



February 20 2013

Mr Percy Bell
Financial Markets Unit
Corporations and Capital Markets Division
The Treasury
Langton Crescent
PARKES ACT 2600

Lodged electronically

Dear Mr Bell

Commonwealth Treasury Proposals Paper: Implementation of Australia's G-20 over-the-counter derivatives commitments

AGL thanks the Commonwealth Treasury for the opportunity to comment on its Proposals Paper on the Implementation of Australia's G-20 over-the-counter (OTC) derivatives commitments.

AGL operates across the energy supply chain and has investments in energy retailing, energy services, coal-fired electricity generation, gas-fired electricity generation, renewables and upstream gas extraction.

In its submission to the Treasury's consultation process on the Corporations Legislation Amendment (Derivative Transactions) Bill, AGL noted *inter-alia* that it considers that over-the-counter trading arrangements have operated effectively since National Electricity Market (NEM) commencement and that it remains unclear that amending their operation would provide benefits to the sector that outweigh the likely costs of doing so. The release of the Proposals Paper has not altered this view.

The Proposals Paper notes, in regards to the electricity sector, that further consideration will be given to mandatory electricity requirements after the completion of the reviews of the sector currently underway. AGL considers this a reasonable approach in the circumstances and that it will reduce the possibility of efforts being duplicated on this matter.

Of concern however is the Proposals Paper conclusion, regarding centralised clearing, that 'should substantial industry progress towards central clearing not be evident in the near future, the regulators would revisit this recommendation'. AGL seeks confirmation from Treasury as to



whether a benchmark has been set – in terms of ‘substantial industry progress’ and timeframe for delivery – and, if so, whether this has been communicated to the Australian Energy Market Commission (AEMC) in the process of completing its work on NEM Financial Market Resilience? Clearly such a position would directly impact the scope of, and timing, of work being completed by the AEMC.

In relation to the matter of requiring ASIC to seek the views of the AEMC prior to making a electricity derivative transaction rule, AGL would support such an approach. The AEMC clearly has a key role in the energy sector and requiring ASIC to consult with it would assist ASIC in fully understanding the implications of any amendments.

Finally, AGL remains of the view that amending electricity OTC trading arrangements will increase regulatory burden, in an already heavily regulated sector, without providing significant benefit – and may in fact lead to an outcome where costs outweigh benefits.

Should you have any questions in relation to this submission, please contact me on (03) 8633 6967 or at scamroux@agl.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Simon Camroux', is positioned above the printed name.

Simon Camroux
Manager Regulation & Market Development