

Changes to periodic review of market parameters in STTM

Final determination and final rule published

The Australian Energy Market Commission (AEMC or Commission) has made a rule in response to a rule change request received from the Australian Energy Market Operator (AEMO). The rule aligns the periodic review of market parameters in the short term trading market (STTM) with the national electricity market (NEM) reliability standard and settings review.

Final rule

The Commission determined to make a more preferable rule to the rule proposed by AEMO. The Commission's more preferable rule provides AEMO with more flexibility to conduct each subsequent STTM parameter review (STTM review) taking into account any new NEM parameters recommended in the NEM reliability standard and settings review (NEM review), or to conduct the STTM review at the same time the Reliability Panel conducts the NEM review.

1. In line with the proposed rule, the final rule requires AEMO to complete the current STTM review by 30 April 2018 (*Figure 1*).

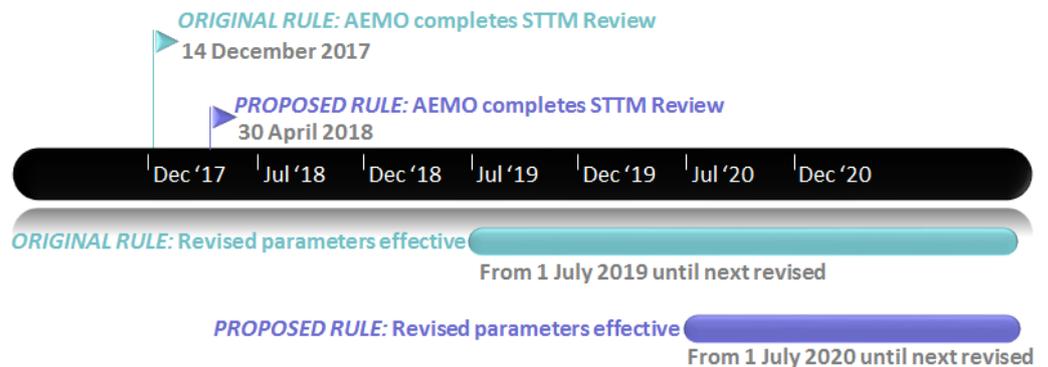


Figure 1 – Time frames for the current STTM review

2. The final rule also requires that AEMO complete each subsequent STTM review within six months of the completion of the NEM review (*Figure 2*). This aspect of the final rule differs from the proposed rule for the reasons set out below.



Figure 2 – Time frames for subsequent STTM reviews

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Commission's reasons

The Commission considers the final rule, which allows AEMO to complete subsequent STTM reviews up to six months after the completion of the NEM review, will better contribute to the achievement of the National Gas Objective than the proposed rule. The proposed rule sought to align the timing of the STTM and NEM reviews without this flexibility.

The six month window affords AEMO the opportunity to consider any revised NEM reliability settings in its STTM review. Hence, AEMO is better informed and better able to determine the most appropriate STTM parameters that underpin efficient investment in gas services. Efficient investment drives the reliable and cost-effective supply of gas to consumers.

The Commission considers the final rule will:

- promote the provision of accurate market signals to STTM participants
- reduce the administrative burden on AEMO that arises from the need to complete multiple reviews in a short time frame.¹

Background

The increased interconnection of gas and electricity markets was a key driver for this rule change. AEMO has stated that parameters in gas markets are best analysed taking into account current considerations in inter-related markets.

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¹ AEMO is required to consult with interested parties to consider if a STTM review should be completed earlier if a setting in a related market changes.