



Record of Hearing

PRE-DETERMINATION HEARING OF THE AUSTRALIAN ENERGY MARKET COMMISSION

Rule change: Futures Offset Arrangements (FOAs)
Proponent: Australian Power & Gas, Infratil Energy Australia and
Momentum Energy
Date: 10:00 AM, 12 February 2009
Venue: AEMC Hawkesbury Room

Attendees:

John Tamblyn	Commissioner, AEMC (Chairman)
Rory Campbell	AEMC
Jane Benson	AEMC
Kamlesh Khelawan	AMEC
Ignatius Chin	AEMC
Darryl Flukes	Infratil Energy Australia
Mark Frewin	TRUenergy representing the National Generators Forum (NGF)
Nyrie Palmer	Department of Water and Energy
Murray Chapman	NEMMCO
Craig Parr	NEMMCO
Dean Price	d-cyphaTrade
Thomas Schmitz	d-cyphaTrade
Louise Bristow	Deutsche Bank
Steve Lowe	Australian Power & Gas

1. Welcome by Chairman

The Chairman welcomed the attendees to the public hearing. The Chairman also presented the agenda and background information for this public hearing.

A copy of the presentation slides will be made available on the AEMC's website.

2. Presentation by d-cyphaTrade

Thomas Schmitz of d-cyphaTrade made a presentation at the hearing. The presentation slides will be made available on the AEMC's website.

Thomas Schmitz advised that d-cyphaTrade will provide a submission in relation to this presentation.

3. Other stakeholder comments

Mark Frewin of TRUenergy (representing the NGF) made the following comments:

- It is important that the prudential regime is robust. This is a pre-requisite to the NGF accepting any proposed changes.
- The draft Rule determination report has noted the relevant issues raised by the NGF.
- Conducting a review is a pragmatic approach to address the issues relating to the FOA Rule change proposal.
- While the review process is preferred, if the Commission were to make a preferable Rule as proposed by the proponents, the Commission should publish another draft Rule determination for consultation before finalising the Rule determination.
- Non-firmness of an FOA is an important issue that needs to be addressed, amongst others identified by the Commission.

Darryl Flukes of Infratil Energy Australia expressed concerns that the Deloitte's report:

- did not provide a well-balanced assessment of the risks associated with the proposed FOAs and the existing arrangements;
- over-rates some of the risks associated with the proposed FOAs especially relating to drafting and participant understanding; and
- understated the benefits of competition brought about by an FOA (as did the AEMC Draft Determination).

Darryl Flukes expressed the view that reallocation arrangements and FOAs are not competing products and can co-exist and welcomed an overall review.

Dean Price of d-cyphaTrade expressed concern that the scope of the review may be too wide such that it unnecessarily delays the implementation of an FOA.

4. Closing remarks

The Chairman thanked participants for attending and reminded attendees that submissions on draft Rule determination close on 6 March 2009, and the final Rule determination is due to be published on 16 April 2009.

The Chairman also invited attendees to provide submissions in relation to this public hearing.

The meeting closed at 11:02 AM.