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Australian Energy Regulator



Submitted via email: [ContractMarketMonitoring@aer.gov.au](mailto:ContractMarketMonitoring@aer.gov.au)

## Draft Market Monitoring Information Orders

The Australian Financial Markets Association (AFMA) is responding to the Australian Energy Regulator's (AER) consultation on its draft Market Monitoring Information Orders.

AFMA is the leading financial markets industry association promoting efficiency, integrity and professionalism in Australia's financial markets, including the capital, credit, derivatives, foreign exchange, energy, carbon, and other specialist markets. Our membership base is comprised of over 130 of Australia's leading financial market participants, including many energy firms who are key participants in the east coast gas and electricity markets.

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### Key Points

- **Support not collecting additional data from gas market participants**
- **The approach to data collection appears workable**
- **Qualitative questions need further refinement**
- **The AER must implement appropriate arrangements for handling confidential information before collecting data**

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AFMA appreciates the AER's open and cooperative approach to developing its market monitoring function and recognises their genuine desire to enhance their understanding of financial markets. AFMA supports the AER's decision not to request additional information from gas market participants beyond the information currently provided to the ACCC and AEMO.

Broadly, we think the AER's approach to collecting electricity market data appears workable although we have a number of comments on the specific data requests and consider that the approach to qualitative questions needs further refinement. AFMA also provides some suggestions about the arrangements our members consider the AER should put in place to for managing confidential information.

### 1. Collection framework

AFMA considers that the AER's proposed approach to collecting electricity data appears practical and workable and that the approach to collecting historic data strikes an appropriate balance between collecting data and minimising the compliance cost. Although we are concerned the proposed timeframe between finalising the orders in late March and requiring data to be provided in May is quite short. We think participants should be given at least 3 months between finalisation of the order and the first reporting date; and encourage the AER to consider option to either expedite the publication of the order or delay the commencement of reporting.

To minimise compliance costs, we think the quarterly data reporting should be kept as simple as possible and should largely be limited to factual data provision with more complicated qualitative information only collected annually. Our member's experience is that, with good operational

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processes, the provision of factual data can be made very efficient but answering more complex qualitative questions is more complicated and costly as it generally involves more staff and greater engagement from senior management. We therefore encourage the AER to limit the use of qualitative questions and to only include them in the annual data submission. When considering the cost of quarterly reporting to participants we think it is worth keeping in mind that the data is ultimately being collected to allow the AER to produce a bi-annual report and, while we appreciate there is value in the AER having a current view of the market, we think the cost to participants of providing this data should be kept commensurate to the AER's limited need for timely data and commentary to be able to produce a report once every two years. Participants can support simple factual data reporting on a quarterly basis but if the AER considers that substantial qualitative information must be provided, then we think the frequency of reporting would need to be reduced. Members have also indicated that responding to qualitative questions is easier if they have a clear understanding of why the AER is asking the question so we encourage you to consider providing more explanation about the purpose of qualitative information requests.

The draft orders the AER are consulting on do not indicate that gas market participants will be required to provide any additional information. AFMA understands that the AER intends to serve individual notices on firms requiring them to provide information about gas contracts. We do not understand why notices will be used for this purpose and consider that it is a sub-optimal approach as there is less transparency about the information that is collected. We encourage the AER to consider how to consult on its gas information collection requirements and to resolve any issues that prevent the sharing of information between the ACCC and AER.

#### **AFMA Recommendations**

- i. First reporting should occur no earlier than 3 months after the final order is published.
- ii. Quarterly reporting should be limited to factual data provision with qualitative questions only asked annually.
- iii. The AER should provide more explanation of the purpose of qualitative information requests.
- iv. The AER should consult on its approach to gas information collection.
- v. Policy makers should resolve any barriers to the sharing of information between the AER and ACCC.

