

Community Electricity

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Submission in Response to PUO Public Consultation

Position Paper – Design recommendations for Wholesale Energy and Ancillary Service Market Reforms

Standing

Community Electricity is:

- a a licenced Electricity Retailer and a provider of Electricity Retail Services and Market Consultancy;
- b a member of the Independent Market Operator's Market Advisory Committee;
- c a member of the Economic Regulation Authority's Technical Rules Committee;

Further information is available at: www.communityelectricity.net.au

Submission

Community Electricity generally supports the position paper.

We would emphasise the importance of:

- i) the STEM to small retailers. As the position paper indicates, small retailers have a strong reliance on the STEM for risk mitigation, and there is widespread agreement that some form of forward market is desirable to promote liquidity, transparent forward price signals and market power mitigation. In practice, the “Standard Product” bilateral offtakes are too expensive and too illiquid to be viable alternatives.
- ii) reducing the period of exposure necessitating prudential support. At present, this is 70 days NSTEM plus 15 days STEM. It should be noted that this style of requirement is dysfunctional because it fails to take into account that energy is purchased in either the STEM or Balancing, but not both. Given that the quantity of prudential support is ‘fixed’, other things being equal, it is more cash efficient for energy to be purchased in balancing (70 days settlement) than in the STEM (10 days) From this perspective, given that cash prudential deposits are effectively prepayments, the shorter the settlement period, the better the cash efficiency.
- iii) proper guidelines for the construction of the SRMC offers of generators, including definitions of market power and SRMC. This is especially important as Synergy will be offering on a facility basis in contrast with the traditional portfolio practice. We further

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note that under the current market, prices are blowing out (around \$140/MWh) during modest evening peaks due to short run times and the need to recover fixed operating costs. We support the paper's indication that it might be appropriate to use different rules for the STEM (day ahead) and for Balancing (5 minutes).

Contact

For further information or comment, please contact:

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