

8 August 2019

John Pierce AO
Chairman
Australian Energy Market Commission
Sydney South NSW 1235

Submitted online: www.aemc.gov.au

Dear Mr Pierce

MARKET MAKING ARRANGEMENTS IN THE NEM – DRAFT DETERMINATION

Origin Energy Limited (Origin) welcomes the opportunity to provide comments on the Australian Energy Market Commission's (AEMC) Market Making Arrangement's draft determination.

Origin supports the AEMC's decision that a draft rule is not necessary. The introduction of the ASX scheme and the Market Liquidity Obligation are both aimed at addressing liquidity and contract availability concerns.

Market monitoring and reporting should avoid duplication and the burden of compliance.

Origin notes that the AEMC has identified what it considers to be some information gaps in the reporting of contract market activity. Given this, we are supportive of regulators working with industry and the Australian Financial Market Association to explore avenues to enhance their Electricity Derivative Turnover report¹. Origin does however note that the ability to standardise the reporting of over-the-counter contracts, is limited, due to the bespoke nature of these agreements. The differing contractual terms and conditions in each agreement has a direct bearing on the price which will not be reflected in a standardised report.

The Draft Determination also states that the AER may require further powers to enhance its contract market monitoring role. Origin reiterates that, any market monitoring should minimise duplication and the burden of compliance. The ACCC is conducting wide-ranging monitoring into the supply of electricity, with the scope of the inquiry also covering contract markets. Origin is concerned that granting additional information gathering powers to the AER to monitor the contract market will result in duplication and increased regulatory burden, given the existing ACCC activity and the Australian Securities and Investment Commission's role in overseeing derivatives contracts.

We recognise that notwithstanding the ACCC's work, the AER has a statutory obligation to monitor the wholesale electricity market, including the publication of its twice-yearly wholesale electricity market performance report. However, if the AER requires additional insights into the contracts market to effectively fulfil its obligation, it should first look to leverage the information gathered through the ACCC's monitoring. A streamlined approach to monitoring activity in the energy market is crucial and will help to minimise the burden of compliance and provide greater clarity to participants. If the NEL is amended to give the AER additional information gathering powers to monitor contracts markets, it is not clear why this should continue to be a focus of the ACCC's inquiry.

If you wish to discuss any aspect of this submission further, please contact Kian Mohammadiéh at Kian.Mohammadiéh@originenergy.com.au or on 02 9503 5970.

Yours Sincerely,
Steve Reid, Group Manager, Regulatory Policy

¹ <https://afma.com.au/data/AFMR>