



## Energy Security Board

19 October 2018

By email to [info@esb.org.au](mailto:info@esb.org.au)

### Re: Market Making Requirements in the NEM Consultation Paper

To whom it may concern,

#### Introduction

Tilt Renewables is pleased to respond to the ESB's consultation paper on Market Making Requirements in the NEM, addressing Recommendation 7 of the 2018 ACCC Retail Electricity Pricing Inquiry. Tilt Renewables, as a generation business with significant assets in SA, strongly supports the ACCC's recommendation in supporting market liquidity to enhance the ability of all market participants to efficiently hedge their portfolios. Tilt Renewables has responded below to specific questions asked by the ESB.

Tilt Renewables has an operational capacity of 636 MW of generation throughout Australia and New Zealand and a development pipeline in excess of 3500MW, with more than 1500MW already holding required planning approvals. In South Australia, Tilt Renewables owns Snowtown Wind Farm (101 MW) and Snowtown Stage 2 Wind Farm (270 MW) and has Palmer Wind Farm, Highbury Pumped Hydro and Snowtown North Solar/BESS projects in its development portfolio.

#### Chapter 2:

*As it is intended the MLO would be triggered in South Australia immediately (as per recommendation 7), how much time would participants need to prepare for the implementation of the obligation?*

Tilt Renewables does not expect to be an obligated participant under the MLO. To maximize the benefits to market efficiency, Tilt Renewables encourages the ESB to recommend the minimum time necessary for obligated participants to comply.

*What products should be offered by obligated parties when the MLO is triggered by the liquidity test?*

The most heavily traded products on the market, standardized swaps and caps, should be offered by obligated parties. For an intermittent generator, caps are a useful tool in the management of non-firm generation against firm swap contracts.

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### Chapter 3:

*In addition to a minimum generation size threshold, should there be a minimum retailer size market share threshold? How could this be defined?*

Tilt Renewables, which holds through Tilt Renewables Australia Pty Ltd a retail licence in SA, notes that the existence of a retail licence does not indicate that the corporate group is a large vertically integrated retailer, as it may have little customer load. It is essential that any market-making obligation considers both the generation and retail business size, so that the obligated participant can bid and offer both sides of the derivative products when market-making.

### Chapter 4:

*Should alternatives to a centrally cleared platform for the MLO be considered?*

Tilt Renewables notes that the ASX already provides a market-making service across a range of markets including financial product and commodity markets. The aim of the market-making process is to increase liquidity and increase efficiency of hedging for smaller retailers and generators. Much of this hedging in standardized products is done on the ASX already. An alternative platform would likely increase compliance, credit and transaction costs for these smaller participants, detracting from the market efficiency benefits of the market-making.

*Should the volumes associated with quoting bids and offers on the MLO be specified as 5MW parcels? Is there a need for any exceptions? For example, smaller parcels (<5MW) more suited to the needs of smaller participants or new entrants?*

A parcel size of 1 MW would be better suited for smaller players to most efficiently match their portfolio to the market, and is consistent with the ASX lot size of 1 MW.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Marcelle".

Marcelle Gannon  
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