

Amending the administered price cap rule change

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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DATE	01 September 2022

PROJECT DETAILS

NAME OF RULE CHANGE:	Amending the administered price cap
PROJECT CODE:	ERC0347
PROponent:	Alinta Energy
SUBMISSION DUE DATE:	1 September 2022

CHAPTER 4 – ASSESSMENT CRITERIA

a. Is the proposed assessment framework appropriate for considering the proponent's rule change request?	
b. Are there any other relevant considerations that should be included in the assessment framework?	

CHAPTER 6 – ISSUES FOR CONSULTATION: PROBLEM STATEMENT

<p>1. Has the problem been appropriately identified? For example, is the current level of the APC, owing to the recently increased cost of generation, the principal problem or a key contributing factor?</p>	
<p>2. Is there a risk that a failure to address the problem identified would have a significant negative economic impact and be inconsistent with the long-term interests of consumers?</p>	
<p>3. Does the rule change address the problem?</p>	
<p>4. Is the rule change the best solution to the problem? Are there other solutions that would better solve the problem over the timeframe considered?</p>	

CHAPTER 6 – ISSUES FOR CONSULTATION: PROPOSED SOLUTION

<p>5. Is Alinta's proposed amendment to the APC rule appropriate to address the problem?</p>	
<p>6. Given current commodity prices, what level of APC is appropriate to enable the normal market operation and settlement under an APP?</p>	
<p>7. What is the impact of such a change likely to be on generator and retailer risks borne in participating in the market?</p>	
<p>8. How might the APC change to accommodate different commodity price assumptions?</p>	

<p>9. What are alternative options for amending the level of APC. Options could include, for example, different levels of APC for different technologies, different values in each region, values that change by time of day, linkages between the electricity APC and the gas APC?</p>	
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CHAPTER 6 – ISSUES FOR CONSULTATION: TEMPORARY LEVEL OF THE CPT

<p>10. Is there any consequential need for a change to the CPT resulting from a temporary change to the level of APC?</p>	
<p>11. Should the calculation of the CPT be different during the APP?</p>	
<p>12. Is there a more appropriate method of triggering the APC?</p>	
<p>13. Should a temporary change to the level of the APC consider the interaction between the gas APC and electricity APC?</p>	

CHAPTER 6 – ISSUES FOR CONSULTATION: TIMEFRAME OF APPLICATION OF PROPOSED RULE

<p>14. What is an appropriate temporary timeframe for application? Considering the factors that require the rule change to be made including commodity price changes?</p>	
<p>15. What consideration should be made of changes and the timing of changes to be introduced by the Reliability Panel?</p>	
<p>16. How should a temporary change in the level of APC accommodate changes to commodity prices during its application?</p>	
<p>17. What are the consequences for the retail and contract markets from one-off or sequential changes to APC?</p>	

18. Should there be a mechanism to ensure that the APC is dynamic and indexed with an appropriate commodity price?	
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CHAPTER 6 – ISSUES FOR CONSULTATION: BENEFITS AND IMPACTS

Security and reliability

19. What is the likely impact of a temporary change in APC on security and reliability through APP periods and through the avoidance of market suspension? What would be the likely impact of a temporary change in the CPT?	
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Cost of Energy

20. Would a temporary change to the level of APC likely reduce costs to market participants over the timeframe applied? Should temporary changes to the level of CTP be considered?	
21. Would a temporary change to the level of APC likely reduce costs to market participants over the timeframe applied? Should temporary changes to the level of CTP be considered?	
22. Would a change to APC increase or reduce the wholesale cost of energy during APP periods? Should a change to the CPT be considered?	

Contract market and financial requirements

23. What is the likely impact of a temporary change in the level of APC on ASX exchange traded contracts, OTC contracts and any other electricity contract products. In relation to existing contract clauses, the effectiveness of these products in addressing retailer risk, and the value of fixed price contract	The ASX Australian Base Load \$300 Cap Futures Contract is a popular contract amongst the suite of Australian electricity products that the ASX lists and represents approximately 18% of Open Interest in the Australian Electricity futures contracts. It is a product that increases in value when the AEMO 5 min spot contract is above \$300. The level (ie \$300) of the ASX Australian Base Load Cap Futures Contract will have been set in consultation with market participants, it would be logical that the Administered Price Cap (APC) could have influenced
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<p>instruments? What would be the impact of a change to the CPT?</p>	<p>this client feedback.</p> <p>The effectiveness of the ASX Australian Base Load \$300 Cap Futures Contract is determined by the price level of the underlying AEMO 5min Spot contract, and is effective as a hedging tool as long as the AEMO 5min Spot contract does not remain over the \$300 price level for a sustained period of time. ASX believes that a change in the Administered Price Cap (APC) would not directly affect the AEMO 5 min Spot price.</p> <p>ASX would like to note that the ASX Australian Base Load \$300 Cap Futures has Open Interest out to the 2nd Quarter of 2025 in NSW, the 1st Quarter of 2025 in SA and the 4th Quarter of 2024 in QLD and VIC. ASX wouldn't want to change a Contract if there is open interest because it may mean the investor is not getting from the contract exactly what they had entered into. However, if a situation arises and a change is necessary to achieve a fair result then it could be considered with appropriate consultation with the market and ASIC, however this would be unlikely in this situation.</p> <p>An alternative to modifying the existing ASX Australian Base Load \$300 Cap Futures Contract, would be to list a new Cap Futures Contract alongside the existing one. The delivery time for this would be a minimum of 6 months however it could be longer and we note that this submission is for a 'temporary' change to the Administered Price Cap. The prospect of a 'temporary' change will reduce the probability of ASX to list a new product.</p> <p>Additionally if two ASX Australian Base Load Cap Futures Contracts were listed at the same time this would split liquidity and could adversely affect those with existing positions in the current contract.</p>
<p>24. What is the likely impact of a temporary change in APC on retailer credit support requirements? What would be the likely impact of a temporary change in the CPT?</p>	
<p>25. What is the likely impact of a temporary change in APC on NEM bank guarantees and security deposits to support trading? What would be the likely impact of a temporary change in the CPT?</p>	
<p>26. What costs are imposed by the imposition of a temporary change, on a market setting that is normally unchanging?</p>	