

Amanda Energy's response to the Economic Regulation Authority's "Electricity Generation and Retail Corporation regulatory scheme: 2023 effectiveness review"

General Comment:

We rely on the Standard Products for hedging exposure to the spot price and frequently are unable to fill our requirement despite following the letter of the process within a time precision of seconds. We support the ERA's proposal to limit the participation of large participants as a remedy for this.

We accept the ERA's perception that the EGRC's procedures for transparency, auditability and confidentiality are ineffective, and consider that the ERA's role is to remedy the inefficiencies rather than to acquiesce and codify acceptance of the opacity of the information provided by Synergy.

Fundamentally, it is well known that Synergy makes substantial operating losses, and the key issue is whether the ensuing subsidies from government leak into Synergy's price offers to contestable customers and, if so, whether Standard Product price inefficiencies are part of the mechanism.

While the information provided by Synergy may be insufficient to enable a proper audit of Standard Product prices, the fact remains that there are substantial discontinuities in the price from time to time and, at a minimum, these discontinuities should be investigated.

There is also the fact that no purchases have been made by Synergy since Q3-2020, which calls into question the mid-point of the buy-sell spread.

Having a level of transparency on how the Standard Products are calculated would benefit retailers as it would provide information that would otherwise be unavailable to them. This would assist with our own analysis and pricing for end customers, providing a potential level of stability, especially for smaller retailers without substantial generation assets. This information could then be passed onto the end customers, promoting consumption shift where applicable and informing their decisions related to electricity consumption.

Questions taken from the discussion paper with Amanda Energy's responses:

1. *What alternatives to Synergy's wholesale electricity contracts (customised and standard products) exist, and are the prices - and other terms and conditions - comparable to Synergy's wholesale electricity contracts?*

Currently there are no alternatives available from other large generators

2. *Do stakeholders see the continuing need for Synergy's standard products? Please explain your reasoning and provide any evidence in support of your feedback.*

Yes, for the reasons that the ERA describes, risk management in mitigating exposure to the spot price.

3. *How would the ERA's proposal for limiting the scope of provision of standard products affect your business?*

Positively, because it limits the competition for the standard products. We are frequently unable to have our orders filled because of instances where we are 10 seconds too late for the weekly quota.

4. *How can a threshold be established to restrict certain market participants from accessing Synergy's standard products (for example, entities with a low ratio of generation capacity to load or vice versa)?*

We support the ERA's proposal.

5. *What costs and benefits do stakeholders see in keeping the EGRC scheme's ringfencing obligations on Synergy?*

The provisions ought to be effective and enforced. Regardless of whether the provisions are effective, there are cultural benefits; at minimum, Synergy employees know that they are required to preserve confidentiality.

6. *What benefits might arise from the current requirement for restricting the flow of 'generation restricted' wholesale information from Synergy's wholesale business to its generation business?*

Reciprocity of Synergy's claims to require commercial confidentiality; there is only downside for private participants if Synergy disseminates the information.

7. *Do stakeholders use Synergy's segmented financial reports to detect anticompetitive behaviour or for other reasons? What challenges do stakeholders face when assessing the disclosed information?*

We do not use them because they are too esoteric and opaque. We rely on the ERA to do the best that can be done in the circumstances.

8. *What benefits do stakeholders receive from Synergy maintaining the transfer pricing mechanism (applicable to both foundation and new customers)?*

We accept the ERA's perception that the current provisions are ineffective, but do not accept that that should be tolerated. We encourage the ERA to make recommendations to make them effective rather than acquiesce to Synergy's opacity.

9. *How would the removal of transfer pricing arrangements affect market participants?*

We accept the ERA's perception that the current provisions are ineffective, but do not accept that that should be tolerated. We encourage the ERA to make recommendations to make them effective rather than acquiesce to Synergy's opacity.

10. *Would option one or option two be more likely to improve the effectiveness of the EGRC Scheme? Why?*

Both options are acquiescence by the ERA to Synergy's accounting manoeuvring to avoid any useful disclosure

Thank you for your consideration of this submission,

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