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Mr Carl Anderson
Manager Process Review and Implementation
Australian Energy Market Operator
PO Box 7326
Baulkham Hills BC
NSW 1235 2153

Email: carl.andersen@aemo.com.au

Dear Mr Anderson,

The National Generators Forum welcomes the opportunity to comment on the Australian Energy Market Operator's *Carbon Dioxide Equivalent Intensity Index Procedure*.

The National Generators Forum (NGF) represents the market-facing electricity generators in the National Electricity Market (NEM). These include some of Australia's largest businesses with diverse electricity generation portfolios involving coal, gas, hydro and a range of other renewables. The principal Western Australian generator is also a NGF member. The annual revenue of the NEM exceeds \$12 billion.

The NGF has had ongoing involvement in developing both the relevant rule change and related methodology.

The NGF supports the procedure as described in the initial draft Version 0.1 as it underpins the introduction of a CO₂e Intensity Index (the CO₂e Index) and will contribute to an open and competitive wholesale contract market.

However there are some issues should the settlement cycle be shortened as part of the revised prudential frameworks as follows.

Under the current framework settlement takes place approximately four weeks (20th business day) after the end of the billing period. Typically generators issue bilateral invoices to each counterparty on the first or second business day after the end of the billing period (i.e. either the following Monday or Tuesday).

If AEMO were to publish Carbon Index data on the following Friday or Monday (in the case of a public holiday occurring in the week after the billing period) generators would be forced to delay their invoicing.

This would make settlement of carbon pass-thru contracts based on ACI for the applicable period virtual impossible, unless participants were to negotiate a work around with counterparties, such as periodic adjustment of carbon pass-thru.

Clearly this has the potential to result in more complex and costly settlement and as such is considered suboptimal.

If the settlements cycle is reduced to one week, participants may also require AFMA to revise their settlement conventions to allow for the new carbon regime. Please refer to the existing AFMA ISDA guide- Australian Carbon Benchmark Addendum.

The NGF therefore recommends that the ACI publication and settlement process need to be considered holistically, particularly in relation to any contemplated IT system changes.

Should AEMO wish to discuss this submission further, please do not hesitate to contact me on 02 6243 5120 or David Hoch on 0417343537.

Yours sincerely



Malcolm Roberts
Executive Director