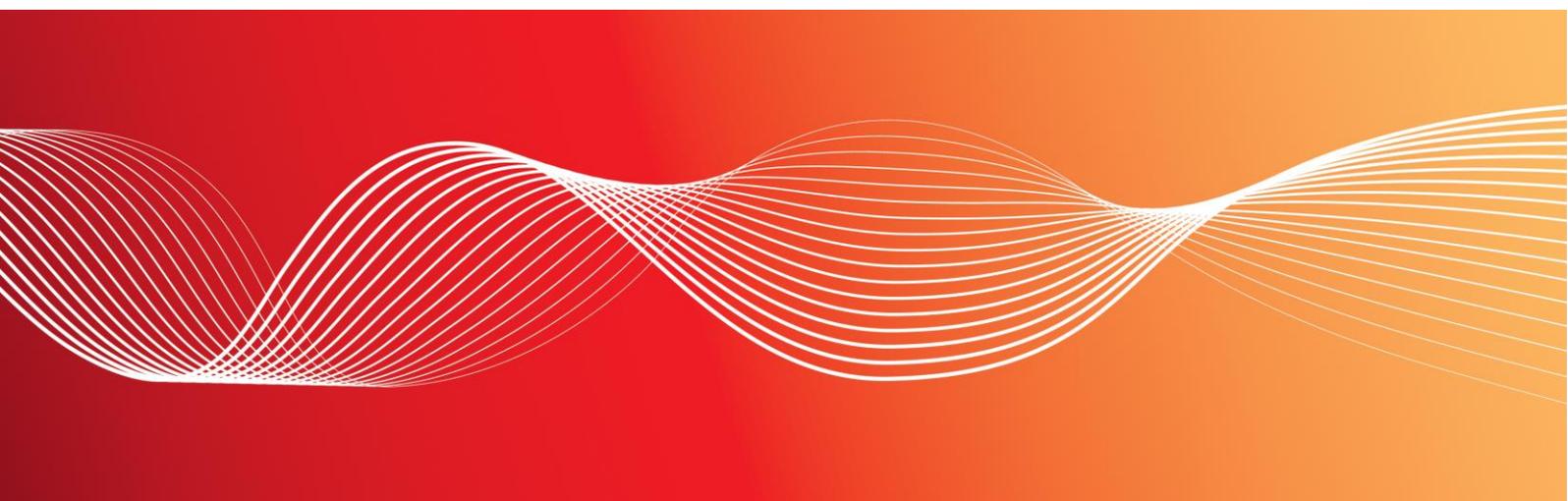


# GUIDE TO GSH SECURITY DEPOSIT ARRANGEMENTS

AUGUST 2018



## Important Notice

AEMO has prepared this Guide to GSH Security Deposit Arrangements (Guide) to provide guidance on the security deposits arrangements under the GSH Exchange Agreement, as at the date of publication.

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### Distribution

Available to the public.

### Prepared by

Prudentials and Gas Retail

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### Notes

No notes

### Documents made obsolete

The release of this document changes only the version of Guide to GSH Security Deposit Arrangements.

## Further Information

For further information, please visit AEMO's website [www.aemo.com.au](http://www.aemo.com.au) or contact:

AEMO Information and Support Hub

Phone: 1300 AEMO 00 (1300 236 600) and follow the prompts

E-mail: [supporthub@aemo.com.au](mailto:supporthub@aemo.com.au)

# Contents

<b>1 Introduction .....</b>	<b>1</b>
1.1 Purpose .....	1
1.2 Audience .....	1
1.3 How to use this guide .....	1
1.4 What's in this guide .....	1
<b>2 Security Deposit Provision .....</b>	<b>2</b>
2.1 Security deposit provision email .....	2
2.2 Security deposit settlement method .....	2
2.3 Security deposit for margin calls.....	2
<b>3 Security Deposit Management .....</b>	<b>3</b>
3.1 Security deposit on prudential dashboard .....	3
3.2 Security deposit application email .....	3
3.3 Security deposit application amount .....	3
3.4 Security deposit interest amount .....	4
3.5 Security deposit balance roll over .....	4
3.6 Security deposit balance return .....	4
<b>4 References.....</b>	<b>5</b>
4.1 AEMO's website .....	5

## Glossary

These abbreviations, symbols, and special terms assist the reader's understanding of the terms used in this document. For definitions of these terms, the reader should always refer to the applicable market Rules.

