

The background of the lower half of the page is a photograph of a wind farm and power lines, overlaid with a semi-transparent blue filter. On the left, several white wind turbines are visible, with their blades extending outwards. On the right, a tall, lattice-structured power transmission tower stands prominently. The overall scene is set against a clear sky.

Independent Market Operator

Rule Change Notice
Title: Acceptable Credit
Criteria

Ref: [RC_2010_36](#)

Standard Rule Change Process

Date: 8 November 2010

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Independent Market Operator

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1. THE RULE CHANGE PROPOSAL

1.1. The Submission

On 29 October 2010 Synergy submitted a Rule Change Proposal regarding amendments to clauses 2.38.6, 4.13.7, the Glossary and new clauses 2.38.6A, 2.38.6B and 4.13.7A of the Wholesale Electricity Market Rules (Market Rules).

This Rule Change Notice is published according to clause 2.5.7 of the Market Rules, which requires the Independent Market Operator (IMO) to publish a notice within 7 Business Days of receiving a Rule Change Proposal.

1.1.1 Submission details

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Address:	228 Adelaide Terrace Perth 6000
Date submitted:	29 October 2010
Urgency:	1-low
Change Proposal title:	Acceptable Credit Criteria
Market Rules affected:	2.38.6, 4.13.7, the Glossary and new clauses 2.38.6A, 2.38.6B and 4.13.7A

1.2. Details of the Proposal

Synergy notes in its Rule Change Proposal that under clause 2.38.1 of the Market Rules, any time a Market Participant or a Network Operator does not meet the Acceptable Credit Criteria set out in clause 2.38.6, then the Market Participant or Network Operator must ensure that it provides the IMO with Credit Support.

To confirm whether the Credit Support meets the Acceptable Credit Criteria listed in clause 2.38.6 a Market Participant or Network Operator must, under the Market Procedure for Prudential Requirements, complete the Acceptable Credit Criteria Form (**Form**) available on the IMO's website. This includes ensuring that the Form has been signed by a solicitor of reputable commercial law firm that is acceptable to the IMO.

Synergy notes that it has found a growing reluctance by solicitors to sign the Form as it requires responses to statements concerning the credit provider. Solicitors can only base their responses on information in the public domain and, as such, are reluctant to be held accountable for failings of the credit provider.

Synergy notes that the IMO provides, on its website, a List of Acceptable Credit Providers (**List**). This List (refer to Appendix B) includes financial institutions that the IMO has deemed as meeting the Acceptable Credit Criteria. Synergy notes that the List preamble indicates that the financial institution inventory will be reviewed and updated annually.

Synergy proposes a change to the Market Rules such that, for the purposes of clause 2.38.6, an entity is deemed to meet the Acceptable Credit Criteria if it is on the IMO's List. A solicitor signed Form would not be required for such an entity providing the Credit Support.

1.3. The Proposal and the Wholesale Market Objectives

Synergy submits that the proposed amendments to the Market Rules would better address both Wholesale Market Objectives (b) and (d) by ensuring a more simple, efficient and cheaper way of certifying that an entity meets the Acceptable Credit Criteria.

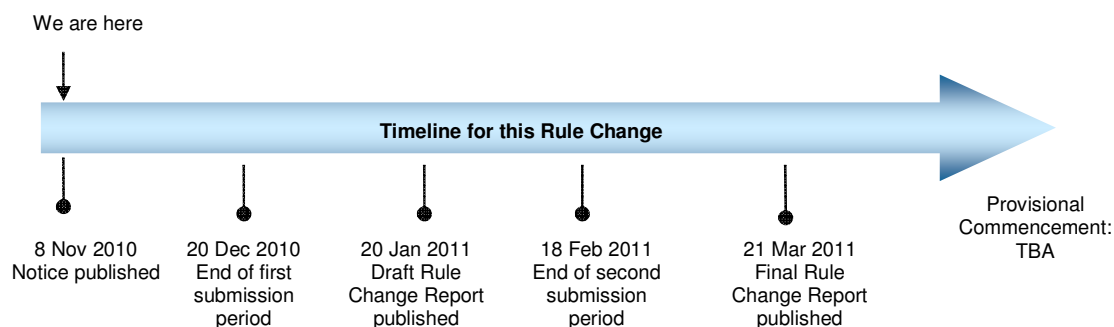
Synergy also considers that the proposed amendments are consistent with Market Objectives (a), (c) and (e).

