
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2010_36 Acceptable Credit Criteria

Submitted by

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Submission

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

Synergy notes that the original intent of this Rule Change Proposal was to remove the requirement for a Market Participant or Network Operator to provide an Acceptable Credit Criteria Form (**Form**) for an entity if that entity is on the IMO's List of Acceptable Credit Providers (**List**).

Synergy has concerns regarding some of the additional amendments made by the IMO and included in Appendix 3 of the Draft Rule Change Report.

The additional rule 2.38.7 proposed by the IMO requires the IMO to maintain a list of entities which have provided evidence of their meeting the Acceptable Credit Criteria in the previous twelve months. The accompanying explanatory text indicates that this will entail Market Participants submitting a Form for each entity every twelve months.

Synergy considers that this is an onerous and unnecessary requirement; currently, there is no requirement for Market Participants to submit Forms annually. A key objective of Synergy's original Rule Change Proposal was to reduce the number of times a Market Participant was required to submit a Form and in doing so provide a cheaper and more streamlined approach to credit support. Synergy does not believe that the proposed additional rule 2.38.7 supports this approach.

Synergy notes that the IMO's proposed additional rule 2.38.8 requires the IMO to monitor the entities on the list against the requirements of rule 2.38.6(f). This is sound, as the financial status of credit providing entities can change quickly and monthly monitoring would allow the IMO to make further inquiries itself, if needed, to determine the materiality in the change of financial status and take any appropriate remedial action in a timely fashion.

In Synergy's view, monthly IMO monitoring of the financial status of credit supporting entities is much preferred over requiring Market Participants to annually resubmit a Form. Imposing an annual

resubmission requirement on Market Participants amounts to duplication of process (and of costs) that adds no discernable value to the market over that achieved through the IMO's proposed monthly monitoring.

Additional rule 2.38.9 proposed by the IMO allows the IMO to remove the name of an entity from the List at any time. Synergy considers that the criteria for removal should be spelt out in the Market Rules and suggests the following amendment (~~deleted text~~, added text):

2.38.9 The IMO may remove the name of an entity from the list described in clause 2.38.7 at any time if the IMO forms the view, on the basis of information available to it, that the entity fails to meet the criteria defined in clause 2.38.6.

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

Synergy does not agree that all of the additional amendments proposed by the IMO in Appendix 3 of the Draft Rule Change Report will better facilitate the achievement of 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 in implementing these changes.

Should the IMO's additional amendments be accepted, Synergy will incur additional organisational costs as a consequence of the requirement to submit a Form for each entity on an annual basis.

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

Should the IMO's additional amendments be accepted, Synergy would be able to implement this rule change immediately.
