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6 March 2009

The Chairman
Australian Energy Market Commission
Level 16, 1 Margaret Street
SYDNEY NSW 2000

By email submissions@aemc.gov.au

Dear Dr Tamblyn,

Futures Offset Arrangement rule change 2009 – Draft Determination

The National Generators Forum (NGF) is pleased to have the opportunity to comment on the Futures Offset Arrangement (FOA) Rule change draft determination published the Australian Energy Market Commission (AEMC) on 22 January 2009.

The NGF shares the concerns identified by the AEMC with respect to the proposed rule change, in particular:

- the lack of clarity regarding the rights and obligations of FOA parties;
- the ability of FOA's to be unilaterally terminated by clearing members prior to a replacement security being lodged;
- concerns over claw back risks associated with the security deposits placed with NEMMCO; and
- lack of a clear dispute resolution process.

With these matters remaining unresolved, we support the AEMC's draft decision that the Rule as currently proposed is not aligned with the National Electricity Market Objective, and should not be made.

We also note that:

- the AEMC has identified that if a mechanism could be identified to implement the FOA scheme in a manner that effectively dealt with these risks, then the option to use FOAs could offer efficiency benefits to the NEM; and
- the AEMC has established a review process to further explore these matters.

The NGF has actively participated in this review working group to date, and supports the review as a pragmatic way to work through the complex issues identified in the draft determination. Our only qualification to the pursuit of these efficiencies is that any cost savings identified to NEM debtors, should not come at the cost of increased risk of short payment to NEM creditors (typically generators).

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We note that some parties at the Forum indicated a preference for the AEMC to seek to resolve the issues identified and develop a final determination that would implement a variation of the rule proposal incorporating these proposed solutions. As stated at the Forum, our view is that given the fundamental nature of the matters that need to be addressed, an additional round of consultation would be required should the AEMC decide to seek to resolve these matters prior to a final decision.

Therefore, the NGF's preferred position is for the draft determination to become final, and for the review process to proceed as the mechanism to work through the outstanding questions.

Please contact me should you require further discussion of this submission.

Yours sincerely

A handwritten signature in blue ink that reads "John Boshier". The signature is written in a cursive style with a large, looping initial "J".

John Boshier
Executive Director