



30 October 2018

Nicole Dodd
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Submitted via email: nicole.dodd@aemo.com.au

Dear Ms Dodd

SETTLEMENTS RESIDUE AUCTION RULES SECONDARY TRADING – CONSULTATION PAPER

Origin Energy Limited (Origin) welcomes the opportunity to comment on AEMO's proposed amendments to the SRA Rules procedures to implement secondary trading.

Generally, Origin supports the changes proposed in the consultation paper which will help facilitate SRA trading, increase unit liquidity and provide an overall benefit to the market.

The consultation paper proposes that participants who are offering SRA units for auction are required to provide a cash margin that is calculated in accordance with the proposed methodology. Origin believes that a preferable alternative is to manage a participant's exposure through the existing prudential framework.

Currently participants are required to provide bank guarantees for their trading exposure which are calculated in accordance with existing credit support procedures and managed centrally by AEMO. Participants are familiar with this platform and have existing credit procedures that they call upon to manage transactions. Origin believes that AEMO should use a participant's trading margin to determine if the secondary SRAs presents a credit risk at the time of the auction. If additional margin is required, AEMO can ask for further bank guarantees to be secured before allowing trading of the secondary SRAs. A cash margin should only be used where auction participants have not been setup under AEMO's prudential system.

Utilising the existing prudential framework will lead to greater efficiencies for participants and lower costs in complying with any secondary margin requirements. The credit risk, in the case of market default, remains the same as the bank guarantees can be substituted for the cash margin. The calculation of the required margin also remains the same.

Finally, the SRA cancellation fee should be fair and reasonable and used to offset the administration costs of the auction. The level should be set by the Settlement Residue Committee.

Should you have any questions or wish to discuss this information further, please contact James Googan in the first instance via email james.googan@originenergy.com.au or phone, on (07) 3512 4138.

Yours sincerely,

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

Steve Reid
Group Manager, Regulatory Policy
Origin Energy