



**Energia Response to SEM Committee  
Consultation Paper SEM-23-015**

***Amendments to the Duration of the Directed Contracts  
Primary Subscription Window***

**01 March 2023**

## 1. Introduction

Energia welcomes the opportunity to respond to the SEM Committee's Consultation Paper (SEM-23-015) on the proposed amendments to the duration of the Directed Contracts Primary Subscription Window (the "Consultation").

As noted in the Consultation the introduction of a six-day Primary Subscription Window on an initial interim basis had supporting rationale which included helping to mitigate fuel price volatility risk and importantly extending the timeframe for suppliers to put their credit cover requirements in place. Energia agree with this supporting rationale and therefore were supportive of the extension to a six-day Primary Subscription Window on an interim basis.

However, the Consultation in seeking views on whether the extended window of six days should become an enduring arrangement, is also querying whether eligible suppliers should now be obligated to participate during each day of the extended window at 1/6<sup>th</sup> of their allocated volumes. This is a significant change and would appear to be at odds with the increased flexibility provided through the introduction of the extended subscription window. No supporting rationale or explanation has been provided for why this change to obligated participation is being proposed, nor have any impacts of the change been considered. Energia are strongly opposed to obligated participation during each day of the Primary Subscription Window on the basis that:

- it removes flexibility of trading strategies for eligible suppliers which helps them mitigate fuel price volatility as originally intended;
- by capping eligibility at 1/6<sup>th</sup> of their allocated volumes, this may have a detrimental impact on suppliers if their hedged volume is no longer of sufficient size to subsequently trade;
- no consideration has been given if an eligible supplier fails to participate on any one day of the Primary Subscription Window (e.g. due to IT issues or a delay in getting credit cover requirements in place) and thus would no longer be able to avail of their full allocated volume;
- knock-on impacts on the supplementary auction have not been considered under this proposal as under current rules, if they were unable to purchase their eligible volume on any one of the days, they would no longer be able to enter the supplementary auction as this requires a supplier to have utilised 100% of their eligible volume.

In summary, Energia see merit in the proposal to make the extended six-day Primary Subscription Window an enduring arrangement on the basis that the initial supporting rationale for doing so continues to apply. However, we strongly oppose any further change in regard to suppliers being obligated to participate during each day of the extended window at 1/6<sup>th</sup> of their allocated volumes. No justification or rationale has been provided for this proposal which would undo much of the initial rationale for extending the window to six days. Should the RA's consider this a requirement for retaining the six-day Primary Subscription Window as an enduring arrangement then Energia would not support this and instead would seek the reintroduction of the historical standard three-day Primary Subscription Window with the onus on the RA's



to publish the DC Eligibilities and Formula one week earlier than present to maintain the increased timeframe for suppliers to put their credit cover requirements in place.

## 2. Response to Specific Questions in Consultation

1. Do you agree that the proposed amendments to the duration of the DC Primary Subscription Window should become an enduring arrangement? If you agree or disagree, please set out your rationale.

Energia see merit in the proposal to make the extended six-day Primary Subscription Window an enduring arrangement. The introduction of the extended window on an initial interim basis had supporting rationale including helping to mitigate fuel price volatility risk and extending the timeframe for suppliers to put their credit cover requirements in place which continues to apply.

However, this view is wholly dependent on the continuation of its current implementation whereby no obligation is placed on eligible suppliers to participate during each day of the Window and that they retain full discretion to choose which day (or days) they participate on. This is crucial in order for suppliers to benefit from the supporting rationale for introducing the extended window in the first place.

2. Do you agree that market participants should be obliged to participate during each day of the Primary Subscription Window in a given DC Round, i.e., suppliers would be eligible to purchase only 1/6th of their allocated volumes during each day of the six-day Primary Subscription Window? If you agree or disagree, please set out your rationale.

Energia are strongly opposed to eligible suppliers being obligated to participate during each day of an extended Primary Subscription Window at 1/6<sup>th</sup> of their allocated volumes. No supporting rationale or explanation has been provided for why this change to obligated participation is being proposed, nor have any impacts of the change been considered.

Energia believe that this change would undermine the supporting rationale for introducing the extended window initially, have a detrimental impact on the flexibility of suppliers and would have further harmful consequences that have not been considered should a supplier not be able to participate on any one of the days for a particular reason e.g. further participation in a supplementary auction.

Should the RA's consider this a requirement for retaining the six-day Primary Subscription Window as an enduring arrangement then Energia would not support this and instead would seek the reintroduction of the historical standard three-day Primary Subscription Window instead. Energia further believe that there should be an obligation for the RA's to publish the DC Eligibilities and Formula one week earlier than present to maintain the increased timeframe for suppliers to put their credit cover requirements in place.