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Gas Market Parameter Review 2018 – Draft Report

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Australian Energy Market Operator's (AEMO) Gas Market Parameter Review 2018 – Draft Report.

Origin is broadly supportive of the framework within which Market Reform has undertaken this review and largely agrees with the overarching conclusion that there is no demonstrated case for revising the broader suite of parameters in the Short Term Trading Market (STTM) and Declared Wholesale Gas Market (DWGM). In considering whether the proposed reduction in the cumulative price threshold (CPT) is appropriate, it is important to understand the trade-offs associated with the change. While the proposed change could reduce the level of pricing risk for market participants, it could also impede efficient decision making across the gas and electricity markets if it diminishes the effectiveness of price signals.

The recent closure of some coal fired generation capacity has driven a greater need for gas-fired generation in the National Electricity Market (NEM), particularly during periods of high electricity demand. As a result, electricity and gas markets are now more interlinked than ever, with electricity/gas price relativities strongly influencing where gas is ultimately directed by market participants.

The decision to reduce the CPT in the DWGM from \$1,800/GJ to \$1,400/GJ is relevant in this regard, given it would result in the earlier introduction of administered pricing. Should this occur at a time when wholesale prices in the NEM are high (e.g. above \$600/MWh), incentives for market participants to supply the DWGM are likely to be reduced, with available gas supplies likely to be dedicated to gas-fired generation.

Given this relationship and the potential for high gas-fired generation demand over the outlook period, in deciding whether to lower the CPT, AEMO should ensure appropriate balance is maintained between minimising participants' risk exposure, and the provision of market price signals that allow for efficient operational/investment decisions.

If you wish to discuss any aspect of this submission further, please contact Shaun Cole at shaun.cole@originenergy.com.au or on 03 8665 7366.

Yours Sincerely,



Steve Reid
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