

**ELECTRICITY INDUSTRY ACT 2004**  
**ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY - MARKET)**  
**REGULATIONS 2004**  
**Wholesale Electricity Market Rules**

**IMO AMENDING RULES RC\_2012\_23 MADE ON 12 March 2014**  
**These Amending Rules commence at 08.00am on 1 May 2014**

The following clauses are amended (~~deleted wording~~, new wording):

**2.37. Credit Limit**

2.37.1. The IMO must determine a Credit Limit for each Market Participant in accordance with clause 2.37.4.

2.37.2. Subject to clauses 2.37.3 and 2.42.7, the IMO may review and revise a Market Participant's ~~the IMO may review and revise a Market Participant's~~ revise the Credit Limit of a Market Participant at any time.

2.37.3. The IMO must review each Market Participant's ~~the~~ Credit Limit of a Market Participant at least once each year.

2.37.4. Subject to clauses 2.37.5 and 2.37.6, the Credit Limit for a Market Participant is the dollar amount determined by the IMO as being equal to the amount that the IMO reasonably expects will not be exceeded over any 70 day period, where this amount is:

(a) the maximum net amount owed by the Market Participant to the IMO over the 70 day period;

(b) determined by applying the factors set out in clause 2.37.5; and

(c) calculated in accordance with the Market Procedure referred to in clause 2.43.1.

~~2.37.4. The Credit Limit for each Market Participant is the dollar amount determined by the IMO as being equal to the maximum net amount that the Market Participant is expected to owe the IMO over any 70 day period where this amount is not expected to be exceeded more than once in a 48 month period. When determining the Credit Limit for a Market Participant the IMO must take into account:~~

~~(a) the average level and volatility of the Balancing Price and the STEM Clearing Price for the previous 48 months, or such shorter time period as data is available for;~~

~~(b) the metered quantity data for the Market Participant, or an estimate of their expected generation and consumption where no meter data is available;~~

~~(c) the correlation between the Relevant Dispatch Quantity and the Balancing Price;~~

- ~~(d) — the length of the settlement cycle and the process set out in clauses 9.23, 9.24 and 2.32;~~
- ~~(e) — a reduction in the Credit Limit reflecting applicable bilateral contract purchase quantities, where these quantities are the historical bilateral contract submissions, or an estimate of the Market Participant's expected bilateral contract levels where no historical bilateral contract submission data is available;~~
- ~~(f) — the historical STEM sales and purchases, or an estimate of the Market Participant's expected STEM sales and purchases where no historical STEM sale and purchase data is available;~~
- ~~(fA) — the historical level of payments under clause 9.8.1 or an estimate of the Market Participant's expected level of payments under clause 9.8.1 where no historical payment data is available;~~
- ~~(g) — the expected level of Ancillary Service payments;~~
- ~~(h) — the statistical distribution of the accrued amounts that may be owed to the IMO;~~
- ~~(i) — the degree of confidence that the Credit Limit will be large enough to meet large defaults; and~~
- ~~(j) — any past breach of the Regulations or these Market Rules by, the Market Participant or a related entity of the Market Participant.~~

2.37.5. When determining a Market Participant's Credit Limit the IMO must take into account:

- (a) the Market Participant's historical level of payments based on metered quantity data for the Market Participant, or an estimate of the Market Participant's future level of payments based on its expected generation and consumption quantities where no metered quantity data is available;
- (b) the Market Participant's historical level of Bilateral Contract sale and purchase quantities as reflected in historical Bilateral Contract submissions, or an estimate of the Market Participant's expected level of Bilateral Contract sale and purchase quantities where no historical Bilateral Contract submission data is available;
- (c) the Market Participant's historical level of STEM settlement payments under clause 9.6.1, or an estimate of the Market Participant's future level of STEM settlement payments based on its expected STEM sales and purchases where no historical STEM settlement payment data is available;
- (d) the Market Participant's historical level of Reserve Capacity settlement payments under clause 9.7.1, or an estimate of the Market Participant's future level of Reserve Capacity settlement payments based on its number of Capacity Credits where no historical Reserve Capacity settlement payment data is available;
- (e) the Market Participant's historical level of Balancing settlement payments under clause 9.8.1, or an estimate of the Market Participant's future level of Balancing settlement payments based on its expected transactions in the

Balancing Market where no historical Balancing settlement payment data is available;

- (f) the Market Participant's historical level of Ancillary Service settlement payments under clause 9.9.1, or an estimate of the Market Participant's future level of Ancillary Service settlement payments based on its expected Ancillary Service provision where no historical Ancillary Service settlement payment data is available;
- (g) the Market Participant's historical level of Outage Compensation settlement payments under clause 9.10.1, or an estimate of the Market Participant's future level of Outage Compensation settlement payments based on its expected level of Outages where no historical Outage Compensation settlement payment data is available;
- (h) the Market Participant's historical level of Reconciliation settlement payments under clause 9.11.1, or an estimate of the Market Participant's future level of Reconciliation settlement payments where no historical Reconciliation settlement payment data is available;
- (i) the Market Participant's historical level of Market Participant Fee settlement payments under clause 9.13.1, or an estimate of the Market Participant's future level of Market Participant Fee settlement payments based on its expected generation or consumption quantities where no historical Market Participant Fee settlement payment data is available;
- (j) the length of the settlement cycle; and
- (k) any other factor that the IMO considers relevant.

