



Call Notice Timing

Commencement of consultation on rule change request

Consultation has commenced on the Call Notice Timing rule change request seeking to improve the timing of prudential arrangements in the NEM.

The rule change request

The AEMC has received a rule change request seeking to amend the National Electricity Rules (NER) to delay by one hour the time at which a call notice issued by the Australian Energy Market Operator (AEMO) is taken to have been issued on the next business day. The rule change request was submitted by AEMO.

AEMO has submitted the rule change request due to concerns that Queensland based market participants can have difficulty managing their prudential position during eastern daylight savings time and to help market participants access settlements from the Sydney Futures Exchange to help manage their prudential position.

Background

AEMO manages the prudential requirements of the national electricity market (NEM). This includes holding credit support (bank guarantees) posted by market participants so that other participants are not at risk due to a default in payment for the large amounts of energy traded in the NEM.

AEMO may issue a call notice to a market participant if its net liabilities in the NEM are at any time greater than its "trading limit". The trading limit is the level of credit support minus the prudential margin (the estimate of the reasonable worst case amount of liabilities a market participant could incur from the time the call notice is issued to the time it is suspended). A call notice is issued to begin the process to suspend a market participant. To date, AEMO has never issued a call notice.

If a call notice is issued the market participant must reduce its net liabilities to the level of "typical accrued liabilities", which is a significantly greater reduction than if the trading limit breach is managed before a call notice is issued.

If AEMO issues a call notice after 12:00 pm (Sydney time), it is deemed to have been given on the following business day, giving the market participant an extra business day to respond. The rule change request proposes to amend the NER to extend this time to 1:00 pm (Sydney time).

Proposed approach

The Commission proposes to consider the impact of the proposed rule on:

- the risk that a market participant would be required to respond to a call notice because of administrative, rather than financial, difficulties; and
- the risk associated with a market participant accruing liabilities for an additional business day before it is suspended from trading.

The Commission also proposes to consider the costs to AEMO and market participants of implementation of the proposed rule compared to the status quo.

Subject to objections, the rule change request will proceed on an expedited basis. The final date for stakeholders to provide submissions on the request is 29 May 2014.

If the rule change request proceeds on an expedited basis, the final rule determination (and final rule, if applicable) should be published on 12 June 2014.

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