9776 7994 or by email at lgamble@afma.com.au.

Yours sincerely



Lindsay Gamble
Policy Director