



RECEIVED 10 JUL 2018

**THE HON JOSH FRYDENBERG MP
MINISTER FOR THE ENVIRONMENT AND ENERGY**

MS18-000880

Mr John Pierce AO
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

- 4 JUL 2018

Dear Mr Pierce

As you are aware, the Grattan Institute's recent report – *Mostly Working: Australia's wholesale electricity market* – reported that generators may be using their power in concentrated markets to create artificial scarcity of supply and force up prices. Grattan Institute estimated that such "gaming" practices have occurred primarily in Queensland and South Australia, and to a lesser extent in Victoria. They note it could also occur in NSW following the scheduled closure of the Liddell Power Station in 2022, when the supply-demand balance tightens.

Grattan Institute claims that previous rule changes have been largely ineffective in solving the problem. They estimate 4 per cent of the \$18 billion in electricity traded in the National Electricity Market during 2017 could be due to gaming by generators.

I would like the AEMC to investigate this matter further. I ask that you work with the Australian Energy Regulator to verify the Grattan Institute's findings and make recommendations on appropriate solutions to address this issue, including whether rule changes are required. Your report should consider the merits of Grattan Institute's proposals or any other options, as well as relevant recommendations from the Australian Competition and Consumer Commission's Retail Electricity Pricing Inquiry.

I ask that you provide your report by 30 September 2018.

I have copied this letter to Paula Conboy, Chair of the Australian Energy Regulator.

Yours sincerely

JOSH FRYDENBERG

CC: Paula Conboy, Chair, Australian Energy Regulator