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Australian Energy Market Commission

via the AEMC website

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Submission to Short Term Forward Market rule change – ERC0259

AGL Energy (**AGL**) welcomes the opportunity to comment on the Australian Energy Market Commission's (**AEMC**) Short Term Forward Market draft determination (**Draft Determination**).

AGL is one of Australia's leading integrated energy companies and the largest ASX listed owner, operator and developer of renewable generation. Our diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources. AGL is also a significant retailer of energy and provides energy solutions to over 3.5 million customers in New South Wales, Victoria, Queensland, Western Australia and South Australia. We are active in energy market derivative trading across the NEM.

AGL supports the AEMC's Draft Determination not to introduce a short-term forward market for electricity derivatives. The draft determination found that there was little support for these financial products from the participants that were expected to use it, being intermittent generators, demand response providers, and gas peaking plants. The Draft Determination notes that there are existing markets and processes to develop short term derivatives, should there be sufficient demand for particular products. We agree that under the current market arrangements there is no need for a specific short-term forward market.

As noted in our previous submission, the market currently places limited value on short term products. As the dispatch date approaches, more information becomes available and there is less forecast variance. Pricing outcomes become more certain and counterparties are less likely to agree to a mutually beneficial price. In other words, the benefits of entering into short-term contracts diminish where the contract price approaches the likely pricing outcomes.

However, as the market changes the benefits of short-term contracting may materialise. Should this occur, we are confident the market will meet these requirements through new products offered on an energy exchange or brokerages.

If you have any queries about this submission, please contact me on (03) 8633 6758 or CStreets@agl.com.au.

Yours sincerely,

Chris Streets

Senior Manager Energy Markets Regulation