



Short term forward market

Stakeholder submissions are invited on new rule change request

The Australian Energy Market Commission (AEMC) has commenced consultation on a rule change request to introduce a short term forward market to operate alongside the national electricity market (NEM). Submissions on the consultation paper close on Thursday 23 May 2019.

Context and rule change request

On 20 December 2018, the AEMC received a rule change request from the Australian Energy Market Operator (AEMO) to amend the National Electricity Rules and introduce an exchange for short term forward contracts. This request was based on a recommendation made by the AEMC in July 2018, as part of the Reliability Frameworks Review.¹

In this rule change request, the proponent suggested the market would:

- be operated by AEMO
- be voluntary to participate
- operate on the Trayport platform, the same platform AEMO uses to operate the Gas Supply Hubs and Capacity Trading Platform
- where practicable, use NEM settlement, clearing and prudential frameworks
- trade standardised short term electricity contracts with bids and offers matched continuously based on price and linked to each regional reference price in \$/MWh
- trade contracts daily on a rolling basis for a day ahead of the trading day and up to seven days in advance (D+1 to D+8)

The proponent suggested the introduction of this market has the potential to:

- provide another risk management option for intermittent generators closer to the trading day when these generators have greater certainty of what they will be generating
- create greater short term price visibility and certainty for gas-powered generators to better coordinate between generating electricity and selling gas into gas markets
- provide greater price visibility and risk management options available for end users, and those able to offer wholesale demand response
- lower barriers to market participation by integrating clearing systems and settlements with risk management tools
- create stronger investment signals for investors.²

Issues for consultation

The rule change request raises a range of issues that are further explained in the consultation paper. Stakeholders are invited to comment on these issues, which include:

- how is short term risk currently managed in the NEM and would a short term forward market be beneficial to market participants
- what design elements should be considered as part of a short term forward market
- how significant are the implementation costs and what other implementation elements should be considered in the rule change assessment.

¹ AEMC, Reliability Frameworks Review, Final Report, 26 July 2018.

² AEMO, Short term forward market rule change proposal, p. 3.

Consultation process

We invite stakeholders to provide written submissions on the consultation paper by **Thursday 23 May 2019**. A [template](#) setting out consultation questions is available on our website to help stakeholders provide their views on the issues raised in the paper.

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