## **2. Qualitative questions**

AFMA considers the qualitative questions in the draft order need substantial further work before they are suitable for participants to respond to. Many of the questions are imprecisely worded making them difficult to respond to and as a result the responses are unlikely to be useful to the AER. Other questions, such as those concerning exchange traded and OTC transactions, appear unnecessary as they essentially duplicate the insights the AER will receive from the provision of contract data. While some other qualitative questions, such as those related to fuel supply and margining, might be better answered by asking participants for data rather than descriptive responses.

Many of the qualitative questions either duplicate data that participants already provide or would be better responded to with data. While AFMA has previously advocated for the AER to take a higher level approach to information collection utilising summary data and qualitative commentary we feel that given the AER has chosen to adopt a comprehensive data collection approach the corollary of this is that the AER should not ask for qualitative or summary information that they are able to determine themselves by using the data they have required participants to provide.

## **2.1. Fuel supply – Q.4(1-2)**

We think the current questions regarding fuel supply will be difficult for participants to answer in a way that is helpful to the AER. Our fundamental concerns are that the concept of a “Material Impact” on a generator’s fuel supply is essentially meaningless without the full context of how the generator intends to operate and if this would have been any different without the fuel constraint, and as a result we think the AER is unlikely to gain substantial insights from this question. Logically, this reporting requirement would apply to gas, coal, liquid fuel and conventional storage hydro generators. The nature of each type of plant and their fuel supply arrangements will have an impact on the way they respond to the question. We discuss each type of plant below and suggest how the AER should approach them.

We question the extent to which gas fired generators can meaningfully comment on their fuel supply situation. Gas fired generation typically does not store a significant quantity of fuel on site relying on a steady supply of gas through a pipeline. In the current market gas generation generally operates as either peaking or critical peaking plant with limited numbers of shorter runs. Peaking units will not typically contract large volumes of firm gas and will rely on more flexible contractual mechanisms and market purchases. In most cases peaking gas units will be able to access short term gas at a price, but whether they choose to buy it and run will depend on the economics of the spread between their fuel cost and the NEM spot price. Therefore, while gas fired generators may periodically choose not to run due to unavailability of gas generally this will be a commercial decision based on price rather than a fuel security issue. We therefore think it will be difficult for gas fired generators to provide meaningful insight into the extent to which fuel supply security has had a material impact on their operation and suggest that the AER will gain more insight on the ability of the gas market to support gas fired generation from its monitoring of the gas market.

Unlike gas plants, liquid fuelled plants typically store their fuel on site and rely on fuel trucks for deliveries. They are typically very tightly fuel constrained as their on-site storage is limited and it is logistically challenging to refill their storage at the same rate that their units can consume it. These fuel supply arrangements are generally adequate as liquid fuelled plants typically operate as critical peaking plants that run infrequently, but if called on to run regularly, their availability will often be limited by fuel constraints. We would argue that this does not reflect fuel supply security having a material impact on their operation but is merely a result of the logistics of their fuel supply that is better represented by bidding an energy constraint in their bids to AEMO than by providing qualitative information to the AER.

We think the concept of fuel security is most relevant for black coal and conventional storage hydro generators who store large quantities of fuel on-site to support regular operation. But for these plants, we think the AER might get better insight by requesting data about dam and stockpile levels rather than asking for qualitative information. We note that brown coal plants are typically mine mouth and are set up to mine coal at close to the rate that they consume it and are therefore unlikely to experience fuel supply security separately from operational restrictions which we discuss below.

## **2.2. Operational restrictions – Q.4(3-5)**

AFMA is unclear why the AER is asking generators to provide information about operational issues that affect their units as this information is already gathered by AEMO to prepare the Short and Medium-term PASA. PASA information is largely publicly available, and the AER can ask AEMO for any information that is not published. AFMA therefore thinks the AER should rely on PASA data rather than asking participants to provide similar information.

### **2.3. AEMO contracts – Q.4(6)**

To the extent that the AER requires information about participants contracts with AEMO, AFMA considers that they should source that information from AEMO rather than the market participants as AEMO will be able to provide information about all contracts.