Term	Abbreviation explanation
<b>AEMO</b>	Australian Energy Market Operator
<b>AEST</b>	Australian Eastern Standard Time
<b>ETS code</b>	A unique code that is the same as the trading participant identifier used in the Exchange Trading System.
<b>GSH</b>	Gas Supply Hub
<b>Market Participant</b>	Refers to both trading participants and reallocators.
<b>Organisation</b>	A member of exchange holding bank guarantees against which prudential exposure is determined. An organisation has associated trading participants in the GSH, or associated reallocation participants, and incurs settlement liabilities or credit or both.
<b>Prudential Exposure</b>	Includes the organisation's settlement component in the last prudential run (outstandings dollar amount) and the forward exposure. This includes all forward exposure amounts (inclusive of the forward exposure GST amount) attributable to its associated trading participants' submitted or executed orders or both, and participants' authorised reallocations, that are entered into since the last initial settlement run.
<b>Rules</b>	Gas Supply Hub Exchange Agreement
<b>Trading Participant</b>	A GSH registered trading participant associated with an organisation having a participant ETS code.

# 1 Introduction

## 1.1 Purpose

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This document deals with arrangements between AEMO and market participants with respect to security deposits and the relevant Rules clauses in the Gas Supply Hub (GSH) market. Security deposits are an important component of prudential exposure management in the GSH market. This Guide details the obligations and processes of managing security deposits, and is provided to market participants for the following purposes:

- Provide a process for new security deposits arrangements and existing security deposits management.
- Identify in what circumstances a market participant should or must provide new security deposits.
- Outline guidance for how market participants may seek to have their security deposit amount applied to settlements.
- Provide additional information and references relevant to security deposits management.

## 1.2 Audience

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This Guide is relevant to market participants in the GSH market who wish to provide security deposits as part of their prudential management strategy.

## 1.3 How to use this guide

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This guide is prepared by AEMO's Prudentials and Gas Retail team and describes the obligations and processes relating to management of security deposits in the GSH market.

## 1.4 What's in this guide

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- Chapter 2 provides an overview of security deposit provision.
- Chapter 3 explains security deposit management.
- Chapter 4 is a list of related information and documents mentioned throughout this guide.

## 2 Security Deposit Provision

On any business day, market participants can voluntarily provide a new security deposit to:

- manage prudential exposure by decreasing their outstandings.
- create a positive trading margin and remove them from a trading halt position.
- apply against their settlement invoices to reduce amounts owing on the payment date.

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If a market participant receives a Margin Call, provision instructions may differ. Please see section 2.3 of this Guide.

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### 2.1 Security deposit provision email

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To provide a new security deposit payment to AEMO, market participants must send a security deposits provision email to [clearing@aemo.com.au](mailto:clearing@aemo.com.au) with all the relevant details completed.

A security deposits provision email template is published on AEMO's website:

<http://aemo.com.au/Gas/Gas-Supply-Hubs/Settlements-and-payments/Prudentials>

The security deposit provision email must complete all the relevant details such as company name, ABN, ETS participant code, security deposit settlement date, security deposit amount and a maturity date, which must be a future final statement settlement date.

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Market participants can only send one security deposit transaction detail per email. To provide multiple security deposits, a separate security deposit provision email is sent for each security deposit transaction.

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### 2.2 Security deposit settlement method

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All security deposits must settle through Austraclear. New security deposits should settle by close of business on the indicated settlement date on the security deposits provision email submitted by the market participant.