~~2.37.5. A Market Participant must notify the IMO as soon as practicable where it considers that:~~

- ~~(a) its metered consumption quantities in a Trading Month will significantly exceed the amount assumed in the last calculation of its Credit Limit; or~~
- ~~(b) its quantity of electricity purchased bilaterally in a Trading Month will be significantly lower than assumed in the last calculation of its Credit Limit.~~

2.37.6. In determining a Market Participant's Credit Limit under clause 2.37.4, the IMO may, to the extent it considers relevant, take into account a minimum amount that the IMO considers would adequately protect the Wholesale Electricity Market if a Suspension Event were to occur in relation to that Market Participant.

2.37.7. The IMO must notify each Market Participant of its Credit Limit, including any revised Credit Limit under clause 2.37.2. The IMO must provide details of the basis for the determination of the Credit Limit (with references to the factors specified in clause 2.37.5 and the Market Procedure referred to in clause 2.43.1).

2.37.5g. A Market Participant must notify the IMO as soon as practicable where it considers that any of the circumstances specified in the relevant Market Procedure for the purposes of this clause (which are circumstances that may result in an increase or decrease in a Market Participant's Credit Limit) have occurred or may occur.

- (a) the Market Participant must notify the IMO as soon as practicable if the circumstance may result in an increase in the Market Participant's Credit Limit; and
- (b) the Market Participant may notify the IMO if the circumstance may result in a decrease in the Market Participant's Credit Limit.
- ~~(a) its metered consumption quantities in a Trading Month will significantly exceed the amount assumed in the last calculation of its Credit Limit; or~~
- ~~(b) its quantity of electricity purchased bilaterally in a Trading Month will be significantly lower than assumed in the last calculation of its Credit Limit.~~

~~2.37.6. [Blank]~~

~~2.37.7. [Blank]~~

~~2.37.8. The IMO must notify each Market Participant of their Credit Limit, and provide details of the basis for the determination of the Credit Limit.~~

~~2.37.9. The IMO must develop guidelines in the Market Procedure referred to in clause 2.43 for determining the expected value of a transaction. The guidelines must be consistent with the methodology that the IMO uses to determine Credit Limits for Market Participants.~~

## **2.38. Credit Support**

- 2.38.1. ~~Where at any time a Market Participant does not meet the Acceptable Credit Criteria set out in clause 2.38.6, then the~~ A Market Participant, must ensure that, at all times, the IMO holds the benefit of Credit Support that is:
- (a) in the form specified in clause 2.38.4; and
  - (b) in an amount not less than the most recently determined Credit Limit for that Market Participant.
- 2.38.2. Where a Market Participant's existing Credit Support is due to expire or cease to have effect for any other reason ~~terminate~~, then that Market Participant must, ~~at least 10 Business Days before the time when the existing Credit Support will expire or terminate,~~ ensure that the IMO holds the benefit of a replacement Credit Support that is:
- (a) in the form specified in clause 2.38.4;
  - (b) in an amount not less than the level required under clause 2.38.1(b); and
  - (c) that will become effective when at the expiry of the existing Credit Support expires or otherwise ceases to have effect.
- 2.38.3. Where a Market Participant's Credit Support ~~Limit~~ is affected by any of the circumstances specified in the Market Procedure referred to in clause 2.43.1 for the purposes of this clause ~~increased, or where the existing Credit Support is no longer current or valid (for example, because the credit support provider ceases to~~

~~meet the Acceptable Credit Criteria) or where some or all of the Credit Support has been drawn on by the IMO in accordance with these Market Rules, then that Market Participant must ensure that the IMO holds the benefit of a replacement Credit Support that is:~~

- ~~(a) \_\_\_\_\_ in the form specified in clause 2.38.4;~~
- ~~(b) \_\_\_\_\_ in an amount not less than the level required under clause 2.38.1(b); and~~
- ~~(c) \_\_\_\_\_ effective ~~within one~~ before the end of the next Business Day or within any longer period approved in writing by the IMO, after the Market Participant first becomes aware of the relevant change in circumstance (whether by reason of the Market Participant's own knowledge or a notification by the IMO).~~

