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COAG Energy Security Board
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ACCC Retail Electricity Pricing Inquiry Recommendation 41 Consultation Paper

Meridian Energy Australia Pty Ltd and Powershop Australia Pty Ltd (MEA Group) thank the Energy Security Board (ESB) for the opportunity to comment on the ACCC Retail Electricity Pricing Inquiry Recommendation 41 Consultation Paper.

The MEA Group is the owner and operator of the Mt Mercer and Mt Millar Wind Farms as well as the Hume, Burrinjuck and Keepit hydroelectric power stations. The MEA Group also owns and operates Powershop Australia, an innovative retailer committed to providing lower prices for customers which recognizes the benefits for customers of a transition to a more renewable based and distributed energy system.

As a generator and retailer with an active hedge requirement, the MEA Group has significant experience, and is a participant in the financial market.

Recommendation 41 of the ACCC's Retail Electricity Pricing Inquiry

Recommendation 41 proposes that the AER's wholesale monitoring functions should be extended to include monitoring and analysis of, and reporting on, contract markets. This recommendation also proposes that the AER should have compulsory information gathering powers to monitor these markets.

The National Electricity Market (NEM) is a gross pool market where participants (generators and retailers) are exposed to the half hourly spot price of electricity. In order to manage financial exposures in the NEM, participants own generation, contract energy under power purchase agreements or enter hedging contracts in either the OTC or ASX contract markets. OTC and ASX markets are important for NEM market participants to manage electricity price risk according to their business requirements.

The MEA Group is strongly supportive of reforms that promote the efficient operation of markets thereby supporting transparent competitive wholesale markets, providing investment signals for new generation and lowering prices for consumers.

In considering Recommendation 41, the MEA Group is of the view that financial markets are best managed, monitored and analysed by the governing bodies that have appropriate skills and expertise in these markets. For example:

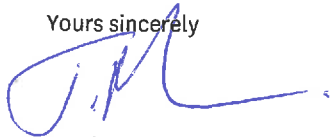
- Financial markets ASX and OTC are regulated by the Australian Securities & Investment Commission (ASIC). ASIC has a mandate to monitor and promote market integrity and consumer protection in the provision of financial services.
- The Australian Financial Markets Association (AFMA) is a financial markets industry association. AFMA supports transparency in the OTC markets and has done this over several years by publishing turnover data in both exchange traded and OTC electricity derivative markets.

The MEA Group is of the view that there is an adequate level of governance and transparency in electricity financial markets. In particular, we consider that recent developments in reporting of OTC trades has substantially increased transparency, negating, in our view, the need for the implementation of Recommendation 41.¹ To the extent that it is determined that greater collection and publication of financial market information is required then we would propose that this could be most efficiently achieved by the appropriate market bodies (ASX and AFMA) collecting this information. If this could not be achieved then the collection and publication of information by AER on a voluntary basis should be considered before the imposition of any compulsory rule based obligations.

The MEA Group agrees with the ESB's view, as set out in the consultation paper, that the costs of setting up a trade repository and the ongoing administrative burden and costs far outweigh any potential transparency benefits.

If you have any further questions do not hesitate to contact me.

Yours sincerely



Justin Mulder
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Meridian Energy Australia

¹ The Australian Financial Markets Association Electricity Derivative Turnover Report at <http://www.afma.org/data>