

18 July 2019

Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Submitted by email to aemc@aemc.gov.au

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Market making arrangements in the NEM Draft rule determination

Snowy Hydro Limited welcomes the opportunity to comment on matters raised in the Draft Rule Determination from the Australian Energy Market Commission (the Commission) on the Market making arrangements in the NEM.

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 welcomes the assessment by the Commission that liquidity across the NEM is generally healthy. NERA, a consultant that the Commission engaged with, correctly noted that if the ASX scheme delivers to its design, then there would be no additional benefit from additional market making schemes. The NEM is undertaking a significant transition and with the introduction of the ASX Energy voluntary scheme, the need for imposing market-making rules in the NEM is unnecessary.

The Draft Rule Determination notes that *"if the ASX scheme results in a similar market outcome to the other designs, then the net benefits of the ASX scheme could be expected to be greater because it presents cost savings relative to the other designs."* It is important that this is monitored as the compulsory obligation will increase risk to gentailers which will ultimately be passed through to consumers while also risking inefficient use and misallocation of scarce resources for fuel-constrained plant, worsening consumer outcomes.

The Commission should continue to work with relevant market participants to address gaps when improving the transparency of the over-the-counter (OTC) market. Australian Financial Markets Association (AFMA) provides clear evidence that our markets are performing well and contributing solidly to the growth of the Australian economy. In addition the AFMR survey provides a forum for industry participants to work with each other and government to improve its effectiveness which strengthen the industry structures to support professionalism in our markets and meet policy needs without the need for new onerous regulations.

Snowy Hydro believes the AFMA survey and the ASX voluntary market making scheme are clear demonstrations of the industry's commitment to support the future development of our financial markets so they continue to be effective in servicing the needs of our economy.

Snowy Hydro appreciates the opportunity to respond to the Draft Rule Determination and any questions about this submission should be addressed to me by e-mail to panos.priftakis@snowyhydro.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Priftakis', with a horizontal line drawn through the middle of the signature.

Panos Priftakis
Regulation Manager
Snowy Hydro

