

Significant price reporting guidelines

Draft

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1 Overview

This document is a guideline produced in accordance with clauses 3.13.7 and 3.13.7A of the National Electricity Rules (NER)¹ to assist interested parties on how the Australian Energy Regulator (AER) will report on significant price outcomes in the National Electricity Market (NEM).

1.1 Purpose of this Guideline

The purpose of the *Significant price reporting guidelines* (Guideline) is to inform interested parties on our approach, criteria and reporting procedures to meet our obligations for significant price reporting under the NER.

Reports prepared under the Guideline explain the key drivers of high energy price events. This assists stakeholders and policymakers to assess whether the market is functioning effectively.

1.2 AER Obligations

This Guideline is issued pursuant to the following clauses of the NER:

- 3.13.7 - Monitoring and reporting of significant price outcomes by the AER
- 3.13.7A - Significant price reporting guidelines.

On 19 May 2022, the Australian Energy Market Commission published changes to clause 3.13.7 and added 3.13.7A to the NER.

These clauses created obligations for the AER to:

- monitor and investigate significant price outcomes in relevant markets
- report on particular content within certain timeframes
- develop guidelines.

The Guideline must include the:

- details of markets that we are monitoring and reporting on (2.1)
- criteria for determining significant price outcomes (2.2).

1.3 AER Role in the wholesale electricity market

In the wholesale electricity market, the AER monitors, investigates, and enforces compliance with national energy legislation and rules.

We actively monitor a range of metrics to analyse participant behaviours and market conditions. These include, but are not limited to, participant offers, bidding and rebidding, market *dispatch* and prices, *network constraints* and *outages*, and forecasts.

We publish a range of reports on market activity through:

- periodic reports on wholesale market outcomes (such as our Wholesale Markets Quarterly)

¹ See Appendix A.

- special reports on wholesale market outcomes
- biennial reports on the effectiveness of competition
- reports on significant price outcomes.

Specifically, reports on significant price outcomes form part of a suite of measures used to surveil the wholesale electricity market. These reports are used to monitor participant behaviour and compliance, analyse market efficiency and the effectiveness of competition, and support the development of further reporting.

1.4 Definitions and interpretation

The words and phrases presented in *italics* in the Guideline have the meaning given to them in the NER (<https://energy-rules.aemc.gov.au/ner/384/glossary/a>).

1.5 Review process of the Guideline

The Guideline will be reviewed periodically to ensure it continues to support relevant and valuable reporting in an evolving market. The first review will be conducted over the next 12 months, with a particular focus on setting appropriate price thresholds for significant price outcomes based on analysis of recent market trends.

The thresholds set out in 2.2 are consistent with the thresholds used since the AER started reporting on significant price events.

Further, if additional markets are added to the NEM, we will develop thresholds for defining significant price outcomes in these additional markets.

Any amendments to the Guideline are subject to the *rules consultation procedures* as outlined under clause 3.13.7A (d) of the NER.

2 Reporting on significant price outcomes

This section provides information on how we determine what is a significant price outcome, how we will report on these outcomes, and the timing for our reporting.

2.1 Scope

We will monitor and report on significant price outcomes that occur in the following markets:

- *Spot market*
- Frequency Control Ancillary Services (FCAS) markets
- any markets that may become part of the NEM in the future (for example, inertia or capacity markets).

2.2 Significant price outcome criteria

A significant price outcome occurs when in a given region:

- 30-minute price exceeds \$5,000/MWh in the *Spot market*
- consecutive 30-minute prices exceed \$5,000/MW in FCAS markets² or
- any other pricing event occurs that the AER considers will assist meeting the objectives of clauses 3.13.7 and 3.13.7A, which may include pricing events in new markets.

2.3 Reporting content

We must consider whether the following factors, outlined in clause 3.13.7 (b) (2), contributed to the significant price outcomes:

- available capacity
- network availability
- offer, bidding and rebidding behaviour in respect of the relevant market.

We may consider the following matters outlined in clause 3.13.7 (b) (3):

- broader and ongoing market trends that may be contributing to the significant price outcomes
- any events and behaviours that may be detrimental to effective competition or efficient market operation
- any other matter which the AER considers relevant.

² Note that the 30-minute threshold and the FCAS threshold is consistent with the thresholds used prior to the rule changes.

2.4 Reporting timeframes

When a significant price outcome (or group of outcomes) occurs, we will publish our analysis as soon as practicable. The timing will be determined by factors including the complexity of the price outcome(s), the availability of AER resources and the level of importance of the price outcome(s) to the market.

All significant price outcomes will be reported on at least a quarterly basis, as per clause 3.13.7 (c).

The reporting of these events may be included within its own report or within other AER reports.

Appendix A: Excerpts from the National Electricity Rules (as of 8 June 2022)

Clause 3.13.7 Monitoring and reporting of significant price outcomes by the AER

- a) The AER must monitor and report on significant price outcomes in the spot market and any other market specified in the significant price reporting guidelines, in respect of each calendar quarter.
- b) In preparing a report under paragraph (a), the AER:
 - 1) must comply with the significant price reporting guidelines;
 - 2) must consider the following factors that may have contributed to the significant price outcomes:
 - i) available capacity;
 - ii) network availability; and
 - iii) offer, bidding and rebidding behaviour in respect of the relevant market; and
 - 3) may consider the following matters:
 - i) broader and ongoing market trends that may be contributing to the significant price outcomes;
 - ii) any events and behaviours that may be detrimental to effective competition or efficient market operation; and
 - iii) any other matter that the AER considers relevant.
- c) The AER must publish reports under paragraph (a) in a timely manner after the end of each relevant calendar quarter. The AER may publish reports under paragraph (a) more frequently than each calendar quarter.

Clause 3.13.7A Significant price reporting guidelines

- a) The AER must develop and *publish* guidelines (the *significant price reporting guidelines*) for the monitoring and reporting of significant price outcomes under clause 3.13.7.
- b) The *significant price reporting guidelines* must include:
 - 1) the criteria for determining significant price outcomes;
 - 2) the details of any *markets*, other than the *spot market*, which the AER has determined to monitor and report on under clause 3.13.7; and
 - 3) any other matter which the AER considers appropriate.
- c) When determining the criteria referred to paragraph (b)(1), the AER must have regard to high price events and any other matter which the AER considers appropriate.
- d) The AER must comply with the *Rules consultation procedures* when amending the *significant price reporting guidelines*.