

**Submitter**

Energy Link Ltd

<b>Questions</b>	<b>Comment</b>
<b>Q1. Identified issues</b>	
a. Do you agree with the identified issues? If not, why?	No comment
b. Are there other issues with the HDO requirements that we have not identified? Can you please provide specific and quantifiable examples.	No comment
c. What types of risk management contracts are not being captured under the current HDO requirements as set out in the Code?	Hybrids where the cost of supply is modified by agreement e.g.: <ol style="list-style-type: none"><li>1. Sleeved PPAs</li><li>2. Demand response services</li><li>3. Parallel investment (e.g. funding support for electrification projects)</li><li>4. Progressive contracts that mix spot with FPVV and/or contain different prices for bands of demand over the same time period</li><li>5. Contracts where the cost of renewable certification is embedded in the energy price</li></ol>
d. Do you use the published information to elicit a forward price curve and to assess the competitiveness of the contracts market? If not, what do you use it for?	We make extensive use of the published information. A single 36-month index price calculated monthly is adequate for most of our purposes. We do further break this down into broad regions and by contract type.  We find the number of verified contracts in the published information to be too low to support a reliable forward curve with finer resolution (e.g. quarterly or annually)
<b>Q2: Problem definition</b>	
e. Do you agree with the Authority's proposed areas of improvement? If not, why?	Yes - in principle.
f. Are there other areas of improvement in the HDO requirements that we have not identified?	No comment
<b>Q3: Improving risk management information collected</b>	

g. What are your views on the relative merits or priority of these five options for improving the risk management information collected? What are the compliance costs?

(a) collect information on all OTC contracts excluding contracts traded on the ASX

**Supported** (assuming the thresholds of 0.25MW for CFDs and 1MW for FPVV contracts are maintained).

(b) require submission of entire contract

**Supported in Principle**

On the positive side submission of the entire contract would remove the need for post disclosure validation. It would also be relatively painless for the relevant counterparty, as part of their contract management process, to forward finalised contracts and forecast consumption through to the EA.

On the negative side submitting parties might reasonably expect that supplying the contract, along with the forecast consumption to represent their full obligation leaving the EA with the task of translating the contract to a standard form.

In any case the number and range in contract formats represents a significant administrative challenge for the EA.

(c) collect pre-negotiation bids and offers

**Not Supported (without further clarification)**

The EA's intent here to understand the competitive tension around trades by accessing the price spread across competing offers and the pattern of offering made by price providers is understood and endorsed in principle.

To be fully effective the EA will, for every qualifying contract, need to know which parties were invited to provide pricing. This will require either: parties requesting prices (or their brokers) to advise the EA accordingly or price providers to advise the EA in cases where they are declining to offer against all or part of a request. The latter case could be problematic for open tenders where an RFP is published in a non-targeted way through a portal such as GETS.

Leaving aside any commercial considerations the most efficient way for EA to collect bids and offers information is for the price provider to copy the EA in on any pricing provided to a requester (i.e. information to EA directly from source).

While relying on the requester to provide pricing information would in part relieve the problem of which parties were invited to offer, it would also create a previously unseen administration burden and overhead to their procurement processes.

The requester or their agents would carry the additional risk of accidentally disclosing:

- sensitive pricing information to unauthorised parties
- incorrect data to the EA (as may be the case for example when the EA is mistakenly sent a version of the initial offer containing incorrect or incomplete which was subsequently corrected by the price provider), potentially requiring an additional verification procedure for price providers.

The definition of pre-negotiation needs clarification. It is not uncommon for pricing to undergo a number of iterations during the relatively short offer validity period, typically in response to market conditions (in some cases these are initiated by the price provider).

Are the EA requesting all pricing versions provided:

- As an initial response to a request for pricing;
- Before any supplier short listing;
- Up to and including a best and final offer round; or
- A preferred supplier is selected?

In short, this obligation is seen as too burdensome and difficult to implement consistently to be supported.

Minor changes to existing obligations:

(d) remove grid zone areas and require participants to disclose node

#### **Not Supported**

While this obligation will work well for simple CFD contracts with clear pricing reference nodes, a large FPVV contract may have a large number of nodes across the country where supply is priced (e.g. retail chains, supermarkets, hotel chains, telecom service providers etc). This would mean a single contract could be associated with a distribution of prices, requiring a more complex calculation of \$/MWh per node. (Which would open up the interesting possibility of reporting prices on a nodal rather than a contract basis).

	<p>A more practical step would be to require price adjustment to the FTR nodes which are commonly referenced by buyers and sellers when managing locational risk.</p> <p>(e) require participants to disclose MW as well as MWh.</p> <p>No comment</p>
h. Are there any other options to improve risk management information collected that we haven't identified?	No comment
<p>i. If the Authority were to expand the types of risk management contracts collected:</p> <p>a. What types of contracts should be collected (ie, swaptions, PPA)?</p> <p>b. Should the Authority specify the type of contracts that are required to be disclosed (similar to status quo), or simply amend the Code to capture all existing and any future types of hedge products? Why?</p>	<p>Information on any and all bilateral and multilateral OTC contracts should be collected to the extent that disclosure:</p> <ul style="list-style-type: none"> <li>• does not inhibit competition or product innovation</li> <li>• publication makes the information more complex to understand and use</li> </ul>
j. What risk management information on each type of contracts should be collected, in addition to what is already required under the current Code to support risk management strategies?	<p>An indication of the type of market participants involved in a contract would be helpful. For example if the contract is gentailer to gentailer, gentailer to industrial consumer, Independent retailer to non-participant.</p> <p>Given the relatively low trading volume this may not be possible without identifying specific parties.</p>
<b>Q4: Improving risk management information published</b>	
k. What are your views on the proposed options? Which one do you think the Authority should adopt when considering what risk management information should be published?	<p>(a) continue with the status quo</p> <p><b>Not Supported</b></p> <p>(b) publish all information collected about OTC contracts</p> <p><b>Not Supported</b></p> <p>(c) publish a select range of information derived by industry needs</p> <p><b>Supported</b></p>

	<p>(d) publish no information.</p> <p style="text-align: center;"><b>Not Supported</b></p>
<p>l. Based on the risk management information suggested above (paragraph 4.8 (a-e)) and any additional suggestions, what risk management information do you think should be published on each type of contracts, and why (or why not)?</p>	<p>As the consultation paper points out more complex contracts are expected to enter the market and it is likely the energy price component will increasingly reflect diverse starting positions with regard to risk and value. The relatively wide variation in LCOE underlying the development of renewable generation assets reflected in PPAs being just one example.</p> <p>Given the wide range of potential interested parties, the most useful information to be published would allow buyers and sellers to determine OTC forward curves at FTR nodes for wholesale and for retail prices that are:</p> <ul style="list-style-type: none"> <li>• derived from currently traded contracts (i.e. an indicator parallel to that of the ASX); and</li> <li>• independent of additional value priced into the underlying contracts</li> </ul> <p>Such information would provide for more accurate assessment of both the competitiveness of an offer, and the added value components in contract types such as PPAs, sleeved PPA and other complex hybrid contract forms.</p> <p>It will be important to educate users that the information underlying any OTC curve they or a third party develop is based on a snapshot over a relatively short period of time which cannot replace curves developed using more robust forecasting methods; and which should not be the only input used for decision making.</p>
<p><b>Q5: Improving the hedge disclosure system</b></p>	
<p>m. What improvements do you want to see in the current System, and why? Could you provide specific examples where possible?</p>	<p>Provide an interactive API similar to that provided by the EA for accessing registry data.</p>