AEMC

INFORMATION

# Extension of Call Notice Timing

## Publication of final rule determination and final rule

**The AEMC has amended the National Electricity Rules to improve the timing of prudential arrangements in the NEM.**

### Final rule determination

The Australian Energy Market Commission (AEMC or Commission) has made a rule that delays by one hour the time from which a call notice issued by the Australian Energy Market Operator (AEMO) is taken to have been issued on the next business day.

### Background to the prudential requirements in the NEM

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 significant 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 (an estimate of the amount of liabilities a market participant could plausibly incur from the time the call notice is issued to the time it is suspended). A call notice is issued to begin the process of suspending 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. AEMO aims to issue a call notice by 12:00 pm (Sydney time) on any given business day. In order to achieve this, AEMO would aim to begin the process of drafting and issuing a call notice at 10:30 am (Sydney time).

### The rule change request

The rule change request was submitted by AEMO. The request:

- raised the concern that Queensland based market participants can have difficulty managing their prudential position during eastern daylight savings time before AEMO begins its internal process of drafting and issuing a call notice (at 9:30 am Queensland time); and
- considered that the proposed rule would allow market participants to more readily access settlements from the Sydney Futures Exchange to help manage their prudential position.

The AEMC assessed this rule change request under an expedited rule making process.

### The rule as made

The rule as made is the same as the rule proposed by AEMO in its rule change request. The rule changes the time after which a call notice is taken to have been issued on the next business day from 12:00 pm (Sydney time) to 1:00 pm (Sydney time). The rule as made will commence on 1 July 2014.

The Commission is satisfied that the rule as made will, or is likely to, contribute to the achievement of the National Electricity Objective because it is likely to reduce the risk of a call notice being issued for administrative rather than financial reasons, without impacting the risk of liabilities accruing in the market. It is also likely to reduce the costs for AEMO and market participants associated with managing the prudential requirements in the NEM.

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**Publication of final rule determination and final rule**

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12 June 2014