### **2.4. Contracts not captured by data collection – A.2(1-2)**

AFMA considers that the proposed arrangements for contracts not captured by other categories are appropriate.

### **2.5. Exchange trading questions – A.2(3-4)**

We consider that a number of the proposed questions about exchanged traded contracts are unnecessary as participants will already have provided the AER with data about all of their exchange traded positions and a number of the others might be better answered with data rather than qualitative responses. Questions A.2 (3) and (4) (a) and (b), about if the participant has used an exchange and has any current contracts, appear unnecessary given the AER will have access to the participants full exchange traded position. Questions A.2 (3) and (4) (c) and (d), regarding clearing participants, might be better answered by asking for data about the clearing participant for each transaction. We would also like to clarify if A.2 (3) and (4)(e) should refer to initial margin rather than variation margin as we understand this is generally where multipliers are applied.

### **2.6. OTC contracting questions – A.2(5-8)**

Similar to the exchange traded questions we consider that questions A.2 (5) and (6) are unnecessary as the AER will already have access to the full list of OTC transactions including data about the counterparties and questions A.2 (7) and (8) would be better answered by asking for data about the use of electronic platforms in the transaction specific data request.

### **2.7. Risk related questions – A.2(9-11)**

We consider that question A.2(9) regarding changes to trading strategies is unnecessary as the AER will have the participants complete set of trades for multiple years and will be able to determine if there has been a change in the types of contracts they are using and the proportion they are used in. Similarly, we think question A.2(11) regarding changes to participant's risk appetite is vaguely worded and unlikely to result in useful information for the AER. Again, we consider that as the AER will have participants entire contractual positions it will be possible for the AER to form its own view on participants risk appetites and to observe how they have changed over time. We therefore do not think there is value in asking these question as they are unlikely to result in answers that would add anything to the underlying data.

We consider that if the AER wants information about margining it should add additional fields to the data templates and collect data specifically about margin rather than ask qualitative questions as question A.2(10) currently does. The AER should consider if it wants information about margining for OTC Products as well as listed products. As a participant's amount of margin varies depending on their position the AER would need to ask for their position on a particular day, e.g. the last day of the month.

### **2.8. Retailer questions – A.3**

We do not think these questions, regarding the ability of retailers to enter into contracts, add anything to the underlying data that the AER will have so should be deleted.

## 2.9. Generator questions – A.4

We consider that question A.4(1) duplicates an earlier question Q.4(6) about contracts with AEMO and as with that question we think this one should be deleted and the AER should source the information from AEMO.

Question A.4(2) is essentially about generators short-run marginal cost. We understand that the AER has been keen to understand generators marginal costs but as discussed previously, AFMA considers that it is a difficult number to calculate and of extremely limited value in helping to understand generator behaviour. We do not think the AER's proposed new concept of a "tolerable level" for the unit to offer into the spot market assists in the discussion.

The assumption behind these questions is that generators earn the majority of their revenue from the spot market and therefore will offer the unit to ensure it is dispatched at prices that will recover their costs. In reality, most units will operate as part of a wider risk management portfolio combining physical assets and financial contracts. Decisions about how to offer the unit's capacity will be made as part of the broader strategy to optimise the portfolio. This can potentially involve running units for extended periods at prices below their operating cost or not running them when prices exceed their operating cost to ensure the best commercial result for the portfolio. As a result, we think the proposed question asking for tolerable levels at units will be dispatched will be difficult for participants to respond to and is unlikely to be helpful to the AER.

Similarly question A.4(2)(b) regarding how information about how cost information is shared with the scheduling team who operate the units is unlikely to result in useful insights for the AER. Not all generators will use short-run marginal costs to drive their scheduling team's offer decisions but where they do it will typically be an arbitrary number that is designed to deliver a particular dispatch outcome rather than a reflection of actual costs and therefore this information is unlikely to be helpful to the AER.

