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Australian Energy Market Commission  
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Dear Australian Energy Market Commission

## **NATIONAL ELECTRICITY AMENDMENT (SHORT TERM FORWARD MARKET) RULE 2019**

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (MEA Group or Powershop) thank the Australian Energy Market Commission (AEMC) for the opportunity to provide comments on the National Electricity Amendment (Short Term Forward Market) Rule 2019.

The MEA Group is a vertically integrated generator and retailer focused entirely on renewable generation. We opened our portfolio of generation assets with the Mt Mercer and Mt Millar wind farms. Subsequently, in early 2018 we acquired the Hume, Burrinjuck and Keepit hydroelectric power stations, further expanding our modes of generation. We have also supplemented our asset portfolio by entering into a number of power purchase agreements with other renewable generators, and through this investment in new generation we have continued to support Australia's transition to renewable energy. Powershop has also been active in supporting community energy initiatives, including providing operational and market services for the community-owned Hepburn Wind Farm, supporting the Warburton hydro project, and funding a large range of community and social enterprise energy projects through our Your Community Energy program.

MEA Group is particularly cautious of any rule changes which do not promote customer interests or do not fully acknowledge the wholesale environment in which energy retailers participate. MEA Group strongly supports reform that promotes the efficient operation of a competitive market, which provides investment signals for new generation and leads to lower prices for consumers.

Short Term Forward Market (STFM)

The National Electricity Market (NEM) is a gross pool market where participants (generators and retailers) are exposed to the half hourly spot price of electricity.

In order to manage financial exposures in the NEM participants own generation, contract power purchase agreements or enter hedging contracts in either the over the counter (OTC) or Australian Securities Exchange (ASX) markets. OTC and ASX markets facilitate trading between participants to buy and sell financial contracts in order to manage their business requirements.

MEA Group believes that utilising the aforementioned products is sufficient to effectively manage financial exposures in the NEM. Introducing a subset of these products in the form of a STFM will increase complexity with only a limited foreseeable market benefit. MEA Group is of the view that NEM participants manage their forward market risk well in advance (greater than one month) of the spot period. Therefore, the demand for and practicality of a day or week-ahead trading product will be limited, as the expected spot market prices can be determined with a greater level of certainty and this would be reflected in the contract price of the product. Furthermore, excessive reliance on a day or week-ahead market may introduce risk to participants who seek to offset market-risk on a prompt basis in a potentially illiquid STFM.

It should also be noted, that in the absence of a STFM, participants can already enter balance of quarter or balance of month contracts on the ASX or pursue OTC contracts directly with counterparties or through an electricity broker.

MEA Group is of the view that financial markets are best managed and operated by organisations that have the appropriate skills and expertise to manage such markets. The ASX and Financial and Energy Exchange (FEX) are two organisations that operate financial markets and have the relevant licences, systems and processes in place. These organisations are likely to explore the viability of a short term financial trading market in electricity products subject to sufficient industry interest.

Yours sincerely



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