



Market participant suspension framework

Stakeholders invited to comment on draft rule

The Australian Energy Market Commission (AEMC) invites submissions on a draft rule that clarifies the Australian Energy Market Operator's (AEMO) discretion to suspend market participants from trading in the National Electricity Market (NEM). Submissions are due by 20 October 2016.

Background

AEMO may suspend a market participant (e.g. generator or retailer) if it deems it necessary to do so in order to maintain the financial integrity of the NEM. One of the triggers for a potential suspension is when an external administrator is appointed to run a market participant.

The National Electricity Rules (NER) are currently unclear as to whether AEMO must suspend a market participant under external administration or whether it has the discretion not to suspend the market participant. The NER are also ambiguous in referring to the 'extent' of a suspension, whether AEMO could suspend some, but not all, of a market participant's activities (for example, where a participant is both a generator and a retailer).

The rule change request

COAG Energy Council submitted the rule change request in response to the AEMC's recommendations in the NEM Financial Market Resilience Review, which was completed in March 2015. The rule change request reflects the key recommendations from that review. It proposes to clarify the framework under which AEMO decides whether to suspend a market participant from trading in the NEM by amending NER as follows:

- deleting the clause that requires market participants not to be under external administration;
- requiring AEMO to consider factors in the NER when deciding whether to suspend a market participant under external administration;
- allowing AEMO to not suspend one or more of a market participant's activities; and
- allowing AEMO to impose conditions on a market participant, if it decides not to suspend the market participant.

The draft rule

The draft rule addresses the issues in COAG Energy Council's proposed rule, but provides a clearer decision-making framework that AEMO must apply when exercising its discretion on whether to suspend a market participant. The draft rule provides AEMO with discretion not to suspend a market participant under external administration provided that:

- the external administrator has requested or consented to the non-suspension decision and has undertaken that the defaulting market participant will meet its relevant liabilities under the NER;
- AEMO has taken into account the following matters:
 - whether the market participant is likely to comply with the NER;
 - for a market generator, market small generator aggregator or market network service provider, the potential impact of the suspension on reliability in the NEM; and
 - any other matters AEMO considers relevant.

Should AEMO decide not to suspend a market participant under external administration, the draft rule permits AEMO to impose conditions on the market participant in connection with the non-suspension decision, and requires the affected market participant to comply with any conditions imposed. In addition, the draft rule requires AEMO to publish a 'non-suspension notice' if it decides not to suspend a market participant under external administration.

The draft rule provides a clearer decision-making framework that AEMO must apply when deciding whether to suspend a market participant under external administration

Consultation process

The draft determination and draft rule are both available on the AEMC's website. Stakeholders are invited to make written submissions by no later than **20 October 2016**.

For more information:

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