

WHOLESALE ELECTRICITY MARKET

Submission to Procedure Change Proposal

AEPC_2021_04

Market Procedure: Prudential Requirements

Submitted by	
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Submission

Clause 2.10.7 of the Wholesale Electricity Market Rules provides that any person may make a submission for a Procedure Change Proposal (including proposals developed by AEMO, the Economic Regulation Authority, the Coordinator of Energy or a Network Operator) by completing this Procedure Change Submission form.

Submissions should be provided by email to the nominated contact in the call for submissions published with the Procedure Change Proposal.

Please provide your views on the Procedure Change Proposal, including any objections or suggested revisions

Thank you for the opportunity to comment on the draft revised WEM Procedure: Prudential Requirements (the Procedure). Collgar Wind Farm (Collgar) supports the proposed amendments to:

- reduce the period used to determine Credit Limits from 24 months to 12 months; and
- consider the correlation in a Market Participant's exposure in the STEM and Non-STEM markets.

Data period

The Wholesale Electricity Market (WEM) is changing rapidly, meaning data from 24 months past is less likely to reflect the maximum exposure in the future. It is particularly relevant in the transition to the new WEM on 1 October 2023. At the same time, electricity generation and consumption are seasonal, and therefore it is prudent to use at least 12 months data to capture the seasonable variation.

Given this, Collgar supports the proposal to decrease the data used to determine Credit Limits to 12 months. It also supports retention of clause 2.37.5(k) in the WEM Rules to provide AEMO the discretion to consider other matters when determining a Market Participant's Credit Limit. This is important given the dynamic nature of the WEM and that a Market Participant's commercial arrangements can change.

STEM and Non-STEM correlation

Collgar supports AEMO having to consider the correlation between STEM and Non-STEM exposure when calculating Credit Limits. Collgar agrees with AEMO's analysis that not considering the correlation in STEM and Non-STEM outcomes can overestimate a Market Participants Anticipated Maximum Exposure (AME) and therefore lead to determination of a higher Credit Limit.

Drafting

Collgar supports the proposed drafting.

The cross reference in step 2.1.2 ought to be to step 2.1.3 (not 2.1.2 as currently drafted).

Please provide an assessment whether the Procedure Change Proposal is consistent with the Market Objectives and the Wholesale Electricity Market Rules.

Collgar considers the proposal will more appropriately calculate Credit Limits for Market Participants, which will generally decrease the Credit Support a Market Participant must provide. This improves efficiency and decreases costs, consistent with the WEM Objectives.

Please indicate if the Procedure Change Proposal will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

Collgar expects it will benefit from this change and does not expect any implementation costs.

Please indicate the time required for your organisation to implement the changes, should they be accepted as proposed.

Collgar can implement this change immediately.