



Energy Retailers Association
of Australia Limited

5th March 2010

Industry & Investment NSW
GCS.consultation@industry.nsw.gov.au

Re: the Report on the impact of the Short Term Trading Market on the Gas Continuity Scheme.

Dear Sir/Madam

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to comment on the Report of the Impact of the Short Term Trading Market on the Gas Continuity Scheme by Robert Petersen, prepared for the NSW Gas Supply Continuity Scheme Consultative Committee.

The ERAA is an independent association representing 19 retailers of electricity and gas throughout the National Electricity Market and the jurisdictional gas markets. ERAA members collectively provide electricity and gas to the majority of customers in Eastern Australia and are the first point of contact for end-use household gas consumers.

The ERAA holds the view that there should be no need to continue with the NSW Gas Supply Continuity Scheme ('the Scheme') once the Short Term Trading Market (STTM) is implemented. This view is well supported by the report prepared by Robert Petersen and it is also the unanimous decision of the Consultative Committee that the Scheme should be closed down if certain conditions were met. The ERAA believes that since the report was released in September 2009, the matters that led to the conditionality of the recommendation no longer exists; therefore the unanimous decision of the Consultative Committee to close down the Scheme does not rest on any conditional requirements.

In agreement with the Consultative Committee, which had broad representation from all aspects of the gas supply chain in NSW, the ERAA believes the Scheme should be set aside in order to do what the STTM is expected to do: provide price signals to incentivise the flow of gas into NSW and to introduce market penalties for those who deviate from the *ex ante* gas flows.

The STTM effectively replaces the Scheme. By having the Scheme still continue to operate when the STTM begins, there will be added complexity to the market, a duplication of costs to gas trading participants and the possibility of arbitrage opportunities. The advantage of having a STTM is that it delivers commercial incentives and opportunities through spot price deviations that the Scheme does not.



The ERAA therefore strongly supports the proposal to discontinue the Scheme once the STTM begins.

Should you have any queries, please feel free to call me on (02) 9241 6556.

Yours Sincerely

A handwritten signature in black ink, which appears to read 'Cameron O'Reilly', is positioned below the text 'Yours Sincerely'.

Cameron O'Reilly
Executive Director
Energy Retailers Association of Australia