

NEM CREDIT LIMIT PROCEDURES FINAL REPORT AND DETERMINATION

PREPARED BY: Settlement and Prudentials

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Final

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1. INTRODUCTION

1.1 Final Report and Determination

This final report and determination on AEMO's Credit Limit Procedures (**Procedures**) was issued on 29 January 2013, in accordance with the Rules consultation procedures under rule 8.9 of the National Electricity Rules (**Rules**). Terms defined in the Rules have the same meanings when used in this document unless otherwise stated.

1.2 Background

AEMO is responsible for the development through consultation of the Procedures, which are required under clause 3.3.8 of the Rules.

On 12 April 2012 the AEMC issued its Draft National Electricity Amendment (New Prudential Standard and Framework in the NEM) Rule 2012 (**Draft Rule**). On 18 June 2012 AEMO commenced its consultation on the proposed Procedures in response to Market Participant requests to review a draft of these procedures in making submissions to the AEMC on the Draft Rule.

On 18 October 2012, following an extension of time for making the Rule, the AEMC made the National Electricity Amendment (New Prudential Standard and Framework in the NEM) Rule 2012 (**Final Rule**). This Rule sets the framework for development of the Procedures, which will be used to determine each Market Participant's credit support requirements in the NEM.

1.3 Matter under Consultation

The matter under consultation is identified in clause 3.3.8(c) of the Rules. This clause provides:

AEMO must develop, and, at all times, publish and maintain the credit limit procedures that details the methodology to be used by it to determine the prudential settings to apply to Market Participants.

2. Consultation Process

AEMO gave notice of the second round of consultation on 21 November 2012, together with a change marked copy of the draft Procedures.

These documents are located on the AEMO website at <http://www.aemo.com.au/Consultations/National-Electricity-Market/Credit-Limit-Procedures-Consultation>.

The following table contains an outline of the consultation process, including key dates.

PROCESS	DATE
Notice of first stage consultation	18 June 2012

Closing date for submissions received in response to notice of first stage consultation	23 July 2012
Publication of the draft report and determination	21 November 2012
Closing date for submissions received in response to draft report and determination (following extension)	24 December 2012
Publication of the final report and determination	29 January 2013

3. Consideration of Submissions

One submissions were received in the first stage of consultation:

RESPONDENT	PARTICIPANT TYPE OR OTHER ROLE
Origin	Market Customer, Market Generator

This submission will be published on AEMO's website on the date of publication of this final report and determination.

Consulted Persons raised one issue or comment that AEMO considers material:

ISSUE NUMBER	ISSUE	RAISED BY
1	We understand AEMO intends informing participants of their new credit support requirements in early November 2013.....Origin would appreciate AEMO confirming these anticipated timeframes in its Final Report	Origin

4. Material Issues

4.1 Implementation Date

AEMO notes that the implementation of the Procedures will require changes to AEMO's systems, which are not expected to be completed until October 2013. Participant systems will not require modifications. AEMO has therefore determined an effective date of 28 November 2013 for the Procedures to be used in determination of *prudential settings*. This is the latest business day and non-settlement day which meets the Rules requirements for implementation of the Procedures by 1 December 2013. The initial *credit support* requirements under the Procedures, which will apply to the Summer 2013/14 period, will be issued in early November 2013.

5. Non- Material Issues

5.1 Editorial Changes

AEMO has conducted a final review of the Procedures and effected editorial changes which avoid repetition and unnecessary text without amending the meaning or methodology within the Procedures. A change marked version of the Procedures as determined has been provided.

5.2 MCL Review Schedule

AEMO notes Origin's submission that they prefer *four reviews a year with two reviews for the Shoulder periods of April and separately September to November.*

The review schedule does not form part of the Procedures however it is an important aspect in determining a participant's credit support requirements and AEMO will be requesting further feedback from participants at the Settlement Managers Working Group before determining the review schedule.

6. Final Determination

AEMO determines the Credit Limit Procedures in the form published with this final report and determination at:

<http://www.aemo.com.au/Consultations/National-Electricity-Market/Credit-Limit-Procedures-Consultation>.