



MEDIA RELEASE

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ERAA Welcomes PWC Study on Contract Market Liquidity

The Energy Retailers Association of Australia (ERAA), the peak body representing retailers of energy to 11 million customers in the National Electricity Market (NEM), today welcomed the findings of an independent report by PricewaterhouseCoopers (PWC) into the liquidity of Australia's emerging electricity financial markets.

Having surveyed a range of market participants, including electricity retailers, PWC found that most believed that current levels of liquidity were sufficient to support them in managing risks associated with the wholesale electricity market.

The survey found an increasing diversity of market products, a growth in trading counterparties and an overall substantial increase in volumes of electricity traded on the Sydney Future's Exchange (SFE), all of which point to a growing maturity in Australia's electricity financial markets.

"A diverse and liquid market for contract electricity is a critical feature of an effective risk management strategy for any retailer operating in today's complex and competitive energy markets", the Executive Director of the ERAA, Cameron O'Reilly said.

"The PWC study paints an encouraging picture of an increasingly sophisticated market for electricity contracts in Australia and suggests that there is little need for Government intervention to shape the market".

"If anything, it points to the contrary, indicating that market liquidity would be clearly improved with the ending of retail price regulation by State Governments ", Mr O'Reilly said.

The ERAA noted concern on the part of some survey participants that industry consolidation could reduce liquidity but at the same time pointed to the counter-veiling trend of the emergence of a range of new intermediaries servicing the market. The ERAA also said that while the report found in South Australia there were some concerns about liquidity, most believed this was due to structural features of the South Australian energy sector rather than to any failure on the part of financial markets.

The ERAA together with the National Generator's Forum (NGF) commissioned the independent PWC study to substantiate the level of financial market liquidity for the Energy Reform Implementation Group's (ERIG) financial markets stream. A detailed briefing on the report's findings will be provided to the members of ERIG and in turn to the Australian Energy Regulator (AER) and Australian Energy Markets Commission (AEMC).

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