

11 August 2006

Australian Energy Market Commission
Level 16, 1 Margaret Street
Sydney NSW 2000



By email: submissions@aemc.gov.au

Dear Sir/Madam

Re: Rule Change Application – Reallocations

The Energy Retailers Association of Australia (ERAA) welcomes the opportunity to provide a submission in response to NEMMCO's Rule change proposal seeking improvements to the settlement reallocations process.

The ERAA is an independent association representing ten retailers of electricity and gas throughout the National Electricity Market (NEM) and the National Gas Markets. ERAA members collectively provide electricity to 11 million customers in the NEM and are the first point of contact for end use customers for both gas and electricity.

The current settlement reallocations process has proved to be ineffective, evidenced by low levels of utilisation. This results in a costly and inefficient circular flow of settlement funds. The ERAA supports NEMMCO's Rule change proposal to improve the NEM's settlement reallocations process. The ERAA believes the proposal, which introduces greater flexibility into the process, will result in increased settlement reallocation whilst maintaining a sufficiently robust NEM credit environment.

The ERAA notes the increasing use of futures contracts by participants in the NEM. To truly maximise prudential efficiency, the use of futures contracts as a basis of a reallocation must be feasible under the National Electricity Rules. The ERAA supports measures to promote the use of futures contracts as a basis of reallocation, including NEMMCO's proposed *Reallocator*, where the integrity of the NEM's credit environment is not put at risk.

If you have any queries in relation to this submission, please feel free to contact me on 02 93693263

Yours sincerely

[Transmitted via Email]

Cameron O' Reilly
Executive Director
Energy Retailers Association of Australia