



Karen Krist
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Australian Energy Regulator
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To Karen Krist,

Wholesale Market Monitoring and Reporting Guideline – Issues paper

ENGIE Australia & New Zealand (ENGIE) appreciates the opportunity to respond to the Australian Energy Regulator (AER) in response to the issues paper on the Wholesale Market Monitoring and Reporting Guideline (Guideline).

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE operates an asset fleet which includes renewables, gas-powered generation, diesel peakers, and battery energy storage systems. ENGIE also provides electricity and gas to retail customers across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

ENGIE appreciates the AER setting out an approach that seeks to minimise participant burden and overlap with other reporting obligations. In this submission, ENGIE provides feedback on the AER's specific consultation questions.

Should you have any queries in relation to this submission please do not hesitate to contact me on, telephone, 0436 929 403.

Yours sincerely,

Matthew Giampiccolo

Matthew Giampiccolo
Manager, Regulation and Policy

Responses to questions in the issues paper

Question 1 - What factors should we consider in integrating contract market data into the structure-conduct-performance framework and our evaluation of wholesale electricity and gas market performance?

ENGIE supports the AER's continued use of the 'structure-conduct-performance' framework for its analysis of wholesale electricity markets. As highlighted in ENGIE's response to the AER's 2018 consultation, when assessing the outputs of the framework the AER should be mindful of the physical, economic and political realities that shape the National Electricity Market, as well as the long investment timeframes for generation and transmission assets.

Question 2 - What are your views on our proposed key areas for assessment:

- market liquidity
- access to markets and barriers to entry and participation
- incentives for offer behaviour
- risk positions

Are there additional areas or types of information we should consider? If so, please advise.

In relation to the proposed key areas for assessment, ENGIE questions whether 'risk positions' is an appropriate description for an area of assessment. The term 'risk positions' may be interpreted as extending beyond an assessment of contracts, which would be difficult to assess due to the constantly evolving nature of risk positions and the challenges in comparing these positions across participants. Instead, this area of assessment should be described as 'contract positions', as a participant's contract positions will demonstrate a true reflection of their actual preferences.

Question 3 - What are your views on specific metrics that would be valuable for addressing the proposed key areas?

ENGIE supports the Australian Financial Markets Association's input on the data that may give the AER insights into the key areas for assessment, as set out in its submission to the issues paper.

Question 4 - The Guidelines must include a list of the information that we are likely to collect routinely. What do you consider should be collected routinely, and why?

ENGIE's preference is that the AER establishes an enduring reporting framework with largely consistent information requests on a pre-defined frequency (for example, six-monthly) that relates to data for that period. It is much simpler to plan and allocate resources to respond to information requests when there are clear reporting dates and consistent reporting requirements from period-to-period. It is challenging to respond to ad-hoc requests that require significant levels of data analysis and testing. We would expect that once the reporting templates are established that any future updates would only occur following a formal consultation process with stakeholders.

In terms of information that should be collected routinely, we expect that this should primarily relate to exchange-traded contracts and other positions that may vary over short time periods. In contrast, information on longer term contracts, such as Power Purchasing Agreements (PPAs), will be most usefully provided on a less frequent basis.

Question 5 - The Guidelines must include the types and classes of information that we do not expect to request. What do you consider should be on that list, and why?

ENGIE is supportive of the AER's objective to harmonise its information requests with those issued by other regulatory agencies. If the AER were to seek to collect information that has also been provided to another agency, we would urge that the AER require this information be provided in the same format so that participants do not need to recut their data to account for slight differences in the questions asked by different agencies.

Question 6 - The Guidelines must include a minimum threshold, below which we will not collect information, for contracted quantity of gas for bilateral trading agreements made between a retailer and an end user. What would be a reasonable minimum contract volume, and why?

No feedback.

Question 7 - What are your views on our proposal to take a targeted incremental approach to information collection for our enhanced wholesale market monitoring and reporting functions?

While there are some obvious benefits to smaller and more targeted information requests, ENGIE notes that this needs to be balanced with consistency in the information requests over time. It is challenging to adjust reporting systems to respond to regular changes in the information request if the AER's focus is adjusting quickly.

The AER should start with a smaller and more targeted approach that is consistent for a period of time before future expansions occur in the information collection. These future expansions should be preceded by a formal consultation process with stakeholders.

Question 8 - We are engaging with ASIC and the ACCC regarding sharing information. Are you aware of any other agencies or organisations that collect information that may meet the needs of our wholesale market monitoring and reporting function? If so, please advise.

No feedback.

Question 9 - If information sharing between regulatory agencies is not feasible, would you want us to:

- explore a consent framework? If so, please advise what key components would need to be considered.
- seek to harmonise our information requests with those made by other regulatory agencies?

As noted in our response to question five, ENGIE would prefer that the AER access relevant data directly from other regulatory agencies to minimise the regulatory burden of managing multiple information requests. If this is not feasible, ENGIE would prefer that the AER include the exact same questions as other regulatory agencies in their information requests. In our experience, there can be significant amounts of work involved in recutting and reanalysing data due to slight differences in questions asked by different agencies for effectively the same dataset.

The Guidelines should clearly outline the coordination and harmonisation between the AER's functions and those of other regulatory agencies (particularly the Australian Competition and Consumer Commission).

Question 10 - Are there any other methods of facilitating information sharing or coordination that we could explore? If so, please advise.

ENGIE considers that secondary uses of the AER's information collection should be explicitly outlined in the Guideline (such as, if the AER were to use the collected information to estimate the wholesale electricity cost component of the Default Market Offer).

Question 11 - How can we enable efficient information collection that optimally balances value and burden? Including for the:

- format of information collection
- frequency of information collection
- granularity of information collected.

Please provide your response specific to different contract types and/or participant characteristics, where relevant.

Please refer to our response to question four.

Question 12 - What are your views on the granular approach undertaken for DMO 5 and 6?

No feedback.

Question 13 - What historical information do you consider would be most valuable for understanding the contract market and providing perspective for current and future market performance?

Reporting on historical contract information is a significant burden and is much more challenging to report on compared to recent data. ENGIE would urge the AER to only request historical contract information

where there is a very clear policy justification and to minimise the use of historical information requests where possible.

More broadly, the changes in the market since 2019 (for example, the unique circumstances related to the coronavirus pandemic, recent energy market turbulence, and the rapid emergence of new technologies) mean that historical data is unlikely to provide useful context to current information or future market performance.

Question 14 - With consideration for (but not limited to) the methods raised in section 4.2, how could we minimise participant burden associated with historical information collection?

Please refer to our response to question 13.

Question 15 - What factors should we assess when considering an anticipated disclosure?

The disclosure of information will be reasonable in some circumstances, such as where the information is sufficiently aggregated to not reveal any confidential information relating to specific participants. However, there may be certain datasets that are unable to be aggregated in a way that avoids identifying a participant's position.

ENGIE supports the procedural fairness measures that are specified in the issues paper to provide affected participants with an opportunity to respond to a proposed disclosure. Although the legislation provides for a minimum period of five business days for a participant to respond to a notice, we suggest that the AER commit to a longer minimum period to account for the complexity involved in assessing the potential harm of a potential disclosure of contract information that may identify the participant's position. The Guideline should set out the AER's approach to disclosing information and the consultation process for affected participants.

Question 16 - Do the confidentiality, disclosure and procedural fairness measures pose any risks to participants? If so, what are they?

Please refer to our response to question 15.