



AGL Energy Limited

ABN: 74 115 061 375
Level 24, 200 George St
Sydney NSW 2000
Locked Bag 1837
St Leonards NSW 2065
t: 02 9921 2999
f: 02 9921 2552
agl.com.au

Dr Kerry Schott
Energy Security Board
info@esb.org.au

19 October 2018

Submission to OTC Transparency in the NEM

AGL Energy (**AGL**) welcomes the opportunity to comment on the Energy Security Board's (**ESB**) OTC Transparency in the NEM consultation paper (**Consultation Paper**).

AGL is one of Australia's leading integrated energy companies and the largest ASX listed owner, operator and developer of renewable generation. Our diverse power generation portfolio includes base, peaking and intermediate generation plants, spread across traditional thermal generation as well as renewable sources. AGL is also a significant retailer of energy and provides energy solutions to over 3.5 million customers in New South Wales, Victoria, Queensland, Western Australia and South Australia.

AGL is supportive of initiatives to improve information transparency and reduce information asymmetries. This can help to provide an equal playing field for market participants and improve competition. Greater transparency of OTC contracting will help to provide an accurate benchmark of electricity futures prices to the market.

We also consider it important that in improving OTC transparency, the compliance costs for industry are minimised and confidential information is robustly protected. With greater granularity and frequency of reporting, the administrative burden of the requirement increases. The ESB should only require OTC information to be reported that is necessary to assist the market with efficient decision making.

AGL is supportive of cost efficient measures to improve the transparency of OTC contracting information. The provision of the OTC trade information could broadly replicate the product details and available information that is readily attainable from the ASX Energy futures exchange.

Specifically, AGL suggests that OTC trade information could be obtained from market participants on a monthly or quarterly basis and could include the following aggregated information:

- Product traded (e.g. swap, cap, option)
- Volume traded (e.g. MW)
- Node traded (e.g. region)
- Price traded (e.g. \$/MWh)
- Duration traded (e.g. month, quarter, year)
- Period traded (e.g. flat, peak, off-peak)

While we advocate for greater transparency, one of AGL's primary concerns is the confidentiality of information to be reported. OTC trade information contains highly confidential details of the contracting



parties, usually transacted under International Swaps and Derivatives (ISDA) Master Agreement. This information is not necessary for the purposes of determining liquidity levels and could be damaging should it accidentally become publicly known. The information reported should not include these counterparty details.

In addition, certain individuals in the industry can determine the parties to an OTC contract even if the names are anonymised, given the nature and notal pricing of the market. Reporting the information to the AER in a suitably aggregated form will provide the market with the information needed to promote competition, while also:

1. maintaining confidentiality of individual trades
2. helping to minimise the administrative burden of reporting
3. simplifying the requirements of a trade repository, and therefore reducing the development costs.

AGL would not be concerned with the AER sharing suitably aggregated information about OTC trades with other regulatory bodies. However, AGL notes that OTC contract information would be reported to the AER for the purposes of assessing liquidity and improving price transparency. There should be some restrictions or consultation with the relevant participants should a regulatory body wish to access that data for another purpose.

We note that regulatory bodies would continue to have the ability to request or compel participants to provide more detailed OTC trading information, should a specific instance arise that required assessment of that information. AGL has been happy to assist with requests of this nature.

Finally, AGL notes that the Australian Financial Market Association (AFMA) recently re-introduced its survey of OTC contracting. Given the potential lead times in the ESB implementing reforms to OTC transparency, the AFMA survey could be enhanced in the short term (for example through greater frequency and more information) to provide greater OTC transparency. However, AGL appreciates that this is a decision for AFMA.

The ESB may also wish to consider whether, long term, relying on an improved AFMA survey is more cost efficient than developing a trade repository. The ESB could wait until a revised AFMA survey is published before deciding whether a separate OTC contract reporting mechanism is needed.

If you have any queries about this submission, please contact Jenessa Rabone on (02) 9921 2323 or JRabone@agl.com.au.

Yours sincerely,

Chris Streets

Senior Manager Energy Markets Regulation