If the AER is determined to collect data about short-run marginal cost, we think they need to give generators very clear assumptions that they are to use to calculating a units short-run marginal cost. But we think this is highly unlikely to provide meaningful insight beyond what the AER could derive from public information by multiplying the heat rate data AEMO publishes for each unit in the NEM by the market price for the relevant fuel.

### **AFMA Recommendations**

#### *Fuel supply*

- vi. The AER should rely on its gas market monitoring function to understand gas supply constraints for generators.
- vii. The AER should rely on energy constraint bid data to determine availability of liquid fuelled units.
- viii. The AER should collect data about coal stockpiles and hydro storage dam levels rather than ask qualitative questions.

#### *Operational restrictions*

- ix. The AER should rely on PASA data to understand unit availability.

#### *Exchange trading questions*

- x. Questions A.2 (3) and (4) (a) and (b) about use of exchanges should be deleted as they duplicate information given in the transaction specific data requests.

- xi. Questions A.2 (3) and (4) (c) and (d) regarding clearing participants should be replaced by additional fields in the data requests.
- xii. Consider if A.2 (3) and (4) (e) should refer to initial rather than variation margin.

*OTC contracting questions*

- xiii. Questions A.2 (5) and (6) about use of OTC markets should be deleted as they duplicate information given in the transaction specific data requests.
- xiv. Questions A.2 (7) and (8) about use of electronic platforms should be replaced by additional fields in the data requests.

*Risk related questions*

- xv. Questions A.2 (9) and (11) regarding strategy should be deleted as they duplicate analysis the AER will be able to do with the underlying data.
- xvi. Question A.2 (10) should be replaced by a data request regarding the quantum of margin.

*Retailer questions*

- xvii. The retailer questions should be deleted as they do not add anything to the underlying data.

*Generator questions*

- xviii. Question A.4(1) should be deleted as it duplicates question Q.4(6).
- xix. Generator's short-run marginal costs are not the key component for generator offer decisions and are very difficult to report as they are highly dynamic and variable. Question A.4(2) should therefore be deleted.

### **3. Data**

AFMA's view is that the fields in the AER's data requests should be aligned with the data participants typically record for transactions. We encourage the AER to work with the industry to ensure alignment between their data request and the industry's data and consider there may be value in aligning the AER's templates with the fields ASIC uses for its OTC transaction reporting.

Ensuring harmonised data fields will improve the quality of the data reported to the AER, improving their analysis and reporting. To assist this we think it would be useful if the AER could provide examples of how it expects participants to report each type of transaction, ASIC's extensive guidance on its OTC reporting requirements might serve as a useful guide.<sup>1</sup>

#### **3.1. Transaction lifecycle**

Derivative contracts are not necessarily just, entered into, held to maturity and then settled; they have a lifecycle that can include a number of actions occurring to a position. Lifecycle events include closing the position early (potentially using an EFP), amending a transaction or exercising an option.

ASIC's OTC Transaction Reporting rules contain a framework for updating previously reported transactions to include lifecycle events. The AER's data templates require parties to provide data about a number of lifecycle events (particularly option exercise and EFPs) but it is unclear to AFMA

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<sup>1</sup> <https://asic.gov.au/regulatory-resources/markets/otc-derivatives/derivative-transaction-reporting/>

how the AER expects participants to report this data. We encourage the AER to consider how lifecycle events should be reported.

