

21st December 2015

Attn. Assistant Director Electricity
Economic Regulation Authority

**Submission for the ERA Annual Review of the
Effectiveness of the WEM in Meeting Market Objectives**

The Amanda group of companies;

- Holds an Electricity Retail Licence to supply electricity to Contestable Customers,
- Analyses cost benefits, designs and installs commercial and residential solar PV systems,
- Analyses cost benefits and supplies advice for internal operations demand side management,
- Holds capacity in the Demand Side Management program.

Amanda provides grid electricity, solar PV, DSM and electricity management services – individually each of these areas may have a detrimental effect on the viability to both the provider and the customer for the other areas. This puts Amanda in a unique position to provide a balanced view or outcomes for providers and customers.

In addition to our public submission below, Amanda offers to provide supporting information in confidence to the ERA.

Submission

Reforms to the Reserve Capacity Mechanism

Amanda supports the reforms to the Reserve Capacity Mechanism in principle including the drastic changes to DSM. These changes will effectively make DSM untenable and Amanda accepts the “greater good” of increased relevance of a new RCM.

Synergy 2015 Annual Report

Amanda is concerned that the report does not reflect cost of supply and margin for the various business units. Transfer pricing used in the report blurs the purpose and allocation of the operating subsidy. We feel that unfair and anti-competitive pricing by Synergy along with inept or over-priced management is disguised within the report by using transfer pricing.

The benefit (or otherwise) of the merger between Synergy and Verve is not made clear.

The true “stand alone” P&L of each business unit including Generation, Wholesale and Retail, and the purpose and allocation of the subsidy is not made clear.

Perceived Pricing of Electricity Below Cost by Synergy

Amanda confirms it has made a submission to the ACCC regarding Synergy’s prices offered to some contestable customers that appear to be below the cost of supply and without allowance for volatility. While this in itself does not merit inclusion in this submission, it highlights important points that should be considered by the ERA;

sales@amandaenergy.com.au
T +61 08 9430 7048 F +61 08 6311 7348
11, 100 Stirling Highway North Fremantle
PO Box 867 Cottesloe 6911
Western Australia

- Synergy owns or controls approximately 75% of generation.
- Through generation forced and planned outages, Synergy itself is the primary cause of price volatility.
- Synergy receives subsidy from the Government, and the current Synergy reporting can disguise anti-competitive pricing being subsidised. In effect, non-Government electricity generators and retailers may be disadvantaged by the subsidy.
- The Synergy Standard Product is ineffectual.

Synergy Standard Products

The purpose of the Synergy Standard Product (SSP) was to offer Government owned/controlled generation to the WEM in line with the objectives of the WEM, essentially for a fair and competitive electricity market. The SSP has been ineffectual due to;

- The prices are set too high to win a competitive tender,
- The prices are set too high to offer a reasonable “hedge” for an electricity portfolio,
- The SSP Force Majeure clauses remove any remaining hedging benefit – when the higher SSP price may well be justified, it may not be available due to the FM clauses.

To be relevant the SSP needs to be free of Force Majeure clauses and be a reflection of the expected average price, not the stepped price.

Data Access and Metering

The current policy of Western Power portal access to data for 20 NMI/day has already been the topic of submissions and resulted in recommendations allowing more access. Amanda confirms the necessity of increased access. It is important that each load can be analysed.

Amanda also supports the roll out of near-live data access for all meters to enable retailers to better serve their portfolios with individual and aggregated electricity management, without relying on the use of “after market” metering.

The Value of Submissions for the Electricity Market Review

While not debating the merit or otherwise of recent events such as the functions of the IMO being transferred to the AEMO, it is perceived that the effort and expense of submissions and working groups by industry is of little value if the Government intends to reform the electricity industry in line with its own agenda. The reform process would be enhanced by a clear understanding of the Governments objectives for State owned entities and a defined framework for input (or not) by industry.

For further confidential comment and supporting information, please contact;

Martin Jurat
Director, Amanda Companies
martin@amandaenergy.com.au