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Thursday, 6 February 2020

Prabpreet Calais
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Dear Mr Calais

RE: Short term forward market draft determination

ERM Power Limited (ERM Power) welcomes the opportunity to respond to the Australian Energy Market Commission's (AEMC) short term forward market (STFM) draft determination.

About ERM Power

ERM Power (ERM) is a subsidiary of Shell Energy Australia Pty Ltd (Shell Energy). ERM is one of Australia's leading commercial and industrial electricity retailers, providing large businesses with end to end energy management, from electricity retailing to integrated solutions that improve energy productivity. Market-leading customer satisfaction has fuelled ERM Power's growth, and today the Company is the second largest electricity provider to commercial businesses and industrials in Australia by load¹. ERM also operates 662 megawatts of low emission, gas-fired peaking power stations in Western Australia and Queensland, supporting the industry's transition to renewables.

<http://www.ermpower.com.au>

<https://www.shell.com.au/business-customers/shell-energy-australia.html>

General comments

ERM Power considers that the AEMC's extensive consultation and analysis on the development of a STFM for the National Electricity Market (NEM) has led to a well-reasoned conclusion that establishing a STFM as part of the National Electricity Rules is unnecessary. ERM Power strongly agrees with this conclusion and the rationale contained within the draft determination.

Given the extensive work being undertaken in the market to reform the NEM, through the Energy Security Board's post-2025 NEM Review, the work associated with establishing a STFM now could be in vain should a redesigned NEM take shape in 2025. As flagged in the draft determination, the implementation of a demand response mechanism or a two-sided market may prove to be of more benefit to the market than a formal STFM at this stage.

We also agree with the AEMC's assessment that the existing options available to trade around short-term positions, the limited demand for short-term hedging products and the potential risks of an AEMO-managed STFM mean that the rule change would be unlikely to bring benefits to customers.

ERM Power will continue to engage with market bodies including the AEMC on the evolution of the NEM through the post-2025 NEM review and other market reviews and rule change processes.

Please contact me if you would like to discuss this submission further.

¹ Based on ERM Power analysis of latest published information.



Yours sincerely,

[signed]

Ben Pryor
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