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Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Submitted by email to [aemc@aemc.gov.au](mailto:aemc@aemc.gov.au)

Project number: GRC0050

### **DWGM Forward Trading Market Consultation Paper**

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Consultation Paper from the Australian Energy Market Commission (the Commission) on the DWGM Forward Trading Market.

Snowy Hydro Limited is a producer, supplier, trader and retailer of energy in the National Electricity Market ('NEM') and a leading provider of risk management financial hedge contracts. We are an integrated energy company with more than 5,500 megawatts (MW) of generating capacity. We are one of Australia's largest renewable generators, the third largest generator by capacity and the fourth largest retailer in the NEM through our award-winning retail energy companies - Red Energy and Lumo Energy.

Snowy Hydro supports the proposal to establish a voluntary, anonymous gas trading exchange forward trading market (FTM) over the Declared Transmission System (DTS) that would be settled similar to the current Gas Supply Hubs (GSHs) settlement arrangements. This would allow participants to trade standardised forward contracts for gas, assisting participants to manage their spot price risk by securing a fixed forward price for gas without being exposed to spot market variability.

The forward trading market is beneficial for two reasons. It will allow efficient risk sharing among participants with different attitudes towards risk while also improving information sharing. Snowy Hydro understands that there are tools used by participants currently to manage price risk in the DWGM. One includes the Gas Supply Agreements (GSAs) made between producers and shippers for the physical delivery of gas outside of the DTS/DWGM. However, as noted by the Consultation Paper <sup>1</sup> the GSAs are negotiated bilaterally and are bespoke, meaning they are not readily tradable and are generally considered commercial-in-confidence.

The FTM will not completely address the defined problems with the DWGM however it will likely increase liquidity in the market. The FTM may allow for more regular trade in the market than currently occurs along with providing access to gas which is not automatically offered into the DWGM improving the ability to optimise sending gas into other markets or storage on other days. The Commission's model would allow market participants to trade longer dated products on the exchange ahead of the mandatory daily auction.

Establishing a voluntary facilitated trading platform is a relatively light-handed reform that would preserve the benefits of the existing gross pool model with no substantial downsides. Snowy Hydro however understands there will likely be several costs and risk associated with the FTM as noted in the Consultation Paper:

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<sup>1</sup> AEMC, DWGM Forward Trading Market, Consultation paper, 14 March 2019

- System upgrade costs for both participants and AEMO to establish and operate the exchange. Depending on how similar the design of the FTM is to the existing GSHs, there may be some reduction in these costs by replicating some procedures and the exchange platforms that have already been established for those markets.
- System upgrade costs for AEMO to integrate the exchange into existing settlement, scheduling and pricing systems. The level of integration with AEMO's existing systems will depend on the final policy design of the exchange.<sup>2</sup>

As a general principle, Snowy Hydro is supportive of reforms that move the design of the gas and electricity wholesale markets towards greater alignment and will provide a better mechanism for coordinating the needs of the increasingly integrated gas and electricity industries. With this in mind, we are broadly supportive of the FTM.

Snowy Hydro appreciates the opportunity to respond to the Consultation Paper and any questions about this submission should be addressed to Panos Priftakis, Regulation Manager, by e-mail to [panos.priftakis@snowyhydro.com.au](mailto:panos.priftakis@snowyhydro.com.au).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'K Ly', with a horizontal line underneath.

Kevin Ly  
Head of Wholesale Regulation  
Snowy Hydro

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<sup>2</sup> AEMC, DWGM Forward Trading Market, Consultation paper, 14 March 2019

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