### 2.3 Security deposit for margin calls

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If a market participant receives a Margin Call, and wishes to provide security deposits to address the Margin Call and be compliant with the Rules, the security deposit amount must be cleared and received by AEMO within 48 hours of the Margin Call notice.

## 3 Security Deposit Management

### 3.1 Security deposit on prudential dashboard

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Once received, security deposits will reduce a market participant's outstandings and hence prudential exposure. The market participant will see the security deposit amounts in their GSH Prudential Dashboard and in subsequent Prudential Exposure Report.

### 3.2 Security deposit application email

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Market participants must notify AEMO of intended application or partial application of the security deposit balance via email to [prudentials@aemo.com.au](mailto:prudentials@aemo.com.au) prior to 12pm AEST at least two business days prior to AEMO posting the GSH Final Statement against which the security deposit is due to mature and be applied.

A template of the application email is on the AEMO website: <http://aemo.com.au/Gas/Gas-Supply-Hubs/Settlements-and-payments/Prudentials>

Once the security deposit application instruction has been received by AEMO, changes to that security deposit application instruction will not be accepted.

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If no instruction email is received, AEMO will apply the full amount of the security deposit against the final statement as long as a prudential exposure is not created by doing so. Otherwise, AEMO will roll the full security deposit amount to the next final statement settlement date.

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### 3.3 Security deposit application amount

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The maximum application amount that a market participant may nominate is the aggregate of that market participant's security deposit balance due to mature on the final statement settlement date.

If the security deposit balance is partially applied, the market participant must include a future maturity date for the remainder balance.

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Market participants can view their Prudential Dashboard to confirm that AEMO has acknowledged the request on the payment date, which displays the breakdown of the security deposit applications and balances.

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### 3.4 Security deposit interest amount

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Security deposit interest amounts associated with a security deposit application amount specified in section 3.2 of this Guide will be applied to the final statement that will be settled on the maturity date. Security deposit interest amounts are not rolled over to the next billing period.

### 3.5 Security deposit balance roll over

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Market participants may decide to roll over a security deposit amount for two main reasons:

- The application and effective return of the security deposit amount may cause a trading limit breach.
- Market participant prefers to have a prudential buffer to provide cover for future trading behaviour.

If the security deposit balance is to roll over, the market participant must include a future maturity date, which is always a final statement settlement date, for the roll over balance.

For the avoidance of doubt, interest amounts are always applied at maturity and not rolled over.

### 3.6 Security deposit balance return

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A security deposit can only be returned to the market participants on a final statement settlement day.

A security deposit will only be returned if at the time of accepting the application instruction, the return does not cause a market participant to be in breach of their trading limit.

The market participant can request that a security deposit be returned earlier than the current maturity date or application date. However, breaking a security deposit incurs bank charges that will be borne by the market participant.

## 4 References

The resources listed in this section contain additional related information that may assist you.

- AEMO Information and Support Hub: phone: 1300 AEMO 00 (1300 236 600), and follow the prompts; e-mail: [supporthub@aemo.com.au](mailto:supporthub@aemo.com.au).
- National Gas Rules (NGR) and National Electricity Rules (NER): see the Australian Energy Market Commission (AEMC) website <http://www.aemc.gov.au>.

### 4.1 AEMO's website

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You can find the following documents on AEMO's website:

- "Exchange Agreement", <http://aemo.com.au/Gas/Gas-Supply-Hubs/Market-Operations>. (Home > Gas > Gas Supply Hub > Market Operations).
- "Security Deposit Arrangements", security deposit provision notification and application email templates: <http://aemo.com.au/Gas/Gas-Supply-Hubs/Settlements-and-payments/Prudentials>. (Home > Gas > Gas Supply Hub > Settlements & Payments > Prudentials).
- "Settlement Calendars", settlement calendar for each of the markets being settled, <https://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Settlements-and-payments/Prudentials-and-payments/Settlement-Calendars>. (Home > Electricity > Settlements & Payments > Prudentials & Payment > Settlement Calendars).

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It is important to ensure that you are reading the current version of any document.

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