### 3.2. Exchange traded transactions

AFMA has the following comments on the proposed data templates for exchange traded products:

No	Description	Comment/ Recommendation
NA	> 1MW reporting threshold	The standard parcel size for an exchange traded electricity product is 1MW. We suggest the reporting threshold should be set at $\geq 1$ MW rather than the current >1MW.
1c	Name of Class Member	Using free text names can create confusion, we suggest the AER should consider if participants should use recognised identifiers such as Legal Entity Identifiers or ABNs.
1h	Strike Price	Strike price typically refers to the agreed price at which an option can be exercised. This term should therefore only be used for caps and options.  For swaps we suggest inserting a new “fixed price” field representing the purchase price of the swap.
1k and 1l	Delivery Start Date and Delivery End Date	Exchange traded products are traded for fixed delivery periods, usually known as the “contract period” and expressed in months or quarters.  We suggest replacing both of these fields with a “contract period.”
1m	Is the Contract the result of an option exercise?	Our understanding is that parties do not typically record information about if a swap resulted from exercising an option so it may be difficult to answer this question.  It may be more useful to include a field for option transactions to record if the option was exercised. As discussed above in section 3.1, this may present a separate operational challenge as the exercise of an option will only become known during the lifecycle of the transaction and the AER will have to have appropriate arrangements in place to manage lifecycle reporting.
1o and 1p	Exchange for physical	Exchanges allow participants to close positions by exchanging the futures position for an equivalent physical position (known as, Exchange for Physical (EFP)).

		<p>As discussed above in section 3.1, EFPs are not relevant at the time a futures position is entered into, but may become so during their lifecycle if the position is closed out with an EFP.</p> <p>We are unsure that the current fields are appropriate for reporting lifecycle events.</p>
New	Clearer	The AER should consider asking for the name or identifier of the clearing participant used for a transaction. (see also section 2.5 above).

### 3.3. OTC standard products

#### 3.3.1. Standard products

AFMA agrees with the AER’s proposed approach of treating OTC standard contracts differently from non-standard contracts, but we do not think your definition of “OTC standard contract” reflects current market practice. We agree that baseload swaps and caps should be standard products, but the traditional 7am-10pm peak swap is rarely traded so we consider it is no longer a standard contract.

AFMA wants to note that the financial energy market is in a period of rapid transition, and we are seeing significant development in the range of financial products that market participants are using. We therefore think the AER should monitor the list of OTC standard contracts to ensure it reflects current market practice.

#### 3.3.2. OTC standard data templates

AFMA has the following comments on the proposed data templates for OTC Standard Products:

No	Description	Comment
NA	> 1MW reporting threshold	The standard minimum parcel size for an OTC products is 1MW. We suggest the reporting threshold should be set at ≥1MW rather than the current >1MW.
2c	Name of Class Member	See comment on 1c for exchange traded products
2d	Contract Name	We anticipate the intention is that parties should name contracts in the same way that the equivalent products are named by the relevant exchange. We suggest the template should include controls to enforce this naming conventions, rather than using free text.
2e	Name of Counterparty	See comment on 1c for exchange traded products
2h	Strike Price	See comment on 1h for exchange traded products



2k and 2l	Delivery Start Date and Delivery End Date	<p>While OTC products can be traded for any period standard products typically have standardised delivery periods, known as the “contract period” and expressed in months or quarters.</p> <p>We suggest replacing both of these fields with a “contract period.”</p>
2m	Is the Contract the result of an option exercise?	See comment on 1m for exchange traded products
2o and 2p	Exchange for physical	<p>Determining if OTC transactions were entered into for the purpose of an EFP can be challenging as there is not necessarily a one to one relationship between the OTC transaction and the EFP and as with exchange traded products the purpose of the transaction may change during its lifecycle.</p> <p>We suggest that it would be simpler for the AER to collect data on if exchange traded positions are closed using EFP (see comments on 1o and 1p) rather than collecting data about OTC transactions that relate to an EFP.</p>
New	Electronic platform	The AER should consider asking for information about if a transaction was executed using an electronic platform. This could include the name or identifier of the platform. (see also section 2.6 above)
New	Margining	<p>We suggest the AER should consider collecting data about margining of OTC transactions.</p> <p>It is inappropriate to collect information about margin payments on a transaction by transaction basis as they are determined at a portfolio level but there may be value in asking:</p> <ul style="list-style-type: none"> <li>• If the transaction was margined</li> <li>• What type of margining (initial/ variation/ both)</li> <li>• If both parties are required to post margin</li> </ul> <p>(see also section 2.7 above)</p>

