

18 October 2018

Energy Security Board
c/o COAG Energy Council Secretariat
John Gorton Building
King Edward Terrace
PARKES ACT 2600



Business SA
Chamber of Commerce
and Industry South Australia

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Working for your business.
Working for South Australia

Dear Board

I write in response to your request for submissions related to the implementation of market liquidity and transparency provisions from the ACCC's Retail Electricity Pricing Inquiry Report.

In Business SA's submission to the ACCC's inquiry, we stressed that increased transparency across the electricity market was critical, including for the over-the-counter (OTC) market. Transparency is particularly important to shed light on ultimate levels of competition and price for firm contracts available to large market customers, which includes SMEs who might only spend \$50,000 to \$60,000 per annum on electricity at the 160MWh threshold.

While Business SA welcomes the ACCC's recommendations on both increased OTC market transparency through a central repository, and facilitating market making provisions in South Australia, we are mindful of what will be the most appropriate vehicle for implementation. While the AER could manage these tasks, there is no fundamental reason why a regulator would need to operate such market functions when they could be managed by an established commercial operation such as the ASX. At a minimum, Business SA would expect the COAG Energy Council to put out an expression of interest to be able to fully consider existing or potential private sector operators, particularly when the ASX is already pursuing its own market making mechanism.

In relation to the OTC clearing house, Business SA recognises the need for it to post actual cleared prices rather than just bids and offers, and for there to be some type of audit provision to test contracts exchanged between related parties, particularly as it relates to any future reliability mechanisms as outlined under the National Energy Guarantee (NEG), or its future equivalent. We do not want to see vertical integrated retailers effectively 'bidding-up' the price of reliability. While we acknowledge that price can be impacted by load size and shape, when you look at average prices across a market these sorts of concerns become irrelevant with load diversity and are not of themselves, a reason not to disclose actual contract prices.

Should you require any further information or have questions, please contact Andrew McKenna, Senior Policy Adviser, on (08) 8300 0000 or andrewm@business-sa.com.

Yours sincerely,

Anthony Penney

Executive Director, Industry and Government Engagement

