

P212 – market reference price

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Deficiencies

- Current rules:
 - are overly complex
 - produce energy prices polluted by system actions
 - based on non-intuitive ex post calculation, and
 - produce erratic prices that are not forecastable
- They produce outcomes that:
 - are inefficient
 - distort competition, and
 - create barriers to entry.

Proposal

- Market reference price for main price in section T.4.4.5
- Based on MIDS +/-increment/decrement to retain contracting incentive
- Suggest 5% as starting point for assessment
- Probably requires simpler basis for determining system length
- Default rules require consideration
- Basis for reverse price unchanged

Merits

- Is simple and transparent – based on recognised PROVEN pricing benchmark and eliminates tagging
- Reduces competitive distortions (including “beer-fund” over recovery)
- Removes systematic and discriminatory distortion against independent suppliers and intermittent generators
- Creates beneficial impact on liquidity – greater predictability, increased ability to manage risk, more efficient market