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From: Charles Teichert [REDACTED]
Sent: Tuesday, 5 November 2024 5:39 pm
To: TaskForce
Cc: Tamiris Robinson; David Viviers
Subject: Energy Competition Task Force - request for level playing field measures

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The Task Force has requested that participants provide input on a the component of its work program that relates to the creation of level playing field between 'gentailers' and 'independent retailers'. Specifically, what level playing field measures the Task Force should be considering;

- practical examples of level playing field measures being implemented, preferably in comparable overseas electricity markets; and
- existing published work on level playing measures that stakeholders consider would usefully inform the Authority's work

On the basis that:

- 'gentailers' are defined as participants that both own generation and retail electricity directly to mass market consumers
- 'independent retailers' are defined as participants that purchase electricity from the clearing manager for on-sale to mass market consumers and have no ownership interests in generation

We note that this process starts with the proposition that there is a **not** a level playing field between gentailers and independent retailers. Given the different nature of the investments and activities of the different business model choices of gentailers and independent retailers it does not follow that there should be a level playing field. Generation investment is very capital intensive activity relative to investment in retail and as such trying to apply a level playing field approach does not necessarily follow. Forcing parties to contract in a particular way for example may have unintended consequences, give rise to transaction costs and result in higher costs and risks to consumers.

Before any measures are considered in our view it is necessary that the problem should be first be defined and it is not clear from the taskforce material to date that this has yet been done and should be given priority.


With respect to published work relating to this topic I would recommend the white paper prepared by Richard Meade in 2021 title - "Review of the Economics Literature on the Pros and Cons of Vertical Integration and Vertical Separation in Electricity Sectors". The report was commissioned by ERANZ and a copy should be able to be obtained from them if the Authority does not already have the report on file.

Practical measures that the Taskforce could consider to assist in enhancing market performance should include:

- a) moving to ex-ante pricing for the spot market. This will improve confidence that when parties react to the pricing signals they will receive an observed benefit whether they are a generator or a consumer.
- b) Requiring all parties who buy from and or sell to the Clearing Manager to contract for supply through the hedge market for minimum quantities through time to stimulate liquidity in and support both side of the long term hedge market. Retailers will need to buy hedge cover and generators would need to sell. Current arrangements where only the major market making gentailers are required to trade does not promote long term price discovery and market liquidity. We note that in the UK, sometime ago, the market regulator made it mandatory for participants to trade through forward markets and imposed penalties on parties that settled imbalance through the spot market so there are precedents for such regimes.

We look forward to engaging in work program outlined by the Taskforce.

Regards

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