

RC_2011_9: Prudential Requirements

Submitted by

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Submission

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

Community Electricity supports the Rule Change Proposal on the grounds that it clarifies and improves the existing process. In particular we support:

- a) That the applicable Market Rules should describe principles rather than be prescriptive and the detailed processes should be contained in the supporting procedure;
- b) That the concept of the "Expected Value" and its supporting guidelines are unnecessary;
- c) New participants should be treated differently from existing ones;
- d) The Outstanding Amount should be calculated daily

Clause 2.37.4 – suggest that this should have reasonable regard to participants' current operational circumstances relative to the history. For example, a Retailer might be have a smaller or larger portfolio of customers or bilateral offtakes. Extreme energy prices (high or low) might not be appropriate despite falling into the applicable period; for example, perhaps a fuel shortage has been alleviated or a new generator has come on line.

Clause 2.40.1 – suggest clarify that the IMO determines the Net Forecast Liability rather than only the next settlement date.

Clause 2.42.2 – Suggest that this should have regard to whether price volatility is underscoring the margin call and, if so, the IMO should reasonably seek to issue a single margin call rather than, for example, one a week as the situation unfolds.

In the definitions of Net Current Liability and Net Forecast Liability, emphasise that the forecast is to be made by the IMO.

More generally, we suggest that the Credit Support should be less 'chunky' in term of provision and release; ideally, a participant would be able to immediately lodge cash during an 'expensive' period and then withdraw any excess during cheaper times.

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

Community considers that the Rule Change improves the clarity and integrity of the Market Rules and is consistent with all the Market objectives.

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

Not applicable

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

Not applicable
