



12 October 2022

Anna Collyer
Chair
Australian Energy Market Commission

Submitted online: www.aemc.gov.au
AEMC Ref: ERC0347

Amending the Administered Price Cap Directions Paper

Dear Ms Collyer

The Australian Financial Markets Association (AFMA) is responding to the AEMC's Directions Paper, published as part of the consultation on Amending the Administered Price Cap rule change.

AFMA is the leading industry association promoting efficiency, integrity and professionalism in Australia's financial markets. AFMA has more than 125 members reflecting the broad range of participants in financial markets, including the energy companies which are key participants in the National Electricity Market.

In the directions paper you indicated the AEMC would like feedback on the proposal to make the increase to the Administered Price Cap (APC) temporary. AFMA would like to reiterate the view we expressed in response to the initial consultation that a temporary increase in APC, followed by a subsequent reduction to the current level, is not desirable for the financial market. Our preference would be for any change to APC to be ongoing, noting that a subsequent change is likely as a result of the Reliability Panels' recent recommendations on changes to market settings.

In our previous submission we made some observation about the expected impact of the change on the market for \$300 caps. We would like to supplement that by stating, sunsetting the change to APC from 1 July 2025 would be undesirable for the market as it would introduce uncertainty in the market for caps for periods after 1 July 2025. As a result, traders would have to form a view on if APC would return to \$300; or if it was more likely to increase in line with the Reliability Panel's recommendations. The market prefers certainty as it is easier to price caps and to potentially develop new products if they are confident that APC will not drop down to \$300 again. AFMA would therefore prefer that the change to APC was not temporary.

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AFMA would welcome the opportunity to discuss the implications of the amendment to the administered price cap to the electricity financial market directly. Please contact me on 02 9776 7994 or by email at lgamble@afma.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lindsay Gamble', written in a cursive style.

Lindsay Gamble
Policy Director