



**EnergyAustralia**

LIGHT THE WAY

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### Draft Wholesale Market Monitoring and Reporting Guideline (Draft Guideline)

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts in NSW, Victoria, Queensland, South Australia, and the Australian Capital Territory. EnergyAustralia owns, contracts, and operates a diversified energy generation portfolio that includes coal, gas, battery storage, demand response, solar, and wind assets. Combined, these assets comprise 4,500MW of generation capacity.

EnergyAustralia welcomes the opportunity to comment on the AER's Draft Guideline.

In general, we observe the Draft Guideline sets out at a high level the AER's intended approach to competition and efficiency analysis. This approach aligns with generally accepted thinking around these concepts. The Draft Guideline does not however provide any material indication on the specific subject matter that the AER will focus on in its new biennial wholesale electricity and gas reporting. We look forward to more guidance on the specific problem statements or issues that the AER intends to explore, particularly for wholesale gas markets. We anticipate this could be the subject of future papers but the earlier the AER can provide guidance to industry, the greater buy-in it will achieve and the more feedback industry can provide on what information collection would assist the AER in its lines of inquiry.

The focus of our feedback below is on Appendix A and B of the Draft Guideline which sets out what the AER expects to routinely collect and not collect, and the frequency of collection.

## 1. Feedback on Appendix A – Types of information that the AER expects to routinely collect

### Electricity

Guideline reference	EA's views
Non-standard over-the-counter contracts (such as solar shape or super peaking products), power purchase agreements, weather derivatives and inter-regional settlement residue products, power purchase agreements, weather derivatives and inter-regional settlement residue products	Some non-standard contracts, like weather derivatives, might be difficult to provide standardised data for.
Fuel contract information	<p>We believe the AER is interested in fuel contract information because it might shed light on the marginal cost of generators. We also recognise that fuel volume information may provide some indication on why a market participant is bidding or not bidding.</p> <p>We recommend that information requests, rather than the provision of fuel contracts would be more useful to the AER. Simple data collection such as the price and delivered volume of coal per month could be an effective metric for the AER to use.</p> <p>We also note, for completeness, that the information provided to the NSW Government under the coal direction powers is not a suitable precedent to base any AER requests on, as it is focused on the specifics of the NSW Directions not this AER process..</p>

### Gas

Guideline reference	EA's views
Bilateral contracts such as master sales agreements, firm, as available, and options contracts	<p>The effort and burden in responding to contract related notices increases exponentially for contracts more than 3 years old. If the AER can limit its contract requests to contracts within 3 years this would assist in reducing burden on respondents.</p> <p>For example, responding to the recent ACCC gas notice has involved significant effort and burden which impacts business teams as this work cannot be outsourced. The scope of that notice covers bilateral gas contracts of up to five years, and requires us to extract detail from those contracts to complete a spreadsheet. This is a very significant effort to trace contracts and contract variations from several years back, and to then find the information in those contracts.</p> <p>While under the legislation the AER can request up to 5 years back for contracts, we encourage the AER to use discretion and limit these requests to 3 years. A 3 year request would also align with the biennial timing of the report which presumably would cover the last two years.</p>

	<p>This comment applies to all contract information types including gas transportation and gas storage contracts.</p> <p>We seek clarity on whether the bilateral contracts between retailers (as opposed to retailers and end-users) is intended to be requested by the AER.</p>
Emission-related contracts	We seek clarity on what emission-related contracts are.
For both electricity and gas, we will routinely collect qualitative information relating to the above products to ascertain participants' risk appetite, risk management strategies, trading strategies and investment consideration in the context of the energy transition.	This is an broad description of the purpose for collecting the dot pointed types of information. While we can see how risk appetite, risk management strategies, and trading strategies might be relevant to inform market behaviour, we question whether investment consideration is less relevant to how participants behave in the market. We also note that qualitative information requests cannot be outsourced, and therefore diverts EA staff from their commercial duties to respond to requests. Our experience is that this has been quite onerous in the past. This impact can be reduced if the AER requests this type of information less frequently.

## 2. Feedback on Appendix B - Types and classes of information the AER does not expect to request

Guideline reference	EA's views
Contracts already submitted to the Gas Bulletin Board	We agree with this exclusion, and would like to extend this to any information (not just contracts) submitted to the Gas Bulletin Board, or any contracts/information provided to AEMO more broadly.
Bilateral trading agreements made between a retailer and an end user below 1 Terajoule in volume per day.	<p>We agree with this threshold to de-scope small, immaterial amounts of gas traded per day for system security requirements.</p> <p>However we consider that a different <i>per year</i> minimum threshold should be set to cover bilateral agreements between a retailer and an end-user. This should aim to exclude small end users like mass market customers e.g. residential and small business customers. This would be in line with the ACCC gas inquiry collection. As per our earlier submission, the threshold below which information collection should not occur should be 10TJ per annum.</p> <p>As an alternative approach, the ACCC gas notices excluded contracts below 1TJ per year, but the 10TJ threshold for EnergyAustralia was recognised because the ACCC clearly excluded any customers which receive small customer protections. This reflected the intent to capture only commercial and industrial customers, and not mass market customers (residential or small business customers). We expect that other Retailers will have a similar issue. The ACCC adopted the following wording for its notice:</p> <p><i>“Commercial and Industrial Customer’ means an acquirer, or possible acquirer of Gas from the Supplier, located in the Relevant Region,</i></p>

	<p><i>acquiring or seeking to acquire at least 1 TJ of Gas per year, for their own consumption for commercial or industrial purposes but excludes:</i></p> <p><b>(a) A Customer that the Supplier treats as a small customer for the purposes of the National Energy Retail Law and National Energy Retail Rules and the equivalent customer protection frameworks in Victoria and Tasmania” ....</b></p> <p>Further, as per our earlier feedback, we strongly encourage the AER to exclude contracts with a contract length of less than 12 months (also in line with the ACCC’s gas inquiry information notices). This would exclude trivial amounts of gas traded under shorter contracts which are not indicative of general pricing in the market.</p> <p>Lastly, as mentioned above, we seek clarity on whether the bilateral contracts between retailers (as opposed to retailers and end-users) is intended to be requested by the AER.</p>
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### 3. Frequency

We note that in the AER’s Explanatory Statement to the Draft Guidelines, the AER has noted periods of possible targeted requests in Figure 2. For efficiencies on the AER’s and respondents’ sides, we encourage the AER to issue only one notice for each report in those periods. Responding to multiple notices, often overlapping in subject matter and timeframe to respond, can be inefficient (especially where the second set of information could have been searched for at the same time as the earlier information) and where the time to respond is split between two notices. It also means impacted teams could be responding to a series of requests for very lengthy periods of time. Our preference is for a singular notice with a longer response time. This will allow for respondents to arrange their collection of information and data in the most efficient way possible.

If you would like to discuss this submission, please contact Selena on 03 9060 0761 or [Selena.Liu@energyaustralia.com.au](mailto:Selena.Liu@energyaustralia.com.au).

Regards

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