2.38.4. The Credit Support for a Market Participant must be:

- (a) an obligation in writing that:
  - i. is from a ~~e~~Credit ~~s~~Support provider, who must be an entity which meets the Acceptable Credit Criteria and which itself is not a Market Participant;
  - ii. is a guarantee or bank undertaking in a form prescribed by the IMO;
  - iii. is duly executed by the ~~e~~Credit ~~s~~Support provider and delivered unconditionally to the IMO;
  - iv. constitutes valid and binding unsubordinated obligations to the ~~e~~Credit ~~s~~Support provider to pay to the IMO amounts in accordance with its terms which relate to ~~obligations of the relevant Market Participant's obligations~~ under the Market Rules; and
  - v. permits drawings or claims by the IMO up to a stated amount; or
- (b) a cash deposit ("**Security Deposit**") made with the IMO by or on behalf of the Market Participant.

2.38.7. The IMO must maintain on the Market Web Site a list of entities which:

- (a) ~~have provided the IMO is satisfied, based on evidence provided by Market Participants in the previous 12~~is satisfied, based on evidence provided by Market Participants in the previous 12 months, ~~with evidence satisfactory to the IMO that they~~ meet the Acceptable Credit Criteria outlined in clause 2.38.6; or
- (b) the IMO has determined in its absolute discretion meet the Acceptable Credit Criteria outlined in clause 2.38.6.

## 2.40. Outstanding Amount

2.40.1. The Outstanding Amount for a Market Participant at any time equals the total amount calculated as follows:

- (a) ~~\_\_\_\_\_~~ [Blank]
- (b) ~~\_\_\_\_\_ the total amount calculated as follows:~~

- (a) ~~i-~~ the aggregate of the amounts payable by the Market Participant to the IMO under these Market Rules, including amounts for all past periods for which no Settlement Statement has yet been issued, and whether or not the payment date has yet been reached; less
- (b) ~~ii-~~ the aggregate of the amounts payable by the IMO to the Market Participant under these Market Rules, including amounts for all past periods for which no Settlement Statement has yet been issued, and whether or not the payment date has yet been reached; less
- (c) the aggregate of any amounts paid by the Market Participant to the IMO for the purpose (to be specified by the Market Participant in accordance with the Market Procedure referred to in clause 2.43.1) of reducing the Outstanding Amount and increasing the Trading Margin on each day during the period from the Trading Day on which the Outstanding Amount is calculated up to and including either the next STEM Settlement Date or the next Non-STEM Settlement Date whichever settlement date occurs first.

## 2.41. Trading Margin

- 2.41.2. A Market Participant must not make any submission to the IMO where the transaction contemplated by the submission, if valued according to the list of factors referred to in clause 2.41.5, could result in the Trading Margin of the Market Participant's Trading Margin being exceeded, ~~were the transaction to be valued according to the expected value guidelines referred to in clause 2.37.9.~~
- 2.41.3. The IMO may reject any submission from a Market Participant where in the IMO's opinion the transaction contemplated by the submission, if valued according to the list of factors referred to in clause 2.41.5, could result in the Trading Margin of the Market Participant's Trading Margin being exceeded, ~~were the transaction to be valued according to the expected value guidelines referred to in clause 2.37.9.~~
- 2.41.5. The IMO must publish in the Market Procedure referred to in clause 2.43.1, a list of factors to be taken into account for determining the expected value of a transaction. The factors must be consistent with the methodology that the IMO uses to determine Credit Limits for Market Participants.

## 2.42. Margin Call

- 2.42.1. If, at any time, a Market Participant's Trading Margin is less than ~~drops to zero or below~~, then the IMO may issue a Margin Call Notice to the Market Participant, specifying the amount of the Margin Call.
- 2.42.2. [Blank] ~~The Typical Accrual for a Market Participant at any time is the amount that the IMO determines would have been the Outstanding Amount of the Market Participant at that time if the prices and quantities applying to amounts payable by the Market Participant were equal to the average prices and quantities as applied in the most recent determination of the Market Participant's Credit Limit.~~

- 2.42.3. The amount of the Margin Call must be the amount that will increase the Market Participant's Trading Margin to zero, equal to the Market Participant's Outstanding Amount less the Market Participant's Typical Accrual.
- 2.42.4. ~~Where a Margin Call Notice is issued, the~~ A Market Participant must ~~within one Business Day from the~~ respond to a Margin Call Notice being issued ~~respond to the Margin Call~~ within the time specified in the Market Procedure referred to in clause 2.43.1 for the purposes of this clause, by either:
- (a) paying to the IMO in cleared funds a Security Deposit as contemplated under clause 2.38.4(b); or
  - (b) ensuring the IMO has the benefit of additional Credit Support of the kind contemplated by clause 2.38.4(a),
- in the amount of the Margin Call.
- 2.42.7. ~~Where t~~ The IMO issues a Margin Call Notice, it must review a the Market Participant's Credit Limit within 30 Business Days after issuing a Margin Call Notice to that Market Participant of the relevant Market Participant and increase the Credit Limit in line with the amount of the Margin Call.

