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Department for Energy and Mining
Government of South Australia
Level 4, 11 Waymouth Street
Adelaide SA 5000

Submitted via email to dem.ferm@sa.gov.au

17 February 2026

To Whom it May Concern,

Re: Submission to the Firm Energy Reliability Mechanism (FERM) – Market Liquidity Obligation Consultation

AGL appreciates the opportunity to provide feedback on the South Australian Market Liquidity Obligation (SA MLO) consultation and thank the Department for its engagement with industry throughout the process.

While AGL does not consider market-making obligations to be the appropriate mechanism to address liquidity concerns, we recognise that having differing market-making conditions and obligations across NEM jurisdictions would be onerous, inefficient, and counterproductive. In this context, if an SA-specific MLO is to be introduced, alignment with the framework recommended by the Nelson

Review represents the most feasible alternative in the circumstances, providing a degree of consistency and avoiding the operational complexity that would arise from divergent regional requirements.

In considering the application of this framework in the South Australian context, it is important to recognise the structural characteristics of the region's electricity market. South Australia's comparatively small market size, combined with its high penetration of renewable generation, naturally results in lower contract market liquidity than larger NEM regions. Any final SA MLO design should be calibrated with these foundational realities firmly in mind to avoid imposing obligations that unintentionally concentrate risk, restrict participant flexibility, or fail to produce meaningful improvements in liquidity.

Further, any introduction of an SA MLO should exclude the spot (prompt) quarter. The spot market carries a fundamentally different risk profile, and participants have had ample opportunity to hedge their exposure through established risk-management products. As the market moves closer to real time, participants naturally reduce their willingness to take on additional positions, resulting in lower tradable volumes and wider spreads. This behaviour consistent with prudent portfolio management rather than a failure of market liquidity.

In addition, the significant operational uncertainty associated with changing fuel requirements during this period makes it difficult for generators to contract and manage their portfolios effectively. We also note that several large loads already manage their exposure through spot pass-through arrangements, meaning contracting needs in the spot quarter are inherently limited.

We also emphasise that, while the ASX is an acceptable platform given it typically offers the greatest liquidity, its associated transaction and access costs may not suit the needs of all participants particularly in a small market such as South Australia. Any market-making arrangements should therefore recognise that reliance on the ASX may not deliver an efficient or proportionate outcome for all parties.



In addition, incorporating swaps as well as cap contracts into the suite of eligible products would better reflect the diversity of hedging needs in a small market like South Australia and help counter liquidity constraints by broadening the set of instruments available to both buyers and sellers.

We welcome continued consultation as the design progresses and would be pleased to engage further with the Department to support a practical, proportionate and effective implementation of the SA MLO.

Thank you again for the opportunity to contribute to this important reform. We have completed the Response Template and attach it as **Annexure 1** to this letter. If you have any questions, please contact Jordan Dodd on 0421 418 428 or at jdodd@agl.com.au.

Yours sincerely,

Chris Streets
Senior Manager Wholesale Market Regulation