

Australian Energy Market Operator (AEMO)

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### Submission to AEMO's Gas Market Parameter Review 2022: Draft Decision

The Australian Energy Council welcomes the opportunity to make a submission to AEMO's Gas Market Parameter Review 2022: Draft Decision (**Draft**).

The Australian Energy Council (**AEC**) is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

The AEC is broadly supportive of the Draft's decision to not change the gas market parameters for the DWGM and STTMs and acknowledges the inclusion of initial stakeholder feedback in the Draft. Nevertheless, the AEC still considers that aligning the parameters across the markets as close as possible instead of creating an additional trigger mechanism as proposed in the Draft is preferable.<sup>1</sup> A logical and sensible reform that will come close to achieving this is outlined below.

The AEC has observed that there is currently a flaw in how the DWGM CPT is calculated. The current method employs a time weighted average price to calculate the CPT which can at times result in an inaccurate measure of the price at which most of the gas settled at across a day. This is because the great majority of the gas traded in the DWGM is settled in the first trading interval (ie, 6am) and subsequent trading intervals are only for deviations in gas required relative to the previous interval. The AER in its submission also observed this anomaly and suggested the use of a volume weighted price for DWGM CPT calculation.<sup>2</sup>

For example, under the current approach if 1,000TJ of gas is settled in the 6am interval at \$20/GJ and an additional 40TJs are settled at \$800/GJ in the subsequent intervals, the time weighted average price for the day would be \$644/GJ in spite of the fact that over 96% of that day's gas traded at \$20/GJ. In contrast the volume weighted price would have been \$50/GJ which accurately reflects market conditions for that day.

The use of a volume weighted price for DWGM CPT calculation would also better align this market with the STTMs because these markets are settled based on one daily price in contrast to the five prices in the DWGM. Furthermore, as discussed above it should negate the need for the Draft's proposal of a new APC trigger event.<sup>3</sup> Accordingly the AEC recommends that a volume weighted price is used for CPT calculation in the DWGM.

Any questions about our submission should be addressed to Peter Brook, by email to [peter.brook@energycouncil.com.au](mailto:peter.brook@energycouncil.com.au) or by telephone on (03) 9205 3103.

Yours sincerely,



**Peter Brook**

Wholesale Policy Manager

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<sup>1</sup> Draft, p19

<sup>2</sup> Draft p 43.

<sup>3</sup> Draft, p19.

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