## **2.43. Prudential Market Procedure**

- 2.43.1. The IMO must develop a Market Procedure dealing with:
- ...
- (e) ~~guidelines~~ the list of factors to be taken into account for assessing the expected value of transactions;
  - (f) issuing of Margin Calls; and
  - (g) other matters relating to clauses 2.37 to 2.42,
- ...

## **4.13. Reserve Capacity Security**

- 4.13.1. Where the IMO assigns Certified Reserve Capacity to a Facility that is yet to enter service (or re-enter service after significant maintenance or having been upgraded), the relevant Market Participant must ensure that the IMO holds the benefit of a Reserve Capacity Security that is:
- (a) in the form specified in clause 4.13.5; and
  - (b) in an amount determined under clause 4.13.2(a) by the date and time specified in clause 4.1.13.
- 4.13.2C Where under clause 4.13.2B the IMO notifies a Market Participant that excess Reserve Capacity Security is currently held, then a Market Participant may replace the existing Reserve Capacity Security with a replacement Reserve Capacity Security. ~~The replacement Reserve Capacity Security~~ which must:

- (a) be in the form specified in clause 4.13.5;
  - (b) be in an amount not less than the amount required under clause 4.13.2(b);  
and
  - (c) become effective before the IMO returns any excess Reserve Capacity Security.
- 4.13.3. Where a Market Participant's existing Reserve Capacity Security is due to ~~terminate~~ expire or cease to have effect for any other reason and after that ~~termination~~ expiration the Market Participant will continue to have an obligation to ensure the IMO holds the benefit of a Reserve Capacity Security under clause 4.13.1, then that Market Participant must ensure that the IMO holds the benefit of a replacement Reserve Capacity Security that is. ~~The replacement Reserve Capacity Security must:~~
- (a) in the form specified in clause 4.13.5;
  - (b) ~~be~~ an amount not less than the amount required under clause 4.13.2; and
  - (c) ~~become effective~~ when before the termination of the existing Reserve Capacity Security expires or otherwise ceases to have effect.
- 4.13.4. Where a Market Participant's Reserve Capacity Security is affected by any of the circumstances specified in the Market Procedure referred to in clause 4.13.8 for the purposes of this clause ~~no longer current or valid (for example, because the Reserve Capacity Security provider ceases to meet the Acceptable Credit Criteria)~~, then that Market Participant must ensure that the IMO holds the benefit of a replacement Reserve Capacity Security that is:
- (a) in the form specified in clause 4.13.5;
  - (b) ~~in~~ an amount not less than the level required under clause 4.13.2; and
  - (c) effective within one before the end of the next Business Day or within any longer period approved in writing by the IMO after the Market Participant first becomes aware of the relevant change in circumstance (whether by reason of the Market Participant's own knowledge or a notification by the IMO).
- 4.13.5. The Reserve Capacity Security for a Market Participant must be:
- (a) an obligation in writing that:
    - i. is from a Reserve Capacity Security provider, who must be an entity which meets the Acceptable Credit Criteria and which itself is not a Market Participant;
    - ii. is a guarantee or bank undertaking in a form prescribed by the IMO;
    - iii. is duly executed by the Reserve Capacity Security provider and delivered unconditionally to the IMO;

- iv. constitutes valid and binding unsubordinated obligations to the Reserve Capacity Security provider to pay to the IMO amounts in accordance with its terms which relate to ~~the obligations of the~~ relevant Market Participant's obligations under the Market Rules to pay compensation under clause 4.13.11; and
  - v. permits drawings or claims by the IMO up to a stated amount; or
- (b) if the IMO in its discretion considers it an acceptable alternative in the circumstances to the obligation under clause 4.13.5(a), a cash deposit ("**Security Deposit**") made with the IMO (on terms acceptable to the IMO in its discretion) by or on behalf of the Market Participant.

## 11 Glossary

**Margin Call Notice:** A notification by the IMO to a Market Participant that the Market Participant's Trading Margin ~~has dropped below~~ is less than zero, and requiring the payment of a Margin Call.

...

**Reserve Capacity Security:** The reserve capacity security to be provided for a Facility that:

(a) has the meaning given in clause 4.13.5; and

(b) is as calculated and re-calculated under clause 4.13 and clause 4.28C.

...

**Typical Accrual:** ~~The amount determined in accordance with clause 2.42.2.~~