

Rachel Houston
Australian Energy Market Commission
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Sydney South
NSW 1235

Online submission: <http://www.aemc.gov.au>

Friday 12 July 2013

Dear Rachel,

NEM Financial Market Resilience First Interim Report

GDF SUEZ Australian Energy (GDFSAE) appreciates the opportunity to provide comment to the Australian Energy Market Commission (Commission) on the NEM Financial Market Resilience First Interim Report (Interim Report). The views expressed in this submission represent our own as well as the views of our wholly owned subsidiary Simply Energy which retails electricity across four jurisdictions in the National Electricity Market, and gas in the Victorian and South Australian retail markets.

GDFSAE supports the proposed changes to the ROLR scheme and credit support arrangements, which should encourage additional retailers to offer to become ROLR's, and should also reduce the risk that an otherwise solvent ROLR would be unable to provide the required credit support to AEMO following a ROLR event. GDFSAE believes that the changes should directly address the concerns expressed over financial contagion and are consistent with the criteria of assessment established by the Commission for this review.

GDFSAE does not support the special administration regime proposed by the Commission, which is an unnecessarily complex and intrusive approach which would impose undue financial, administrative and legal burdens on the retailer in question. The proposal is out of proportion with the probability of one of the large retailers failing and is thus inconsistent with the Commission's assessment criteria.

One of our key concerns is how the special administration regime interacts with existing Australian insolvency laws. It is unclear from the Interim Report how the proposed regime would coordinate its activities with insolvency administrators appointed to manage liquidation of a failed retailer. It is our view that the regime's implementation could require wholesale changes to insolvency laws which could affect the financial stability of other Australian industries.

It is the view of GDFSAE that the specific objectives listed in section 5.1.2 of the Interim Report can be achieved within the ROLR regime, without imposing unnecessarily punitive measures such as the special administrator provisions.

The key requirements of the ROLR scheme are to:

- arrange for the orderly transfer of the failed retailers customers to the ROLR(s),
- provide the ROLR(s) sufficient time to arrange the required credit support for AEMO and the relevant distribution businesses, and

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- provide the ROLR(s) with some credit assistance for their short term costs associated with the ROLR event.

The proposed changes to the ROLR scheme and credit support arrangements will provide support to these requirements, and will therefore reduce the likelihood of financial contagion following a large retailer failure.

GDFSAE agrees with the Commission that the objective of the ROLR scheme should not include provision of financial support to the failing retailer.

If the Commission believes however that additional improvements to the ROLR scheme are needed beyond those outlined in the Interim Report, then GDFSAE would prefer that further options be identified within the existing NEM regulatory structure, and not impose a new regime, which will introduce a whole new suite of regulatory risks and issues.

GDFSAE hopes that the comments provided in the submission are helpful to the Commission in its deliberations. Should you wish to discuss these matters further, please do not hesitate to contact me on 03 9617 8331.

Yours sincerely,



Chris Deague
Senior Market Specialist
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