

The background of the lower half of the page is a photograph of a wind farm and power lines, overlaid with a semi-transparent blue filter. On the left, several large white wind turbines are visible, their blades extending outwards. On the right, a tall metal lattice tower for power lines stands prominently, with other similar towers receding into the distance. The overall scene is set against a clear sky.

Independent Market Operator

Rule Change Notice
Title: List of Entities Meeting the
Acceptable Credit Criteria

Ref: RC_2011_04

Standard Rule Change Process

Date: 13 June 2011

CONTENTS

1. THE RULE CHANGE PROPOSAL	3
1.1. The Submission.....	3
1.2. Details of the Proposal	3
1.3. The Proposal and the Wholesale Market Objectives	4
2. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER.....	4
3. CALL FOR SUBMISSIONS	5
4. PROPOSED AMENDING RULES	5
5. ABOUT RULE CHANGE PROPOSALS	6

DOCUMENT DETAILS

IMO Notice No.: RC_2011_04
Report Title: Rule Change Notice: List of Entities Meeting the Acceptable Credit Criteria
Release Status: Public
Confidentiality Status: Public domain
Published in accordance with Market Rule 2.5.7

Independent Market Operator

Level 3, Governor Stirling Tower
197 St George's Terrace, Perth WA 6000
PO Box 7096, Cloisters Square, Perth WA 6850
Tel. (08) 9254 4300
Fax. (08) 9254 4399
Email: imo@imowa.com.au
Website: www.imowa.com.au



1. THE RULE CHANGE PROPOSAL

1.1. The Submission

On 13 June 2011 the IMO submitted a Rule Change Proposal regarding amendments to clause 2.38.7 of the Wholesale Electricity Market Rules (Market Rules).

This Rule Change Notice is published according to clause 2.5.7 of the Market Rules.

1.1.1 Submission details

Name:	Zoë Davies
Phone:	08 9254 4332
Fax:	08 9254 4399
Email:	market.development@imowa.com.au
Organisation:	IMO
Address:	Level 3, Governor Stirling Tower, 197 St Georges Terrace
Date submitted:	13 June 2011
Urgency:	Medium
Change Proposal title:	List of Entities Meeting the Acceptable Credit Criteria
Market Rule affected:	2.38.7

1.2. Details of the Proposal

Rule Change Proposal Background

Under clause 2.38.7 of the Market Rules, the IMO must maintain on the Market Web Site a list of entities which have provided the IMO, in the previous twelve months, with evidence satisfactory to the IMO that they meet the Acceptable Credit Criteria outlined in clause 2.38.6 (the List).

The Rule Change Proposal: Acceptable Credit Criteria (RC_2010_36) removed the requirement for a solicitor to sign an Acceptable Credit Criteria form for each Market Participant providing Credit Support or Reserve Capacity Security where the financial entity being used was included on the List. The IMO considered that the proposed changes provided a more cost effective and efficient process than each Market Participant's solicitor signing the form. The amendments introduced by RC_2010_36 commenced on 1 April 2011.

In response to a suggestion from a Market Participant, the IMO has considered opportunities to further reduce the burden on Market Participants of providing evidence of the credit-worthiness of financial entities that provide guarantees or bank undertakings as either Credit Support or Reserve Capacity Security, where provision of that evidence is considered to be of little additional value.

Proposed Change to Existing Market Rule

The IMO proposes that, in addition to the provisions introduced by RC_2010_36, the four major Australian banks be included on the List. Entities on the List are not required to provide evidence that they meet the Acceptable Credit Criteria when a Market Participant puts forward a guarantee or bank undertaking as Credit Support or Reserve Capacity Security from one of those entities.

The IMO notes that other financial entities may be included on the List by either the financial entity itself or a Market Participant providing the necessary evidence as to the credit-worthiness of the financial entity. This can be done either at 12-month intervals (to maintain the exemption) or as needed when a guarantee or bank undertaking is presented as Credit Support or Reserve Capacity Security.

