

Voluntary Request for Risk Management and OTC Contract Information**[Any more identifying information here/gentailer details]**

Dear [Name],

The Electricity Authority is currently reviewing risk management options available to electricity retailers (see project page [here](#)). As part of this exercise, we are seeking to better understand the availability and accessibility of risk management solutions to non-integrated retailers through the over-the-counter (OTC) market, the pricing relationship between the ASX and OTC market, and the supply and pricing of shaped solutions.

This data request is a part of the review work programme as described in our Project Initiation Document (PID) which can be found on the project page.

To investigate the competitiveness of risk management practices, we need more information on how the OTC market is currently functioning, including the gentailers' approach to this market. We are therefore requesting the following information from you. Where a timeline is not otherwise specified, we would like documentation and data for the below points spanning 1 November 2022 to 31 December 2023 (for RFPs if the date an RFP was initially received or being considered falls within this interval then all documentation associated with that RFP is required).

Credit approach and consistent treatment of participants

- a. Documents related to credit assessment policies and processes, including your approach to:
 - a. assessing the credit strength of a prospective counterparty
 - b. setting counterparty credit risk limits
 - c. measuring the potential credit exposure with respect to both individual deal structures and a portfolio of trades (e.g. netting)
 - d. the treatment of credit enhancements eg letters of credit, guarantees
- b. Documentation of credit assessment scores and limits carried out during the timeframe specified above (including how the assessment followed the framework or guidelines) applied to non-integrated retailers, other gentailers, and large energy users regardless of whether the other party was entered into an agreement with. Please also note the type of counterparty and whether you have a current ISDA with the counterparty.

Pricing contract methodologies

- c. Any documentation related to your organisation's methodologies for pricing various types of contract structures through the OTC. This includes baseload, shaped, FPVV, option and cap contracts, as well as contracts with any other structures you are presented with. Please include recent worked examples. Please note:
 - a. If there is differentiation in pricing methodologies for each of the contract types between non-integrated retailers, inter-generator and industrial customers (please include worked examples)
 - b. How you assess credit exposure for each of the contract types, and how you price for counterparty credit, if at all

RFP responses and FPVV contracts

- d. Please fill in the attached spreadsheet for:

- a. All OTC market RFPs or requests received that resulted in a signed contract (excluding requests from non-integrated retailers)
- b. All FPVV (144 price schedule) contracts traded (excluding those where the counterparty was a non-integrated retailer). (ignore irrelevant columns, and please note that one FPVV contract will require multiple rows filled in – please refer to the guidance attached). Please ensure prices entered are energy only prices.
- e. For any RFP you received and priced (this time including those received from non-integrated retailers) that did not follow the pricing methodologies supplied in (c) please provide supporting evidence to show how the final price was reached.
- f. For any RFPs you received but did not respond to, the reason and evidence to support the decision to not respond, including any correspondence with the requestor in relation to the reasons for the decision

Expectations on the OTC market to provide risk solutions for non-vertically integrated retailers

- g. What other avenues for risk management solutions do you believe non-integrated retailers have beyond the ASX and OTC markets? Do you have any observations on the relative efficiency/cost of these options versus OTC or ASX?
- h. What are some of the information and incentive challenges you have with contracting and pricing deal structures for different contract types with a third party (in contrast with providing it to an internal party)? Do you consider the risk /cost of supplying an internal retail business unit the same as a third party (ignoring credit risk)?

Innovations that impact the risk management market

- i. What innovations have you been investigating, undertaking, or implementing that may change the landscape for risk management? (innovations could include such things as demand response initiatives, investment in batteries or other new technologies, different retail offerings, ways of making more flexible generation available for risk management, different contract types offered etc). Please provide details of what the innovations entail and their timelines (eg, when the project was first considered, when the first trial began, etc).

After receiving the above information we may ask to have a follow up conversation with the relevant people in your organisation.

Please let us know by **[DATE]** if you are able to send us the above information on a voluntary basis. If you are please provide the information by **[DATE]**. If you are unable to provide the information within this time frame, please get in contact with us.

If you have any questions for us feel free to email [XXXX] or give me a call on the number below.

Many thanks,

Doug Watt

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