Hi Paula,

We’ve had discussions with ACCC staff already and will seek comment on the letter when we have a more settled draft.

I’ll work on a letter following your structure and get something to you later.

Cheers,

Gav

Thanks Gav.

Have you worked with ACCC on this response? I note Frydenberg’s request that we do.

Can you consider the following structure please?

I wonder if it’s worth setting out our role with respect to bidding - we monitor market and when price exceeds $5,000 we issue report. We are looking at factors that played in the prices including bidding practices. It’s important to understand that strategic bidding and economic withholding are not against the rules. Bidding and rebidding where the generator does not have the intent to honour the bids (or rebids) or where the bids (or rebids) are not made on a reasonable basis are breaches of the rules. It’s important that market participants have access to accurate information that they can respond to. AEMO also needs to be able to rely on bids in maintaining security of the market.

We have looked into the high price events on the x occasions where spot prices reached cap and did not find that the QLD generators breached the rules.
We have however voiced concern (most recently in our SOEM) over the ability of CS and Stanwell who each hold a significant market share to exert influence over price (could even use exact wording from SOEM). They will get dispatched at almost any level of demand. Without threat of entry any generator with this degree of market share will be able to significantly affect the price.

Exercising market power is not in an of itself illegal. There has to be intent (set out the 3 conditions). This as you are aware falls under the ambit of the ACCC.

Our new role of monitoring effective competition and identifying barriers. Then set out some of the ACCC terms of reference or issues paper).

Addressing your concern is not an issue of granting us extra powers. However the ability for us to have section 155 powers may provide us with the ability to bring these issues to the fore more quickly for policy makers to address.

The letter should be cc to Rod and maybe Bailey.

---

Sent with Good (www.good.com)

-----Original Message-----

From: Fox, Gavin
Sent: Wednesday, July 19, 2017 02:25 PM AUS Eastern Standard Time
To: Conboy, Paula; Groves, Michelle
Cc: Adams, Peter
Subject: Proposed letter to Minister Frydenberg [SEC=UNCLASSIFIED]

Hi there,

Please find attached a proposed response to the letter from Minister Frydenberg.

This version incorporates comments from Peter on a previous draft.

Happy to discuss or take comments.

Cheers,

Gav