



6 March 2009

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

By email to submissions@aemc.gov.au

Dear Chairman,

Futures Offset Arrangement rule change 2009 – Draft Determination

AGL Energy has been heavily involved with attempts to reduce the prudential burden on retailers in the NEM since 2001. We have therefore supported changes to the reallocation procedures and participated in various other reviews, including examination of nett settlements approaches.

AGL supports the intent of the Futures Offsets Arrangements Rule change but shares the concerns identified by the AEMC, in particular:

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

We therefore support the AEMC's draft decision that the Rule as currently proposed should not be made. We also support the review to examine if these concerns can be addressed.

We note that an approach to address these issues, termed the 'Direct Retailer FOA' has been canvassed. AGL considers this approach is worthy of consideration during the review but would be concerned if the AEMC were to implement this approach immediately since it:

- appears to pass the risk back to the market via the retailers; and
- is still not clear how NEMMCO would be guaranteed access to the futures asset if required.

AGL has always maintained that a significant change between a draft and a final determination requires further consultation unless all of the matters in the final determination have been analysed in the draft. We believe this applies in this case.

Please contact me on (03) 8633 6026 or by email to acruicks@agl.com.au if you have any queries in relation to this submission.

Yours sincerely,

Alex Cruickshank
Manager Wholesale Markets Regulation

- > Being selected as a member of the Dow Jones Sustainability Index 2006/07
- > Gaining accreditation under the National GreenPower Accreditation Program for AGL Green Energy®, AGL Green Living® and AGL Green Spirit
- > Being selected as a constituent of the FTSE4Good Index Series