### 3.4. OTC large non-standard

AFMA supports the AER’s approach of limiting data collection for non-standard OTC transactions to large transactions of greater than 20MW but have the following comments on the proposed data templates:

No	Description	Comment
3c	Name of Class Member	See comment on 1c for exchange traded products
3e	Name of Counterparty	See comment on 1c for exchange traded products
3g	Region	The AER should clarify how parties should report non-standard transactions that relate to two regions (such as inter-regional swaps) or to no region (such as a weather derivative not specifically tied to a region).
3h	Description of pricing terms	It is unclear why there is a minimum 15 character limit for this field as the explanation may not require that many (e.g. \$X per MW).
3k	Description of volume	It is unclear why there is a minimum 15 character limit for this field as the explanation may not require that many (e.g. 30 MW).

### 3.5. PPAs

Currently the definition of Power Purchase Agreement (PPA) is limited to renewable energy assets. As a result, we do not think it captures the arrangements in relation to energy storage systems or hybrid systems. These include, tolling agreements, revenue sharing agreements and system support agreements.

Additionally, we do not think the reporting template reflects current market practice as PPAs can be structured differently for each year of their duration. For instance, cap and floors may not be applicable for the entire contract duration but only for a portion of that duration. PPAs are typically contracted as a bundled energy and environmental products. Also, some agreements for renewable energy assets use a capacity purchase / tolling structure, which do not convert readily into a \$/MWh price.

We encourage the AER to clarify how PPAs for non-renewable and hybrid assets will be treated and to ensure that the data template can accommodate current contracting practices.

#### 3.5.1. PPAs data templates

AFMA has the following comments on the proposed data templates for PPAs:

No	Description	Comment
1c	Name of Class Member	See comment on 1c for exchange traded products
2d	Name of Counterparty	See comment on 1c for exchange traded products

### AFMA Recommendations

- xx. Data templates should reflect current industry practice for recording information about transactions.
- xxi. The AER should consider aligning data fields with those used for ASICs OTC transaction reporting.
- xxii. The AER should amend the Orders to reflect AFMA's detailed comments on the data templates.
- xxiii. The AER should provide examples of how participants should report each type of transaction.
- xxiv. The AER should consider how contract lifecycle events should be reported.
- xxv. Traditional peak swaps should be removed from the definition of OTC standard contract.
- xxvi. The AER should clarify how PPAs for non-renewable and hybrid assets will be treated.

## 4. Information handling

### 5.0.4.1. Information Security

The information participants will be required to provide to the AER under the market monitoring framework is potentially more commercially sensitive than any information the AER has previously collected from market participants. Our members do not have confidence that the ACCC/ AER have adequate arrangements for securely handling this information. They particularly point to multiple instances of the ACCC improperly disclosing confidential information collected under its pricing inquiries and recent issues with inappropriate disclosure of breach reporting data from the AER's breach reporting portal. In addition to the risk of accidental disclosure our members are also concerned about the risk presented by former AER/ACCC staff and contractors, who have had access to this data, looking to exploit this information in subsequent roles in the private sector. Information security is currently of particular focus to our members as the *Security of Critical Infrastructure Act 2018* has enhanced the expectations for information security in the energy and financial services sectors.

Our members consider that the AER needs to do substantially more to give the market confidence that confidential information will be handled appropriately. AFMA considers that this should include at a minimum:

- Adequate systems for storing and accessing data, including provision for anonymising and encrypting stored information and logging access
- Implementing an information life cycle management framework to ensure that data is appropriately managed
- Human controls to limit access to information to those who need to know and provide safeguards against conflicts of interest
- Appropriate post-engagement contractual provisions for staff and contractors with access to confidential information to protect confidentiality and, where appropriate, restrain former staff and contractors from taking commercial roles where they will be able to exploit any information during the period when the information remains commercially valuable.

