

RC_2012_24: Cure Notices and Credit Support

Submitted by

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Submission

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

Community Electricity supports the Rule Change Proposal on the grounds that it removes an administrative obligation that imposes unnecessary costs on both the IMO and Market Participants. In particular, we note the IMO's comment that: "A strict interpretation of clause 9.23.4 would require the IMO to issue a Cure Notice and Draw Upon Credit Support, even if the payment has been received and no further action is required of the Participant." We further note that this requirement would be triggered even if the amount due was as low as \$1.

More generally, Community would also question why it is necessary to require settlement to be made at a specific time using the Austraclear system rather than merely ensuring that a Market Participant account with the IMO is maintained in surplus, in a similar manner to an ordinary bank cheque account. At an extreme, it ought to be possible for a Market Participant to deliver to the IMO cash via courier in order to avoid triggering the 'suspension' process.

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

Community considers that the Rule Change is consistent with all the Market Objectives. In particular, it improves the integrity and fitness for purpose of the Market Rules by reducing unnecessary and ritualistic bureaucracy.

In addition to the administrative burden placed on the IMO by the existing rule, it should be noted that it also places on Market Participants a requirement for onerous operating procedures by requiring that properly authorised personnel are available as required with ready access to the Austraclear system. In particular, where prudential support has been

lodged in the form of a bank guarantee, 'default', even in the amount of \$1, can result in significant expense and impairment of credit standing.

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

The proposal has no implications for Community.

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

Not applicable