
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2012_24 Cure Notices and Credit Support

Submitted by

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Submission

- Please provide your views on the proposal, including any objections or suggested revisions.**

Background

The Independent Market Operator (IMO) settles the Short Term Energy Market (STEM) and Non-STEM markets via Austraclear. On settlement day the IMO receives funds from Market Participants that owe money by 10AM and pays Market Participants that are owed money by 2PM. The IMO is dependent on receiving funds to make payments. If a Market Participant fails to submit funds by the 10AM deadline this constitutes a suspension event and the IMO is required to issue a cure notice and may draw down on the credit support that it holds.

Since the start of the WEM there have been a number of instances where the 10AM deadline has been breached due to unforeseen events such as IT problems, problems with Austraclear or problems at the financial institution handling the transactions. Most of these breaches have been rectified within a very short amount of time without impacting on the IMO's ability to abide by the 2PM deadline to pay Market Participants. Although the issue has been rectified quickly, a strict interpretation of the Market Rules would be that because compliance did not occur before 10AM a Suspension Event occurred, and therefore the IMO should progress with issuing a cure notice and draw down on credit support.

Change Proposal

The IMO submitted Rule Change Proposal RC_2012_24 “Cure Notices and Credit Support” on 18 December 2012.

The IMO proposed to amend clause 9.23.4 of the Market Rules to remove the requirement for issuing a cure notice and draw on credit support if the issue relating to the suspension event has been resolved before the IMO has performed these actions.

Perth Energy’s Views

Perth Energy supports the IMO’s rule change proposal.

It is clearly unnecessary and costly to follow through with issuing a cure notice and draw on credit support if the breach has been rectified before the IMO has been able to perform these actions. The proposed changes to the Market Rules would remove an unnecessary administrative burden and potentially also remove costs to market participants associated with having to re-instate credit support following such an event. Perth Energy considers the change would therefore likely improve the efficiency of the operation of the market and avoid unnecessary administrative costs. Perth Energy therefore considers the proposed change would positively impact on the ability to achieve Market Objective (d)¹.

Perth Energy expect that despite the proposed changes to the Market Rules the IMO will continue to work as quickly as possible to establish whether a missed payment by 10AM is likely to be rectified in time for the 2PM cut-off and if not, proceed with drawing on credit support. This will offer protection to other Market Participants in the WEM from being negatively impacted by payment defaults by other Market Participants.

2. Please provide an assessment whether the change will better facilitate the achievement of the Market Objectives.

For the reasons set out in the section above, Perth Energy considers the proposed changes would better facilitate achievement of Market Objective (d).

Perth Energy has not identified any impacts on the other Market Objectives.

¹ The objectives of the market 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.

- 3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.**

Perth Energy has not identified any impacts on our IT or other business systems.

- 4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.**

Perth Energy will not require any lead time to implement the proposed changes.