

AEMC

AER reporting on market outcomes

STAKEHOLDER FEEDBACK TEMPLATE

The template below has been developed to enable stakeholders to provide their feedback on the questions posed in the consultation paper and any other issues that they would like to provide feedback on. The AEMC encourages stakeholders to use this template to assist it to consider the views expressed by stakeholders on each issue. Stakeholders should not feel obliged to answer each question, but rather address those issues of particular interest or concern. Further context for the questions can be found in the consultation paper.

SUBMITTER DETAILS

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PROJECT DETAILS

NAME OF RULE CHANGE: AER reporting on market outcomes

PROJECT CODE: ERC0340

PROPONENT: Australian Energy Regulator

SUBMISSION DUE DATE: 21 April 2022

CHAPTER 2 – ISSUES FOR CONSULTATION

| Assessment framework | |
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| 1. Is the proposed assessment framework appropriate for considering the AER’s rule change request? Are there any other relevant considerations that should be included in the assessment framework? | Yes, the proposed assessment framework is appropriate. We do not propose any additional criteria to be included. |
| Moving to a principles-based framework | |
| 2. Do stakeholders agree that moving to principles-based reporting requirements will result in flexible reporting that delivers more transparent and relevant information as the market evolves? Are stakeholders concerned that some significant price events may not be reported on which should be? | <p>The current rules are overly prescriptive and require comprehensive reporting of factors that are not always relevant to significant price events.</p> <p>Adopting a principles-based approach, supported by more detailed guidelines published by the AER, enables the framework to be more flexible to reflect changing market conditions while still delivering a high level of transparency to stakeholders.</p> <p>The greater flexibility of principles-based reporting makes it less likely that important events will be missed than under the current rules. The proposed approach would also allow the AER more flexibility to select additional events to report on should it judge them to be significant. For example, if there was an uplift in prices that was sustained over a week and there were other factors present that indicated possible competition or efficiency issues, then the AER might choose to report even if thresholds in the guidelines were not breached.</p> |
| Defining significant price outcomes in guidelines | |
| 3. Is it appropriate for the rules to specify requirements on the criteria for significant price outcomes in the guidelines? If so, what requirements? For example, a requirement for the AER to establish, in its reasonable opinion, price thresholds and the duration or frequency of these thresholds being met. | <p>It is appropriate that the rules provide high level requirements for AER reporting, to ensure that reports explain market trends with an appropriate focus on market competition and efficiency. However, the AER does not think the rules should specify prescriptive requirements on the criteria for significant price outcomes in the guidelines.</p> <p>The rules should allow flexibility for the criteria to be set by the AER based on analysis of current market conditions and informed through consultation with stakeholders.</p> |

Frequency of reporting

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| <p>4. Do you consider that the AER's proposed time frames contribute to improving information transparency through more useful reporting, and increase flexibility to accommodate future changes in the market?</p> | <p>The AER's proposed timeframes would improve information transparency through more useful reporting:</p> <ul style="list-style-type: none"> • Reporting on multiple events in a single quarterly report would better enable the AER to highlight how significant price outcomes reflect broader trends and behaviours in the market. This has the potential to provide stakeholders with better context and a more coherent narrative than is currently provided by the AER's standalone reports. • Reporting on multiple events together in a quarterly report would decrease the resource burden on the AER. This would allow the AER to examine important high price events in more depth through special standalone reports. • Reporting on high price events within 40 business days does not discriminate between events based on their level of significance to the market. For highly significant events, information should be provided to the market sooner than 40 business days. For less significant events, providing information within 40 business days should not be necessary. <p>Determining when to publish a standalone report in the guideline rather than the rules gives the AER greater flexibility to adjust the timeframes based on future changes in the market.</p> |
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Principles for reporting

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| <p>5. Do the AER's proposed principles effectively cover information that will be most useful for stakeholders to understand the key drivers of market outcomes?</p> | <p>The AER's proposed principles effectively cover the information that will be useful for stakeholders to understand market outcomes. The AER will have the flexibility to also consider other factors that are relevant to certain significant price outcomes but will not be relevant in every case. This will enable the AER to produce more streamlined reporting, driven by technical factors, rather than reporting on a large amount of information that does not help explain a given event.</p> |
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Consultation process for guidelines

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| <p>6. Should the AER consult with persons it considers appropriate, or should there be an explicit requirement for consultation to be open to all in a public process?</p> <p>How many rounds of consultation should be required?</p> <p>Should a consultation process be required for future significant amendments to the guidelines, and if so, should this process be different to the process for the establishment of the guidelines?</p> | <p>The AER will perform a round of public consultation on the development of the guidelines regardless of whether there is an explicit requirement to do this in the rules.</p> <p>However, the AER holds a strong view that the development of the guidelines should not be subject to the Rules Consultation Procedure with its requirement to hold 2 rounds of public consultation.</p> |
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The AER does not believe there should be more than one round of public consultation for the following reasons:

- The reporting requirements on the AER are unlikely to have a material impact on stakeholders, making a second round of public consultation unnecessary.
- The AER will engage thoroughly with stakeholders to ensure that feedback provided through public consultation are appropriately incorporated into the final version of the guidelines.
- Conducting more than one round of public consultation would consume significant AER resources and greatly increase the time needed to develop the guidelines. This would defeat the purpose of conducting an expedited rule-change.
- The AER's proposed method of consultation is in line with what it currently uses for the Wholesale Electricity Market Performance Report (WEMPR). For WEMPR, the AER invites comment on a draft Focus Paper, outlining the proposed areas of focus for the report. The AER then updates its focus in response to submissions received. This approach has been well received by stakeholders and a similar approach is appropriate for the AER's reporting into significant price outcomes which will similarly be focussed on competition and market efficiency.

The AER would perform a public consultation process for future significant amendments to the guidelines. There should not be a requirement to perform more than one round of public consultation for such amendments.