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**Wholesale Electricity Market  
Rule Change Proposal Submission Form**

**RC\_2012\_23 Prudential Requirements**

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**Submitted by**

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net debtors making their payments in full and on time to have sufficient funds to make





2.



more abstract concepts provides clarity and allows Market Participants to more easily estimate these values themselves and verify the values presented by the IMO.

Improving transparency and further development of the WEM and encouraging competition in electricity generation and retail activities. It is particularly important for encouraging entry of smaller entities (that may not have the resources to fully assess and adapt their strategies to respond to complicated and abstract concepts in the Market Rules) in the WEM to promote transparency, predictability and simplicity wherever possible.

New clauses 2.37.5(f),(g) and (h) require the IMO to take into account historical levels of ancillary services payments, outage compensation payments and settlement reconciliation there may be merit in considering reflecting average values for these parameters rather than the actual values appearing in the 70 day period that is the basis for the calculation of the Credit Limit. This is because these parameters are largely outside the control of individual Market Participants and it would be unreasonable to inflate the credit requirement due to for example a one-off significant settlement reconciliation amount caused by metering errors.

Perth Energy queries whether new clause 2.37.5(j) is necessary. The clause requires the IMO to consider the



Perth Energy proposes basing Margin Calls on the principle of bringing the Trading Margin back to zero.

Perth Energy proposes the Business Day rule to the amount of time that is afforded Market Participants to rectify certain credit related issues, such as providing replacement security where necessary. During week-ends and holidays it may not be possible for Market Participants to engage their credit provider within the 24 hour period. The result may be that the Market Participant may need to cease trading until the issue can be resolved on the first available Business Day. If the proposed move to a 24 hour period is retained in the final drafting, Perth Energy proposes that the IMO puts in place internal procedures to enable it to provide Market Participants that may be approaching a Margin Call during the upcoming non Business Days with advance warning so the Market Participant can make necessary arrangements with its credit provider ahead of week-ends and other non-Business Day periods.

A significant part of the rule change proposal is to move some of the details relating to prudential requirements to the associated Market Procedure. Perth Energy is aware that a draft of the proposed amendments to the Market Procedure was released as part of the papers for the 63<sup>rd</sup> Market Advisory Committee (MAC) meeting. It is in our view important to have access to the complete set of proposed changes, including those that will affect the Market Procedures, to be able to properly assess the impact of and make comment on these proposed changes to the prudential requirements. Perth Energy would welcome the release of the finalised proposed amendments to the Market Procedures for official consultation prior to the deadline for submissions on the second round of consultation on RC 2012 23.

Perth Energy considers that the proposed amendments to the Market Rules would positively impact on the ability to achieve Market Objective<sup>1</sup> (a) relating to economic efficiency. This is primarily due to the improved transparency and predictability that the proposed changes are likely to bring to the calculation of Credit Limits and Margin Calls.

Improving the transparency and predictability in the WEM is also likely to encourage new entrants and investment in both the generation and retail parts of the market with a positive impact on the ability to achieve Market Objective (b) relating to competition.

Perth Energy has not identified any impacts on the odure y et PrectP ve



Perth Energy has not identified any impacts on our IT or other business systems.

Perth Energy will not require any lead time to implement the proposed changes.