
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2011_04 List of Entities Meeting Acceptable Credit Criteria

Submitted by

Name:	Corey Dykstra
Phone:	08 9486 3406
Fax:	08 9221 9128
Email:	corey.dykstra@alinta.net.au
Organisation:	Alinta Sales Pty Ltd
Address:	12-14 The Esplanade PERTH WA 6000
Date submitted:	15 September 2011

Submission

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

Background

The IMO has proposed that the four major Australian banks be included on the List of Entities not required to provide evidence that they meet the Acceptable Credit Criteria when a Market Participant puts forward a guarantee or bank undertaking as Credit Support or Reserve Capacity Security from one of those entities.

Alinta's Views

Alinta supports the intent of RC_2011_04.

However, Alinta is concerned that the Market Rules as amended or replaced by RC_2011_04 may not achieve the intended outcome.

This is because the amended Market Rules would not appear to prescribe that entities that are included on the list of entities maintained by the IMO under clause 2.38.7 meet the Acceptable Credit Criteria for the purposes of clause 2.38.6 – and therefore can be a party that provides credit support under clause 2.38.4.

For this reason, Alinta suggests that a further suitable clause be added to the Market Rules. In addition, Alinta suggests that the proposed new subclause 2.38.7(b) be amended to refer to entities that the IMO has determined meet the Acceptable Credit Criteria, which would be consistent with the proposed new clause 2.38.10, rather than that the IMO determined they were not required to provide evidence that they met the Acceptable Credit Criteria.

Alinta suggests that the following further amendments to the Market Rules be made (changes are shown in red).

2.38.6. An entity meets the Acceptable Credit Criteria if it is:

...

(f) has an acceptable credit rating, being either:

- i. a rating of A-1 or higher for short term unsecured counterparty obligations of the entity, as rated by Standard and Poor's (Australia) Pty. Limited; or
- ii. a rating of P-1 or higher for short term unsecured counterparty obligations of the entity, as rated by Moodys Investor Services Pty. Limited.

2.38.6A. An entity also meets the Acceptable Credit Criteria if it is included on the list of entities described in clause 2.38.7.

2.38.7. The IMO must maintain on the Market Web Site a list of entities which:

(a) have provided the IMO, in the previous twelve months, with evidence satisfactory to the IMO that they meet the Acceptable Credit Criteria outlined in clause 2.38.6; or

(b) the IMO has determined under clause 2.38.10 ~~are not required to provide evidence of meeting meet~~ the Acceptable Credit Criteria outlined in clause 2.38.6.

2.38.10. The IMO may add the name of an entity to the list described in clause 2.38.7 at any time if the IMO considers in its absolute discretion that the entity meets the Acceptable Credit Criteria outlined in clause 2.38.6.

Alternatively, the proposed new clause 2.38.10 could be deleted and instead combined with the proposed new subclause 2.38.7(b) as follows:

(b) the IMO has determined in its absolute discretion meet the Acceptable Credit Criteria outlined in clause 2.38.6.

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

Market Rule 2.4.2 states that the IMO must not make Amending Rules unless it is satisfied that the Market Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives. The Wholesale Market Objectives are as follows.

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West Interconnected System; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

Alinta considers that the Market Rules, as proposed to be amended or replaced, are unlikely to be inconsistent with the Wholesale Market Objectives. However, Alinta suggests that the further amendments outlined above may better achieve the Wholesale 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.

The changes to the Market Rules contemplated by RC_2011_04 would not require Alinta to change its IT or business systems, and hence there are no IT or business costs associated with the Rule Change Proposal.

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

The changes to the Market Rules contemplated by RC_2011_04 would not require Alinta to change its IT or business systems, and hence there is no specific period of time that would be required to implement the changes arising from the Rule Change Proposal.