FINAL AGENDA – WEM AEMO PROCEDURE CHANGE WORKING GROUP

DATE: 30 November 2021

TIME: 10:00 AM to 10:45 AM (AWST)

LOCATION: Microsoft Teams

CONTACT: WEM.APCWG@aemo.com.au

Item	Time	TOPIC	PAPERS	RESPONSIBLE	ACTION
1.	10:00 AM – 10:05 AM	Welcome		Chair (AEMO)	Note
2.	10:05 AM – 10:40 AM	Market Procedure – Prudential Requirements	Attached	AEMO	Discussion
3.	10:40 AM – 10:45 AM	Other business and Close	N/A	Chair (AEMO)	Note

Note: This meeting will be recorded to assist with minute production.

Overview of the draft proposed changes to WEM Procedure: Prudential Requirements

On 20 August 2021, Change Energy advised AEMO that it considered an amendment to the Wholesale Electricity Market (WEM) Procedure: Prudential Requirements (**Procedure**). Specifically, Change Energy suggested AEMO reviews:

- the requirement under step 2.2.2. of the Procedure for AEMO to use up to 24 months of available data when determining a Market Participant's Anticipated Maximum Exposure (**AME**), a key input to the Credit Limit methodology; and
- the requirement under step 2.2.2. of the Procedure for AEMO to consider the AME as the sum of the 70-day maximum Non-STEM Settlement exposure and 15-day maximum STEM Settlement exposure, where these time periods are not necessarily aligned.

On 7 October 2021, AEMO held a workshop with interested parties to discuss the issues raised by Change Energy and other issues it had identified could be addressed through a Procedure Change Proposal. These included:

1. What assessment period should be used to calculate Credit Limits
2. The impact of the correlation on Non-STEM and STEM exposure on Credit Limits
3. The number of days that should be used to calculate Credit Limits
4. Whether individual invoice amounts should be considered when setting Credit Limits
5. Whether adjustment invoices should be considered when setting Credit Limits

An overview of each issue, the options considered and financial impact of each together with AEMO's proposed change to the WEM Procedure on each is provided in the attached presentation.

AEMO has considered the feedback provided by stakeholder in, and since the workshop and proposes to amend the Procedure as follows:

- Amend existing section 2.2 (to be renumbered to 2.1) for AEMO to calculate a participant's AME:
  - as the highest overall exposure in the WEM (i.e. accounting for the correlation in STEM and Non-STEM exposure) instead of the sum of the highest STEM and highest Non-STEM exposure in the credit limit window; and
  - using a 12 month assessment window instead of 24 months of data.
- Remove existing sections 2.3 to 2.6 and consolidate the steps taken by AEMO to calculate Credit Limits for participants with fewer than three months of data available, with the standard process (noting the data required to be provided by these participants, and AEMO's ability to estimate data where insufficient information is available have not changed).
- Amend section 3.3 to clarify the effective date of the Credit Support may be prior to a Commissioning Test where a Facility's Reserve Capacity Obligation Quantity becomes applicable prior to commissioning for any reason (in line with the participant's exposure to Capacity Credit Refunds).

- Make minor and administrative amendments throughout, to align with new terminology used in the WEM Rules, including for example amending 'Market Procedure' to 'WEM Procedure' and 'Market Web Site' to ' WEM Website', update WEM Rule references and update cross-references in the Procedure to reflect the proposed amendments.

These changes are shown as mark-ups in the attached draft Procedure. It should be highlighted AEMO does not propose to make any changes in relation to issues three to five as part of this Procedure Change Process as outlined in the attached presentation.

Benefits of the proposed changes

AEMO considers the draft proposed changes:

- maintain alignment with the WEM Rules and the Procedure;
- result in Credit Limits that more accurately reflect a participant's exposure in the market; and
- balance participants' cost of maintaining Credit Support and the risk of short-payment and Default Levies.

Feedback requested

AEMO is seeking feedback on:

- whether participants consider the proposed changes reflect an appropriate balance between the cost of maintaining Credit Support and the level of market risk, particularly in relation to AEMO's proposal to not include changes to account for issues four and five;
- whether the draft proposed changes to the Procedure effectively implement AEMO's intended changes stated in the attached presentation; and
- any other issues that AEMO needs to address in this Procedure, given the parameters the WEM Rules set out.