

To Public Submissions at ERA
Subject EGRC Regulatory Scheme : 2020 Effectiveness Review
Date 23 September 2021

Good Morning

Thank you for the opportunity to comment on the 2021 review of the effectiveness of the EGRC Regulatory Scheme. Perth Energy would also like to take the opportunity to recognise the efforts that the ERA has made over several years to improve the effectiveness of this scheme.

Perth Energy has sought to use Standard Products as well as purchase bespoke contracts from Synergy to supplement our own generation and other bilateral contracts. As a result, we have become aware of some of the shortcomings of the present arrangements and are generally in agreement with the Review. Let me answer several specific questions you raised.

What benefits would we anticipate would come from reducing the maximum buy-sell spread?

Perth Energy considers that the buy-sell spread is far too large for anyone to trade effectively. At the moment there is considerable uncertainty around Balancing Market prices. Synergy probably has the best view of the Balancing Price impact in certain market conditions given that it controls a substantial quantity of generation assets so it should be able to accommodate a tighter spread.

If the spread were tighter, Synergy's buy-sell prices should, in theory, be closer to the SRMC of running their portfolio. In doing so much larger volumes could be transacted through Standard Products. Also, it would make commercial sense for Synergy to purchase energy at a lower rate from a third party when this is available rather than producing its own energy. Pitching the buy-price too low prevents it securing this benefit.

It appears that Synergy, being the bigger player in the market, takes advantage on the smaller players that cannot take the risk on the Balancing Market.

Does Synergy's credit policy prevent or restrict us from trading in standard products?

Perth Energy has to prepay for any energy it purchases through the Standard Products, similarly to how we would if we to purchase using a Bilateral Contract. This is quite limiting, especially if we are trying to put a deal in place within a strict timeline.

Synergy is able to call force majeure on Standard Product contracts if supply from one of their major generators is interrupted. Given that this event could well trigger a jump in market prices, does this potential force majeure event restrict our use of standard products?

Absolutely. Synergy has a diverse fleet within its portfolio so any shortfalls should be met by either generating through its other assets or purchasing from the Market. This is how all other Market Participants must operate. In a force majeure event, a Market Participant could face high charges through the Balancing Market whereas mitigation of such risks is a key reason why it had entered into a Standard Product.

What changes to standard product specifications would we like to see – different volumes, durations, shapes, etc?

Perth Energy would like to see a broader variety of Standard Products with different times of day and durations. For example, day-time contracting or weekday/weekend pricing and volumes. Also, securing coverage for the duration of scheduled plant maintenance, which was one of the initial reasons for having Standard Products, would be of benefit.

One product that would be of significant benefit would be a renewable energy product. This would help retailers meet the growing customer demand for green energy while potentially assisting Synergy in on-selling the substantial amounts of renewable energy that it currently purchases.

Concern that Synergy may be cross subsidising between its wholesale and retail businesses or between contestable and non-contestable customers.

Perth Energy agrees that publishing more detailed periodic financial reports, including separate financial results for its contestable and non-contestable customers, and gas and electricity, could give comfort that cross subsidisation is not occurring.

Should you have any questions please do not hesitate to contact me at p.peake@perthenergy.com.au or on 0437 209 972. This submission may be made public.

Kind regards



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I am based in the Perth Office and work Tuesday, Wednesday and Thursday