

Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2012_24: Cure Notices and Credit Support

Submitted by

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Submission

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

Background

The IMO is responsible for managing the prudential and settlement processes for the Wholesale Electricity Market (WEM) in accordance with the Wholesale Electricity Market Rules (Market Rules). Settlements involve three main processes:

- STEM transactions which are settled on a weekly basis;
- Non-STEM transactions which are settled on a monthly basis; and
- Adjustment to settlements which are made at least once every three months via an adjustment process that corrects both STEM and Non-STEM settlements.

The IMO has identified an issue with the current requirements for issuing a Cure Notice. In particular, strict adherence with the process outlined in the Market Rules would result in the IMO having to issue a Cure Notice and Draw Upon Credit Support for a Market Participant where there is a slight delay in payments after the 10:00AM requirement. The IMO notes that delays can occur because of administrative issues such as a Rule Participant's authorised officer not being contactable and short-term delays in Austraclear. It is likely that in these situations the issue will have already been remedied and so it would be unnecessary to issue a Cure Notice and Draw Upon Credit Support.

The IMO proposes to amend clause 9.23.4 to create an exception so that, where a Suspension Event is remedied before a Cure Notice has been issued and the Credit Support is drawn upon; the IMO is no longer required to carry out those steps.

Alinta's views

Alinta supports the intent of the IMO's proposed changes to the Market Rules. The administrative requirement to continue to issue a Cure Notice and Drawn Upon Credit Support where a Suspension Event has already been remedied creates unnecessary costs for impacted Market Participants and the IMO.

Alinta's wider comments around the need for greater transparency of settlement data along with a number of drafting suggestions are provided below.

Transparency of Settlement Data

There are a number of market efficiencies that could be achieved by simplifying the current settlements processes for the WEM. These changes are however reliant on wider reforms to simplify the current WEM design having occurred. As noted previously Alinta supports an overarching review of the WEM being undertaken rather than continuing with the current piecemeal approach to addressing specific market issues.

Prior to the completion of a broad review of the WEM design, Alinta considers that there are a number of "low hanging fruit" related to the transparency of data used for settlements that can be addressed to improve market efficiencies¹. In particular, Alinta supports the IMO in:

- Making SCADA data available in a timely manner (potentially through the WEMs system) to enable Market Participants to validate their preliminary Theoretical Energy Schedules (TES);
- Providing greater transparency to a Market Participant of the values used in their TES calculations rather than simply presenting a final number;
- Providing greater transparency within non-STEM settlement statements as to what specific adjustments have been taken into account when determining reconciliation amounts; and
- Publishing Forced Outage information to enable Market Customers to reconcile any Capacity Credit refund amounts². While Alinta notes that this will be addressed when any outcomes from the Rule Change Proposal: Transparency of Outage Information (RC_2012_12) commence, the proposed commencement date reflected in the Draft Rule Change Report was 1 July 2014. In the interim a cost effective option would be for the IMO to provide this information by email to interested Market Participants on a regular basis rather than requiring Market Participants to regularly provide a formal request for this information.

Drafting suggestions

Alinta recommends that the IMO consider whether a more elegant drafting option might be available and offers the following suggestion for consideration:

¹ Alinta notes that some of these improvements would not necessitate amendments to the Market Rules and, in case of the publication of outage information, are currently being progressed as a Rule Change Proposal.

² Currently Forced Outage information is public information that is only available on request to the IMO.

9.23.4. If the IMO becomes aware that a ~~suspension event~~ Suspension Event has occurred in relation to a Rule Participant and that the Suspension Event has not been remedied, then the IMO must as soon as practicable:

- (a) subject to clause 9.23.5, issue a notice (“**Cure Notice**”), requiring that the default be remedied within 24 hours from the time the Cure Notice is issued; and
- (b) if it has not already done so, Draw Upon Credit Support held in relation to that Market Participant for the amount which the IMO determines is actually or contingently owing by the Market Participant to the IMO under these Market Rules.

Alinta also recommends:

- that the IMO review section 9.23 of the Market Rules to ensure that the defined term “Suspension Event” is used appropriately throughout this section. In particular clauses 9.23.3, 9.23.6 and 9.23.7 do not use the defined term; and
- the IMO consider whether the reference in sub-clause 9.23.4(a) should be to “Suspension Event” rather than “default”. Section 9.23 of the Market Rules appears to interchangeably use the two terminologies.

Further potential changes to section 4.13 of the Market Rules to refer to the defined term “Draw Upon” have been provided through separately to the IMO for consideration in its next minor and typographical rule change.