



21 December 2018

Mr Rod Simms
Chair
Australian Competition and Consumer Commission
Submitted by email: ElectricityMonitoring@accc.gov.au

Dear Mr Simms

Discussion Paper: ACCC monitoring of electricity supply in Australia

CS Energy welcomes the opportunity to respond to the Australian Competition and Consumer Commission's (ACCC) Discussion Paper *ACCC monitoring of electricity supply in Australia (Paper)*.

General comments

The ACCC is required in accordance with the direction (**Direction**) by the then Treasurer, the Hon Scott Morrison MP, to hold a public inquiry to monitor the prices, profits and margins in the supply of electricity in the National Electricity Market (**NEM**). The inquiry will monitor and report on the supply of retail and wholesale electricity in the NEM.

CS Energy's response focuses on the ACCC'S obligation to monitor:

- (a) prices in the wholesale market; and
- (b) contract market liquidity.

As identified by the ACCC in the Retail Electricity Pricing Inquiry – Final Report and the Paper, there already exists numerous reports which monitor prices across the NEM, including reporting by the Australian Energy Regulator (**AER**), the Australian Energy Market Operator (**AEMO**) and the Australian Energy Market Commission (**AEMC**). In addition, various industry bodies including the Australian Financial Markets Association (**AFMA**) report on other key areas the subject of the Direction.

CS Energy strongly recommends the ACCC frames its inquiry so that it will take advantage of, to the greatest extent possible, data publicly available or already collected by the AER, AEMO or the AEMC. This will reduce duplication and cost across relevant business, and will ensure consistent data is being used in all reporting across the sector.

In addition, CS Energy considers that it would be more appropriate for the ACCC to consider a broader approach to assessing trends and developments that acknowledges the complexity of wholesale and retail electricity rather than adopting an approach that maps behaviours, costs and pricing outcomes on a short-term basis.

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CS Energy has provided further comments in the Attachment.

Yours sincerely

[Redacted signature]

[Redacted name]

Executive General Manager, Revenue Strategy

[Redacted contact information]

ATTACHMENT

1. WHOLESALE MARKET PRICES

CS Energy appreciates the ACCC is seeking stakeholder's views on the types of data the ACCC will require to meet its monitoring and reporting obligations. However, in respect of wholesale market prices, it is not clear what additional data the ACCC could request that would be of benefit to the ACCC.

The wholesale electricity exchange operated by AEMO is already a transparent market.

Regional reference prices for all NEM regions are publicly available 24/7. At the end of each NEM trading day, AEMO, the AER and market participants can access the dispatch offers, dispatch bids and rebids (MW volume and price bands) and rebid reasons for each market participant that is required to participate in AEMO's central dispatch process.

Market participants are also required to self-report to AEMO and the AER including in respect of:

- (a) (to AEMO) through medium and short term PASA, changes to plant availability; and
- (b) (to the AER) errors in bids or rebid reasons.

Instead of seeking this data from market participants, the ACCC should look to obtain this data directly from AEMO and/or the AER. CS Energy understands the disclosure of information by the AER to the ACCC is an authorised use of the information by the AER.¹

Additionally, the AER publicly reports on wholesale pricing through, relevantly:

- (a) the AER's Quarterly Compliance Reports; and
- (b) its obligation under the National Electricity Rules to report on NEM high price events².

The AER has also recently commenced reporting on wholesale electricity market performance across all NEM regions and intends to publish updates to the report throughout 2019 and 2020.

Whilst acknowledging the ACCC is obliged to monitor and report as required by the Direction, the benefit of the ACCC requesting already existing data from market participants must outweigh what is likely to be a significant cost outlay and administrative burden to market participants.

¹ Section 44AAF of the *Competition and Consumer Act 2010* (Cth).

² The AER must publish a report whenever the spot price for electricity exceeds \$5000 per megawatt hour (MWh) and whenever the ancillary service price exceeds \$5000 per megawatt for a sustained period. The report must describe the significant factors contributing to the extreme prices, including whether generation capacity withdrawal or generator rebidding are contributing factors.

2. CONTRACT MARKET LIQUIDITY

CS Energy acknowledges that contract market liquidity is essential for an efficient and competitive electricity market. However, it is concerned that the ACCC is placing too much focus on the transparency of the contract market (as the underlying cause for the lack of liquidity) and is not sufficiently considering other factors such as credit and prudential requirements.

CS Energy does not believe there is a lack of transparency in the contract market that is materially impacting contract market liquidity. Relevantly:

- (a) AFMA has published turnover data for exchange traded and over-the-counter (**OTC**) electricity derivative markets for several years;³
- (b) information on OTC prices and volumes are available for the OTC derivatives market (via broker subscription trade services published data); and
- (c) information on ASX exchange traded prices and volumes are available via an ASX electricity futures and options data services subscription.

The cost to subscribe to the data services is not prohibitive.

CS Energy believes that the disclosure of commercially sensitive information about market participants, in particular information on individual contract trades, will not promote contract liquidity. Conversely, it is likely to limit contract market efficiency.

CS Energy is also concerned that any additional data requested by the ACCC will not be sufficiently aggregated by the ACCC in its reporting, and commercially sensitive information of market participants, although supposedly anonymous, will be able to be deduced by competitors.

CS Energy is of the view that credit and prudential requirements within the contract market is the key issue inhibiting market participants from trading in the contract market and these requirements should be the main focus of the ACCC's monitoring and reporting.

³ CS Energy acknowledges AFMA temporarily suspended this survey for a number of years, however AFMA has now recommenced this survey