



THE HON JOSH FRYDENBERG MP
MINISTER FOR THE ENVIRONMENT AND ENERGY

Ms Paula Conboy
Chair
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

17 JUL 2017

Dear Ms ^{Paula} Conboy

As you are aware, in recent years market concentration in some regions of the National Electricity Market (NEM) has increased due to Government decisions and generator closures. This has provided opportunities for some generators to exercise their dominant position in the market and pursue strategies that are designed to push up wholesale prices.

In particular, I am concerned about the bidding behaviour of Queensland Government-owned generators. This issue has been repeatedly raised with me by a number of concerned energy users in Queensland.

Strategic rebidding by these generators is contributing to higher prices than would otherwise eventuate in a more competitive market. Specifically, Stanwell Corporation's behaviour suggests it may have engaged in economic withholding by pricing a significant proportion of its capacity at the market cap throughout the summer period.

The Australian Energy Regulator (AER) was recently given new wholesale market monitoring powers, building on the 'Bidding in Good Faith' rule change in July 2016, which explicitly prohibit false or misleading bids.

Accordingly, I am writing to seek your advice on whether these tools, in addition to the AER's existing powers, are able to respond to these strategic bidding practices. In the event you consider the AER does not have the appropriate powers to address behaviour like that of Stanwell Corporation over the 2016-17 summer, please advise what, if any, additional powers the AER requires to prevent such behaviour in the future.

I note that the Australian Competition and Consumer Commission (ACCC) is currently considering the impact of reduced competition in the wholesale market, including conduct of market participants, as part of its retail supply inquiry. I ask that you consult with the ACCC Chair, Mr Rod Sims, in preparing this advice.

Yours sincerely

JOSH FRYDENBERG