2. WHETHER THE PROPOSAL WILL BE PROGRESSED FURTHER

The IMO has decided to proceed with this proposal on the basis that Market Participants should be given an opportunity to provide submissions as part of the rule change process.

This Rule Change Proposal will be processed using the Standard Rule Change Process, described in section 2.7 of the Market Rules.

The projected timelines for processing this proposal are:



3. CALL FOR SUBMISSIONS

The IMO is seeking submissions regarding this proposal. The submission period is 30 Business Days from the publication date of this Rule Change Notice. Submissions must be delivered to the IMO by 5:00pm on **Monday, 20 December 2010**.

The IMO prefers to receive submissions by email to market.development@imowa.com.au using the submission form available on the IMO website: <http://www.imowa.com.au/rule-changes>.

Submissions may also be sent to the IMO by fax or post, addressed to:

Independent Market Operator
Attn: General Manager, Development
PO Box 7096
Cloisters Square, Perth, WA 6850
Fax: (08) 9254 4399

4. PROPOSED AMENDING RULES

Synergy proposes the following amendments to the Market Rules (~~deleted text~~, added text):

2.38.6. An entity meets the Acceptable Credit Criteria if it is:

- (a) either:
 - i. under the prudential supervision of the Australian Prudential Regulation Authority; or
 - ii. a central borrowing authority of an Australian State or Territory which has been established by an Act of Parliament of that State or Territory;
- (b) resident in, or has a permanent establishment in, Australia;
- (c) not an externally-administered body corporate (within the meaning of the Corporations Act), or under a similar form of administration under any laws applicable to it in any jurisdiction;
- (d) not immune from suit;
- (e) capable of being sued in its own name in a court of Australia; and
- (f) has an acceptable credit rating, being either:
 - i. a rating of A-1 or higher for short term unsecured counterparty obligations of the entity, as rated by Standard and Poor's (Australia) Pty. Limited; or
 - ii. a rating of P-1 or higher for short term unsecured counterparty obligations of the entity, as rated by Moodys Investor Services Pty. Limited; or
- (g) if it is named on the List of Acceptable Credit Providers posted on the Market Web Site.

2.38.6A If an entity is named on the List of Acceptable Credit Providers then the Market Participant or Network Operator is not required to submit an Acceptable Credit Criteria Form to the IMO.

2.38.6B The IMO must maintain a list of Acceptable Credit Criteria providers on the Market Website (**List of Acceptable Credit Providers**), and must update this list at least once a year before 1 April.

4.13.7. An entity meets the Acceptable Credit Criteria if it is:

- (a) either:
 - i. a bank under the prudential supervision of the Australian Prudential Regulation Authority; or
 - ii. a central borrowing authority of an Australian State or Territory which has been established by an Act of Parliament of that State or Territory;
- (b) resident in, or has a permanent establishment in, Australia;
- (c) not an externally-administered body corporate (within the meaning of the Corporations Act), or under a similar form of administration under any laws applicable to it in any jurisdiction;
- (d) not immune from suit;
- (e) capable of being sued in its own name in a court of Australia; and
- (f) has an acceptable credit rating, being either:
 - i. a rating of A-1 or higher for short term unsecured counterparty obligations of the entity, as rated by Standard and Poor's (Australia) Pty. Limited; or
 - ii. a rating of P-1 or higher for short term unsecured counterparty obligations of the entity, as rated by Moodys Investor Services Pty. Limited; or
- (g) if it is named on the List of Acceptable Credit Providers posted on the Market Web Site.

4.13.7A If an entity is named on the List of Acceptable Credit Providers then the Market Participant is not required to submit an Acceptable Credit Criteria Form to the IMO.

List of Acceptable Credit Providers: Listing of acceptable financial institutions posted on the Market Web Site and updated annually in accordance with clause 2.38.6B.

5. ABOUT RULE CHANGE PROPOSALS

Any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form and submitting this to the IMO (Clause 2.5.1 of the Market Rules).

The IMO will assess the proposal and, within 5 Business Days of receiving the proposal form, will notify the proponent whether the proposal will be progressed further.

In order for the proposal to be progressed the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives. The market objectives are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

A Rule Change Proposal can be processed using a Standard Rule Change Process or a Fast Track Rule Change Process. The standard process involves a combined 10 weeks public submission period, while the fast track process involves the IMO consulting with Rule Participants who either advise the IMO that they wish to be consulted or the IMO considers have an interest in the change.