



Mr John Pierce  
Chairman  
Australian Energy Market Commission  
Level 6, 201 Elizabeth Street  
Sydney NSW 2000

Dear Mr Pierce,

**Market making arrangements in the NEM**

ENGIE appreciates the opportunity to provide feedback on the draft determination for market making arrangements in the NEM.

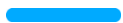
ENGIE is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE has interests in generation, renewable energy development, and energy services. ENGIE also owns Simply Energy which provides electricity and gas to more than 710,000 retail customer accounts across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

As the proponent of the rule change, ENGIE appreciates the detailed work undertaken by the Australian Energy Market Commission (AEMC).

While ENGIE is somewhat disappointed that the AEMC has determined not to make the rule at this time, ENGIE understands the rationale given the Australian Stock Exchange (ASX) voluntary scheme has since been launched and the compulsory Market Liquidity Obligation now applies to several deemed generators.

ENGIE maintains the view that a scheme which better recognises that hedge contracts are not physical bi-lateral contracts and does not require obligations be placed only on physical participants will be the most sustainable over time. In that regard, it is hoped the ASX voluntary scheme will continue to evolve and will better inform future discussions on the value of market making in the NEM.

In relation to the AEMC's other conclusions, ENGIE expresses some caution. Arguments around market transparency are often driven by observations by third parties and not market participants. Transparency improves efficiency where it improves decision-making by market participants. Creating new obligations to encourage further speculative conclusions by market observers may actually be problematic.





This is notably the case in areas where internal decisions are unlikely to be well understood and can only be second guessed by observers. The growing interest in internal transfer pricing and risk management threatens to further impair the ability of companies to best manage their businesses. Ultimately, wholesale contract market clearing prices and retail tariff prices are the prices faced by customers and internal policy decisions should be left as matters for companies to manage independent of regulator intrusion.

Likewise, the benefit of the ASX scheme is its voluntary nature. Caution should be exercised if the Australian Energy Regulator begins to burden participants with compliance obligations. In ENGIE's view, compliance obligations across the NEM are already excessive and little attempt has been made by the AEMC or the Australian Energy Regulator to address this or quantify potential productivity improvements from reducing such regulatory burdens.

Should you have any queries in relation to this matter, please do not hesitate to contact me on, telephone, (03) 9617 8415.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Jamie Lowe".

**Jamie Lowe**  
Head of Regulation