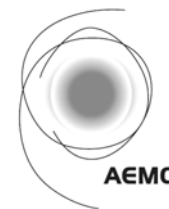


## **Review into the role of hedging contracts in the existing NEM prudential framework**

Thursday, 16 April 2009  
Melbourne Airport Hilton

### Agenda

9.30 am	Opening remarks John Ryan, AEMC Commissioner
9.45 am	NEM prudential framework Craig Parr, NEMMCO
10.05 am	Original Futures Offset Arrangements (FOA)/Retailer FOA Thomas Schmitz, d-cyphaTrade
10.25 am	NEMMCO/ASX FOA Craig Parr, NEMMCO
10.35 am	AEMC Framework and Issues Paper Kamlesh Khelawan/Ignatius Chin, AEMC
11.00 am	Comments from interested parties
11.15 am	Open discussion
12.15 am	Concluding comments on the review process John Ryan, AEMC Commissioner



## Summary of Discussion

On 16 April 2009, the Australian Energy Market Commission (Commission/AEMC) held a public forum on the Framework and Issues Paper for the Commission's review into the role of hedging contracts in the existing National Electricity Market (NEM) prudential framework (Review).

Commissioner John Ryan welcomed all participants to the public forum. In a brief presentation, he introduced the overall context of the Review and invited all participants to address any related concerns, views and opinions in the course of the forum and/or through the formal submission process (submissions on the Framework and Issues Paper are due 24 April 2009).

Craig Parr of NEMMCO provided an overview of the NEM prudential framework, including the Rules framework, the settlement cycle and the core prudential processes.

Thomas Schmitz of d-cyphaTrade outlined the original Futures Offset Arrangements (FOAs) Rule change proposal (submitted to the Commission on 10 January 2008) and the Direct Retailer FOA model. The Direct Retailer FOA model was proposed to overcome the issue of SFE Clearing Participants' reluctance to become a FOA party. Mr Schmitz provided examples on how a FOA would result in efficiency gain in the NEM.

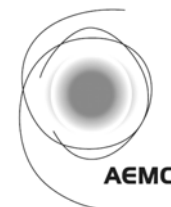
During this presentations, some stakeholders:

- expressed concerns that a FOA may not work in South Australia because the futures market in this NEM region lacks liquidity;
- suggested that the efficiency gain illustrated for the FOA models may not have taken into account the costs in term of reduction of prudential quality in the NEM; and
- noted that more work will be required to finalise an appropriate FOA design because there are issues that are yet to be resolved - for example, dealing with excess money in the Security Deposit Arrangement (SDA).

Crag Parr of NEMMCO outlined the ASX/NEMMCO FOAs procedure, as the third approach to integrating futures contracts in the existing NEM prudential framework.

Kamlesh Khelawan and Ignatius Chin of the AEMC provided an overview of the assessment framework and matters in which the Commission is seeking comments, as outlined in the Framework and Issues Paper for the Review.

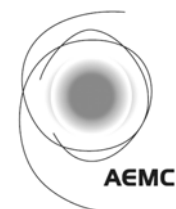
Stakeholders sought clarifications and commented on issues during the presentations. The presentations were followed by an open discussion session with further opportunity for comment by stakeholders.



The stakeholders noted that the Financial Market Working Group (FMWG) is also considering options for reducing the Maximum Credit Limit of NEM participants by shortening the NEM settlement cycles.

Commissioner John Ryan thanked all for participating in the forum and encouraged interested parties to continue their participation in the Review. Commissioner Ryan stressed the importance of stakeholder input to the Review and requested the participants make submissions to the Commission.

Copies of the presentations are available on the AEMC's website.



## Participants

The Commission invited all industry stakeholders to attend the Public Forum. The following attended the forum.

<b>Name</b>	<b>Company</b>
John Ryan	AEMC (Meeting chair)
Jane Benson	AEMC
Andrew Bett	International Power
Rory Campbell	AEMC
Ignatius Chin	AEMC
Jack Cornell	Department of Resources, Energy and Tourism
John Dick	Energy Action Group
Darryl Flukes	Infratil
Mark Frewin	NGF
Kamlesh Khelawan	AEMC
Gabriel Lee	EnergyAustralia
Brendon Morling	Department of Resources, Energy and Tourism
Craig Parr	NEMMCO
Mark Pedler	Department for Transport Energy and Infrastructure (SA)
James Piko	Department of Resources, Energy and Tourism
Thomas Schmitz	d-cyphaTrade