When a financial entity is removed from the list because the 12-month period expires, the relevant Market Participant will not necessarily be required to replace its security. The financial entity, or the Market Participant, will simply have to provide the usual evidence of creditworthiness when it next puts forward a guarantee to the IMO. The IMO maintains its monthly monitoring of the credit ratings of all financial entities providing Reserve Capacity Security or Credit Support, regardless of whether they remain on the List.

However, Credit Support or Reserve Capacity Security will cease to be valid if the entity that provided the guarantee or bank undertaking ceases to meet the Acceptable Credit Criteria. This includes if its credit rating falls below the level specified in clause 2.38.6. In that event, the Market Participant would be in default of its Prudential Obligations and be required to immediately notify the IMO and replace the guarantee or bank undertaking with one from an organisation that meets the Acceptable Credit Criteria, or with cash.

1.3. The Proposal and the Wholesale Market Objectives

The IMO considers that the proposed Market Rule change would allow the Market Rules to better address Wholesale Market Objectives:

(b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors; and

(d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system;

by ensuring a more simple, efficient and cheaper way of certifying that an entity meets the Acceptable Credit Criteria.

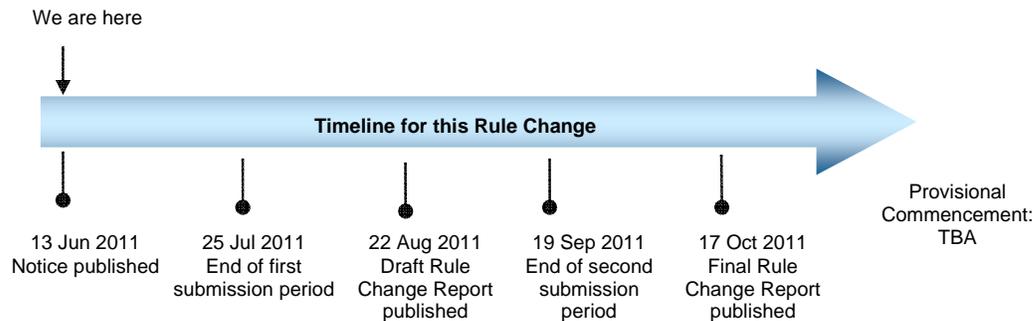
2. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

The IMO has decided to proceed with this proposal on the basis that Market Participants should be given an opportunity to provide submissions as part of the rule change process.

This Rule Change Proposal will be processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

The projected timelines for processing this proposal are:





3. CALL FOR SUBMISSIONS

The IMO is seeking submissions regarding this proposal. The submission period is 30 Business Days from the publication date of this Rule Change Notice. Submissions must be delivered to the IMO by **5:00pm on Monday, 25 July 2011**.

The IMO prefers to receive submissions by email to market.development@imowa.com.au using the submission form available on the IMO website: <http://www.imowa.com.au/rule-changes>. Submissions may also be sent to the IMO by fax or post, addressed to:

Independent Market Operator
 Attn: General Manager, Development
 PO Box 7096
 Cloisters Square, Perth, WA 6850
 Fax: (08) 9254 4399

4. PROPOSED AMENDING RULES

The IMO proposes the following amendments to the Market Rules (~~deleted text~~, added text):

- 2.38.7 The IMO must maintain on the Market Web Site a list of entities which:
- (a) have provided the IMO, in the previous twelve months, with evidence satisfactory to the IMO that they meet the Acceptable Credit Criteria outlined in clause 2.38.6; or
 - (b) are one of the entities the IMO has determined are not required to provide evidence of meeting the Acceptable Credit Criteria outlined in clause 2.38.6.



5. ABOUT RULE CHANGE PROPOSALS

Any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form and submitting this to the IMO (Clause 2.5.1 of the Market Rules).

The IMO will assess the proposal and, within 5 Business Days of receiving the proposal form, will notify the proponent whether the proposal will be progressed further.

In order for the proposal to be progressed the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives. The market objectives are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

A Rule Change Proposal can be processed using a Standard Rule Change Process or a Fast Track Rule Change Process. The standard process involves a combined 10 weeks public submission period, while the fast track process involves the IMO consulting with Rule Participants who either advise the IMO that they wish to be consulted or the IMO considers have an interest in the change.

