

NOTICE OF FIRST STAGE OF RULES CONSULTATION

CREDIT LIMITS PROCEDURES

This notice informs all Registered Participants, Intending Participants and interested parties (**Consulted Persons**) that AEMO is conducting a consultation on its Credit Limit Procedures in accordance with the Rules consultation procedures in clause 8.9 of the National Electricity Rules (Rules).

Date of Notice

This Notice of First Stage of Rules Consultation was issued on 18 June 2012.

Objectives of the Consultation

The objectives of the consultation are:

- To provide Consulted Persons with the opportunity to be involved in the development of the Credit Limit Procedures.
- To ensure that Consulted Persons are properly informed about the proposed and the final outcome.

Background

On 12 April 2012, the AEMC issued its Draft National Electricity Amendment (New Prudential Standard and Framework in the NEM) Rule 2012 (Draft Rule). Under the Draft Rule, clause 3.3.8 of the Rules will require AEMO to make credit limits procedures in accordance with the Rules consultation procedures. The Draft Rule sets the framework for development of Credit Limit Procedures which will be used to determine each Market Participant's credit support requirements in the NEM.

AEMO has commenced its consultation on the proposed Credit Limit Procedures in response to Market Participant requests to review a draft of these procedures in making submissions to the AEMC on the Draft Rule. Any relevant changes between the Draft Rule and the AEMC's final determination of clause 3.3.8 of the Rules will be taken into account in subsequent stages of this consultation.

AEMO notes its intention to make a submission to the AEMC on the Draft Rule, in particular relating to clause 3.3.8(e) and the level of netting of generation and reallocations that is allowed when determining the prudential margin. However, the current draft Credit Limit Procedures have been drafted in accordance with the Draft Rule as published.

Matter under Consultation

The matter under consultation is identified in item [4] of Schedule 1 to the Draft Rule, which amends clause 3.3.8 of the Rules.

Draft clause 3.3.8(c) 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*.

AEMO has today published a draft of the Credit Limit Procedures for consultation.

The Consultation Process

The following table contains an outline of the consultation process, including key dates. Please note that proposed dates may be subject to change by AEMO.

PROCESS	DATE
Meetings to be held, if required by interested parties.	Proposed dates: 9 July 2012 Sydney 10 July 2012 Melbourne
Closing date for submissions received in response to this Notice of First Stage of Rules Consultation	23 July 2012
Publication of the Draft Determination and Report and invitation to make submissions in response to the Draft Determination	Proposed date: 24 August 2012 This assumes that meetings are scheduled and a final determination of the National Electricity Amendment (New Prudential Standard and Framework in the NEM) Rule 2012 is made.
Closing date for submissions received in response to the Draft Determination and Report	Proposed date: 21 September 2012
Publication of the Determination and Report	Proposed date: 12 October 2012

Invitation to make Submissions

We welcome submissions and feedback on the proposed Credit Limit Procedures (published with this notice) by 23 July 2012.

Please identify any information in your submission that you consider to be confidential and provide the reasons why you wish that information to be treated as confidential.

You should note that material identified as confidential may be accorded less weight in the decision-making process than material that is published.

AEMO has a discretion to consider late submissions. Any late submission should explain:

1. the reason for the lateness; and
2. the detriment to you if AEMO fails to consider your submission.

Contact Details

If you have any questions about the documentation provided as part of this consultation please do not hesitate to contact Ruth Guest on 1300 858 724.

AEMO prefers that submissions be forwarded in electronic format (both pdf and Word) as they will be published on AEMO's website. Please e-mail submissions to Ruth Guest at:

Email: ruthguest@aemo.com.au

Alternatively, you may post submissions to:

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