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15 May 2023

Dear Luke,

### **DWGM trade-weighted Cumulative Price Proposal**

AGL thanks AEMO for the opportunity to comment on a proposal to use a trade-weighted cumulative price for the DWGM.

AGL does not support the proposed calculation, which AEMO has based on the adjusted imbalance payment calculation outlined section 9.1 of the DWGM Technical Guide. The proposed changes make it possible for sustained \$800/GJ prices across an entire Gas Day without the CPT being triggered, which would be a strange outcome in such circumstances. The proposed calculation also appears to ignore participants who have a balanced or long position in the market, and only considers participants who are short (as calculated by AEMO and with no ability for participants to check if this calculation has been done correctly). Finally, the proposed methodology does not appear to consider a participant's deviations which could lead to gaming of the CPT trigger (though this would breach other rules around good faith).

Our other concern with this approach is the lack of transparency to the market of net positions and that some companies register different subsidiary entities as market participants for supply and demand, so the overall net position for these companies is not clear.

AGL does support the intent to bring the CPT methodology for the DWGM and STTMs into closer alignment. However, changes to CPT calculation methodology should be carefully considered significant given the degree to which it will alter participants' risk profiles, including changing the value of DWGM injection rights.

Given Gas participants are already facing significant changes through regulatory intervention and the imminent commencement of new obligations we are concerned participants cannot give this issue the attention it warrants. Our view is that changes to the DWGM CPT methodology should not be pursued heading into winter 2023.

AGL proposes that this issue be put on hold until after winter, as part of a broader examination of the integrity of the DWGM and STTM administered pricing frameworks. For example, at present, a participant can take gas out of a capped market to sell it into an uncapped market. This loophole should be closed such that participants can only submit scheduled withdrawal bids when they are also injecting, and only up to quantity being injected.

Please contact me on 03 8633 6723 or [lgharghori@agl.com.au](mailto:lgharghori@agl.com.au) should you wish to discuss further.

Yours sincerely,

Liz Gharghori

A/g Senior Manager Wholesale Market Regulation