EnergyAustralia™

We're on it

14 March 2008

Dr John Tamblyn
Commissioner
Australian Energy Market Commission
PO Box H166
AUSTRALIA SQUARE NSW 1215

By email: submissions@aemc.gov.au

Dear John,

NEM Rule Change Proposal – Futures Offset Arrangements for Retailers

EnergyAustralia welcomes the opportunity to provide comments on Australian Power & Gas, Infratil Energy Australia and Momentum Energy's Rule change request relating to Futures Offset Arrangements **(FOA)** in the National Electricity Market **(NEM)**.

EnergyAustralia supports the proposal to define and accommodate FOAs within the National Electricity Rules **(Rules)**. EnergyAustralia believes these arrangements will provide those retailers who elect to enter into FOAs some additional protection from incurring unnecessary credit support costs for their spot market obligations.

EnergyAustralia does not however, support the proposed amendments to the Maximum Credit Limit **(MCL)** calculation methodology. EnergyAustralia believes that the historical pool prices and volatility are a more stable reflection of the likely pool price outcomes in the NEM, than forward futures price outcomes as proposed.

EnergyAustralia believes SFE electricity futures prices should not be a parameter of the MCL calculation as such amendments may result in more volatile prudential requirements, especially during periods like Q2 2007. EnergyAustralia believes the proposed amendments will increase the potential for the MCL to vary dramatically, which in turn may unnecessarily increase the prudential requirements for those retailers who do not solely use FOAs for managing their credit support costs in the NEM.

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Partner

Should you require any further information or have any questions relating to this submission, please do not hesitate to contact Philip Dixon-Flint, Regulatory Strategy Manager Wholesale on 02 9269 2317.

Yours sincerely,

Mike Bailey
Executive General Manager Retail