Economic Regulation Authority

Our ref: D312744
Contact: Lipakshi Dhar

6 July 2026

[redacted]

Sent by email to [redacted]

Dear [redacted]

Response to request for guidance on the Offer Construction Guideline

I refer to your request for guidance on the Offer Construction Guideline (**Guideline**) dated 28 May 2026, on behalf of [redacted] The Economic Regulation Authority's (**ERA**) interpretation of your request is to provide guidance on managing the escalating cost of imbalance charges incurred by pipeline connected facilities, caused due to gas imbalance charges accruing daily until a facility's gas position is returned to within its contractual tolerance range.

The Guideline outlines how the ERA assesses whether price offers are consistent with Economic Price Offers under the Electricity System and Market (**ESM**) Rules. It does not prescribe the treatment of every circumstance, and its application will depend on the circumstances, including the Facility's characteristics, the Market Service concerned, and the operating circumstances at the time.

As a Market Participant with a Facility allocated to a Material Portfolio under ESM Rule 2.16C.1(c)(ii), [redacted] may request guidance from the ERA under ESM Rule 2.16D.5 in relation to the Guideline. In deciding whether it is required to provide guidance, the ERA has taken into account whether the request meets the requirements in ESM Rule 2.16D.6 and other considerations in ESM Rule 2.16D.10.

The ERA's responses to the matters raised in your letter are set out in Table 1.

Guidance is not binding and subject to change

Under ESM Rule 2.16D.11, except in relation to ERA's investigations under ESM Rules 2.16C.6 or 2.16C.7, any guidance provided by the ERA is not binding on the ERA, [redacted] or any other person; and the ERA may, at any time, reconsider, revise or withdraw any guidance provided.

This response is based on the current version of the ESM Rules (1 May 2026) and Guideline (1 February 2025) respectively.

The ERA must publish guidance

Under ESM Rule 2.16D.14, the ERA must publish on its website a public version of this guidance, with any confidential information redacted.

The ERA is *not* required to publish the guidance if it considers that this guidance cannot be redacted to ensure that a Market Participant's identity remains confidential.

The ERA requests you to, within 15 business days of this letter:

1. Identify what matters, if any, you consider must be redacted, including why a matter is confidential or commercially sensitive.

2. Inform the ERA if you consider that [redacted] identity cannot remain confidential even after redaction, and why.

Please refer to the ERA's confidential information policy for guidance on the types of information the ERA considers can be confidential. If you require additional time to identify the confidential matters as outlined above, please inform the ERA within 15 business days of this letter to discuss alternative arrangements.

Please direct any queries related to this matter to Market.Monitoring@erawa.com.au.

Yours sincerely

[redacted]

Rajat Sarawat

Deputy CEO, Energy Markets Division

Table 1: Response to the matter raised in your letter

Matter	The ERA's response
How to manage the escalating cost of imbalance charges incurred by pipeline connected facilities. Gas imbalance charges accrue daily until a facility's gas position is returned to within its contractual tolerance range.	The Guideline is principles-based and is not intended to provide prescriptive or operational guidance to Market Participants for specific circumstances; for instance, on prescribing any commercial arrangements or specific operational strategies, such as gas nomination strategies, gas storage balancing arrangements or intra-day gas trading actions. The ERA acknowledges that Market Participants operate under conditions of uncertainty and commercial risk in this market. Sections 2.1.1 and 3.2.7 of the Guideline outline general principles for a Market Participant to account for uncertainty and form its reasonable expectation of its efficient variable cost. Managing these risks and seeking to derive the greatest commercial benefit within the regulatory framework remain within a Market Participant's purview. There may be a range of contractual arrangements in place between pipeline operators, shippers and facility operators that govern the resolution of imbalance charges. To this extent, in the first instance, whether and how such charges can be managed or resolved will depend on the relevant commercial agreements between the parties. How a Market Participant contracts and enters into arrangements with its suppliers is a matter for the Market Participant and is not in the scope of the Guideline. However, the costs included in a Market Participant's price offer must be reasonable, verifiable and capable of independent replication. Where gas imbalance charges arise, their treatment will depend on the relevant facts and circumstances. The escalating cost of imbalance charges may form part of a Facility's variable cost and may be reflected in its offer prices where the charges are genuine, efficiently incurred, and reasonably attributable to the supply of energy or Market Services, based on the information available at the time the offer was made. Any costs included in price offers must not exceed the Market Participant's reasonable expectation (based on the information available at the time the offer was made) of its efficient variable costs, consistent with section 2.1.1 of the Guideline. Market Participants must take reasonable endeavours to manage and minimise those costs where practicable. This may include actively considering available operational responses and commercial options, including whether alternative actions could reduce, avoid or otherwise mitigate the extent of imbalance exposure. This could include, for instance, trading imbalance with other shippers. The extent to which imbalance charges may be appropriately reflected in offers will therefore depend, in part, on whether the Market Participant has had regard to such options and whether the resulting costs can be characterised as efficient in the circumstances. A Market Participant must take necessary measures to avoid double counting of incurred efficient variable costs. Market Participants are expected to be able to justify both the inclusion and magnitude of any such costs, having regard to the information available at the time, and to demonstrate that they have made reasonable endeavours to manage their exposure consistent with prudent and efficient operation.