
Wholesale Electricity Market Rule Change Proposal Submission Form

RC_2012_24 Cure Notices and Credit Support

Submitted by

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Submission

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

In principle, Synergy supports actions to improve administrative efficiencies in the market and considers that the proposal as presented to amend clause 9.23.4 has merit. It ensures that the financial integrity of the market is not compromised as the IMO is still required to take remedial action where the exception condition is not satisfied but avoids the cost of implementing those actions where the participant has remedied the Suspension Event in a timely fashion without risk to the market.

Clauses 9.22 and 9.23 of the rules deal with invoices paid by participants to the IMO; by the IMO to participants; and the processes for dealing with default by participants. Synergy considers these to be important clauses as they form part of the regime that protects the financial integrity of the market.

Clause 9.23 defines the various default circumstances or events which collectively constitute a "Suspension Event", such as a participant failing to make an invoice payment before the time it is due.

Clause 9.23.4 requires the IMO, when it becomes aware that a Suspension Event has occurred, to issue a Cure Notice (requires the default to be remedied in 24 hours of issue) and draw upon credit support for the outstanding amount. In other words, the IMO must take action to protect the financial integrity of the market when it becomes aware of a Suspension Event. This is a sound and prudent arrangement as it reduces the risk that due to late or non-payment by a participant the IMO will be unable to fully meet its own out-payment obligations.