

Australian Energy Market Operator
GPO Box 2008
MELBOURNE VIC 3001

19th September 2019

Submitted via e-mail to rro.bookbuild@aemo.com.au

Dear Sir/Madam,

Retailer Reliability Obligation – Voluntary Book Build Procedures

The Australian Energy Council (the “**Energy Council**”) welcomes the opportunity to make a submission in response to the Australian Energy Market Operator’s (“**AEMO’s**”) *Retailer Reliability Obligation – Consultation on Book Build Procedures Issues Paper*.

The Energy Council is the industry body representing 21 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the overwhelming majority of electricity in Australia, sell gas and electricity to over ten million homes and businesses, and are major investors in renewable energy generation.

Discussion

The voluntary book build mechanism is one of a number of mechanisms to assist retailers in meeting their individual Retailer Reliability Obligations. As a voluntary arrangement, it is unclear the extent to which it will be used by market participants, and the Energy Council appreciates the simplicity of the design which AEMO has developed to give voice to the rules, while guarding against spending unwarranted time and resources in its development. The Energy Council broadly supports the procedures which have been developed.

The Energy Council believes that the initial design can be further refined, and makes the following suggestions for improvement.

Bids & Offers

The proposed bulletin board is one-sided, by being limited to offers. While there may be significantly more interest from proponents looking to underwrite their projects, to facilitate increased trading the Energy Council believes the bulletin board should be expanded to include (anonymous) bids as well. In this way prospective sellers may improve their understanding of the extent of demand for their possible products, and be matched with willing buyers.

Eligibility Criteria

For ease of application AEMO has limited voluntary book build buyers and sellers to a subset of market participants and intending participants.¹ The Energy Council encourages the list of potential counterparties to be expanded to include traders,² as this will enhance liquidity and further the intention of the voluntary book build mechanism.

Voluntary Book Build Periods

The suggested voluntary book build period of eight weeks will focus likely participants on reviewing their needs and arranging contracts, and the Energy Council supports the period suggested, but would appreciate more clarity on the reasons and decision-making process AEMO will employ to exercise its discretion to extend the period.³

¹ Draft Book Build Procedures Clause 3.2.

² As defined in Clause 2.5A of the National Electricity Rules

³ Draft Book Build Procedures Clause 4.(b)

Reporting Requirements

The Energy Council understands that AEMO has an obligation under Clause 4A.H.6 of the Rules to report whether it entered into a book build contract with its matched book build participant. Paragraph (b) sets out that AEMO can oblige book build participants to provide further information on their participation in the voluntary book build.

The Energy Council believes that the extent of data which AEMO requires from matched counterparties far exceeds the minimum requirements in the Rules, and in particular the Energy Council disputes that AEMO should record the contracts which are entered into by matched counterparties.⁴ The Energy Council believes that the data required to be supplied by matched counterparties should be limited to:

- whether the matched counterparties entered into a binding agreement; and
- the volume (in MW) of the binding agreement entered into, compared with the volume (in MW) offered on the bulletin board.

Restricting the information in this way will reduce the compliance burden on market participants, and provide sufficient data for AEMO to report on the success of the book build.

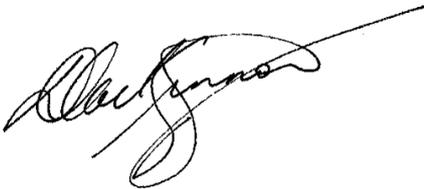
Fees for using the Book Build

In the first year of operation, AEMO proposes to recover a nominal fee from participants in the book build on a user-pays basis,⁵ and on an ongoing basis the fees to use the service will be designed to recover AEMO's costs.⁶ However AEMO advises that if participation is low, the shortfall in cost recovery will need to be recovered through AEMO's broader participant fee structure.⁷

The Energy Council appreciates that participation in early years may be limited, but suggests that AEMO should use its best endeavours to ensure that costs are not passed on to the broader market unless absolutely necessary, and such costs should be minimised to the extent possible.

Any questions about this submission should be addressed by e-mail to Duncan.MacKinnon@energycouncil.com.au or by telephone on (03) 9205 3103.

Yours faithfully,



Duncan MacKinnon
Wholesale Policy Manager
Australian Energy Council

⁴ Draft Book Build Procedures, p.6

⁵ Issues Paper, p.6

⁶ Draft Book Build Procedures, Clause 8.(b)

⁷ Issues Paper, p.6