

# Questions asked during risk management review consultation period

## **Question 1:**

I am trying to find prices for super peak contracts. I know for Reviewing risk management options for electricity retailers – issues paper they requested data and I would love to see that anonymised so if that is a possibility who do I talk to? Even so, I expected to see these contracts represented on the hedge disclosure database. Please help me out. (Sapere)

## **EA response:**

*We have not published prices in the risk management review based on confidentiality concerns from the non-integrated retailers who we collected the data from.*

*For the hedge disclosures data – currently there is a problem with how participants are entering the data. The guidance (see [FAQs](#)) is for PPAs to be entered with energy\_type='G', but currently all contracts (that are not consumption related) have been entered with 'G', so we are unable to tell which contracts are PPAs. We said in our decision paper that “Details that could identify parties in PPAs, like contract price, location, and effective and end dates, will also remain unpublished.”. So we need to deal with this issue before we can get prices of other contracts published.*

*That said, even when we publish the contract prices currently, the level we will publish them at you will still not be able to tell whether the contract is a super-peak contract or not (it will have whether the contract applies to all trading periods or not, but that is it).*

*We need to work through confidentiality issues before we can publish prices for different contract shapes.*

## **Question 2:**

At page 113 the paper states:

*We also note that we do not more generally observe unused fuel or capacity in the spot market, nor do we observe gentailer appetite to have uncontracted load*

What analysis has the EA done to come to this view, ie what evidence is there that there is no unused fuel or capacity? (Contact)

## **EA response:**

*This refers to increasing number of low residual situations and the chart on page 5 of chapter 3 for future (capacity), and more recently the thermal fuel and hydro storage situation over winter 2024 (fuel). The second part (about uncontracted load) is based on gentailers physical wholesale positions (see chart page 11 of chapter 3)*

**Question 3:**

I'm interested in the modelling of costs for batteries you have used. In the portfolio optimisation modelling 'baseload + battery' is more expensive than most 'baseload + OTC contracts'. This is a rather strange result given the amount of battery investment currently happening, and the known shortage in peak supply capacity. So interested in what data was used, and what assumptions were made to get an idea of whether the difference is due to estimation difficulties, or if it is potentially an indication of the market not providing sufficient investment signals to grow super-peak capacity?  
(Contact)

**EA response:**

*See Appendix B page 10 for battery assumptions.*

*The modelling is not saying that battery investment is more expensive as a risk management tool – but rather that it's less effective at reducing the risk that non-integrated retailers face, given risk neutral pricing (plus the seasonal premiums added to the ASX and OTC contracts for most scenarios).*

*In other words, the battery itself could be super profitable as an investment but, from the perspective of a retailer renting it (or a virtual version of it) for a year at a price where they don't expect a profit on average (i.e. risk neutral pricing), it's less effective as a risk management tool than the OTC contracts (assuming they are also priced risk neutrally + seasonal premiums).*

*If either the price of the battery is much lower than the risk neutral price or the premium on the OTC contracts are much higher than in our modelling, then they would be much more competitive and potentially better in terms of risk adjusted profit.*

**Question 4:**

In attachment A, Table 4 there is aggregate data on price differences between traded prices and spot prices. Is this analysis based on ASX trades only, or does it also include OTC contracts? (Contact)

**EA response:**

*Just based on ASX trades only.*