

19 February 2019

Mr John Pierce
Chairman
Australian Energy Market Commission
PO BOX A2449
Sydney South NSW 1235

Via web: www.aemc.gov.au/contact-us/lodge-submission

Dear Mr Pierce,

Re: Market Making Arrangements

The Energy Users Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing and materials processing industries.

Combined our members employ over 1 million Australians, pay billions in energy bills every year and want to see all parts of the energy supply chain making their contribution to the National Electricity and Gas Objectives.

The EUAA have been concerned for some time about contract market liquidity, especially in South Australia and as a result we support recommendations made by the ACCC in its July 2018 Retail Electricity Pricing final report designed to address this situation.

While we see this as an issue currently contained largely to South Australia we are concerned that it will be a more widespread issue if the proposed Retailer Reliability Obligation is in place and subsequently triggered.

In our submission to the NEG Draft Detailed Design Consultation Paper in July 2018, we commend the ESB for listening to stakeholder concerns on this issue as it related to the Reliability Guarantee elements of the NEG. With this in mind we generally agreed with the establishment of the Market Liquidity Obligation (MLO) as the most viable options to ensure market liquidity and transparency.

Our view at the time, as it is now, is that the MLO or in this case market maker obligations, would be very important to ensure large customers and small retailers have access to sufficient qualifying contracts, to enhance liquidity and to provide a level of price discovery that is unlikely to exist in its absence.

Regarding this specific rule change request by ENGIE, we share the ACCC's strong reservations about the ability of voluntary schemes on their own to be effective in addressing the concerns the ACCC expressed in their Retail Electricity Pricing Inquiry Final Report. This was also a concern of the Energy Security Board when designing the NEG.

While we appreciate that the rule change request for the introduction of a voluntary market making scheme made by ENGIE is well intentioned we agree with the ACCC view that "compulsory market making obligations are likely to be necessary in future, at least in particular situations such as when the RRO is triggered"¹

¹ <https://www.aemc.gov.au/sites/default/files/2019-02/Rule%20Change%20SubmissionERC0249%20-%20ACCC%20%28Mr%20Rod%20Sims%29%20-%2020190207.pdf>

As always, our primary concern is to ensure energy markets and its participants are working in the long-term interests of consumers and we feel that market maker obligations as recommended by the ACCC will help achieve that goal.

Finally, while contract market liquidity is an issue in some cases in electricity markets, it is a constant issue in gas markets. We see this current process as an important pre-cursor to a similar approach to gas market reform and part of a broader policy and regulatory response to the gas crisis.

We would be pleased to engage further with the AEMC on this issue if so desired.

Kind regards

A handwritten signature in black ink, appearing to read 'A Richards', written in a cursive style.

Andrew Richards
Chief Executive Officer
Energy Users Association of Australia