AFMA thinks the AER should consider adopting an appropriate recognised standard for handling information, such as the Australian Energy Sector Cyber Security Framework or APRA’s Prudential Standard CPS 234 on Information Security. We also consider the AER should engage an independent expert to review their arrangements for handling confidential information and publish the results of any reviews. Participants should not be required to report data until appropriate arrangements are in place.

#### **5.1.4.2. Analysis and disclosure**

There is likely to be a steep learning curve for the AER as it takes on this market monitoring function and builds out its analytical capability. We encourage you to continue your engagement with the industry as you begin to analyse data and start publishing your findings. In particular, we think the AER should adopt the approach used by the ACCC in its pricing inquiries of consulting with participants before publishing any analysis or statements specific to the participant that were derived from the information they provided.

#### **AFMA Recommendations**

- xxvii. The AER should implement appropriate arrangements for handling confidential information.
- xxviii. The AER should regularly engage an independent expert to review its arrangements for handling confidential information.
- xxix. The AER should publish the results of the independent expert’s reviews.
- xxx. Participants should not be required to report data until appropriate arrangements for handling confidential information are in place.
- xxxi. The AER should adopt the ACCC’s approach to consulting participants before publishing any analysis or statements.

### **6.5. Other**

#### **6.1.5.1. Definitions**

##### **6.1.1.5.1.1. "Integrated Resource Provider" (IRP)**

Under the NER, an IRP can be a person involved in owning, operating or controlling a generating system as well as a bidirectional unit (see definition of integrated resource system) and it can include load. Accordingly, there is a gap in the terms "Market Generator" and "IRP." If the intention is to exclude the load component of an integrated resource system, then we suggest the definition be amended accordingly.

##### **6.1.2.5.1.2. "Trading Company"**

AFMA’s understanding from your consultation paper that you do not currently intend to capture purely financial market participants under this order. We therefore assume that the definition of “Trading Company” is intended to deal with corporate groups where the trading activity may not happen from the same legal entity as the market participant. We caution that the current definition may be slightly too broad and could unintentionally capture financial market participants who engage in agency trading for market participants. We therefore suggest that this definition should be limited to related companies of the market participant.

##### **6.1.3.5.1.3. "Contract"**

We suggest that the definition of “contract” should be revised as follows:

- |          |   |
|----------|---|
| Contract | a) an OTC electricity derivative contract, or<br>b) an exchange traded electricity derivative contract. |
|----------|---|

We also suggest the AER should provide guidance about how bundled energy and environmental products should be treated and that suggest that products like weather derivatives and outage insurance derivatives that are used in the sector as risk mitigants should not be included in the definition of Contract

#### **6.2.5.2. Proforma report (Appendix D)**

AFMA appreciates the AER’s move to electronic data collection through its portal but in this context, we want to point out that requiring participants to complete a written attestation that requires a signature and presumably will be submitted as a scanned pdf is incredibly inefficient. We therefore encourage the AER to build the attestation into the portal so it can be completed electronically as part of the submission process, this functionality could still provide for executive sign off by allowing the party submitting the data to type in the name and job title of the person making the attestation.

#### **AFMA Recommendations**

- xxxii. The definition of “Integrated Resource Provider” should be reviewed to ensure it achieves the desired objectives.
- xxxiii. The definition of “Trading Company” should be limited to related companies of market participants.
- xxxiv. The definition of “Contract” should be amended.
- xxxv. The AER should use electronic rather than paper based attestations.

AFMA would welcome the opportunity to discuss this submission further and would be pleased to provide further information or clarity as required. Please contact me at [lgamble@afma.com.au](mailto:lgamble@afma.com.au) or 02 9776 7994.

Yours sincerely,



Lindsay Gamble

**Head of Energy and Carbon**