



Market participant suspension framework

Publication of final rule determination and final rule

The Australian Energy Market Commission (AEMC) has made a rule that clarifies the Australian Energy Market Operator's (AEMO) discretion to suspend market participants from trading in the National Electricity Market (NEM).

Background

AEMO may suspend a market participant (e.g. generator or retailer) if it deems it necessary to do so in order to maintain the financial integrity of the NEM. One of the triggers for a potential suspension is when an external administrator is appointed to run a market participant.

The National Electricity Rules (NER) are currently unclear as to whether AEMO must suspend a market participant under external administration or whether it has the discretion not to suspend the market participant. The NER are also ambiguous in referring to the 'extent' of a suspension, whether AEMO could suspend some, but not all, of a market participant's activities (for example, where a participant is both a generator and a retailer).

The rule change request

COAG Energy Council submitted the rule change request in response to the AEMC's recommendations in the NEM Financial Market Resilience Review, which was completed in March 2015. The rule change request reflects the key recommendations from that review. It proposes to clarify the framework under which AEMO decides whether to suspend a market participant from trading in the NEM by amending NER as follows:

- deleting the clause that requires market participants not to be under external administration;
- requiring AEMO to consider factors in the NER when deciding whether to suspend a market participant under external administration;
- allowing AEMO to not suspend one or more of a market participant's activities; and
- allowing AEMO to impose conditions on a market participant, if it decides not to suspend the market participant.

Overview of the final rule

The final rule addresses the issues in COAG Energy Council's proposed rule, but provides a clearer decision-making framework that AEMO must apply when exercising its discretion on whether to suspend a market participant. The final rule provides AEMO with the discretion not to suspend a market participant under external administration provided that:

- the external administrator has requested or consented to the non-suspension decision and has undertaken that the defaulting market participant will meet its relevant liabilities under the NER; and
- AEMO has taken into account the following matters:
 - whether the market participant is likely to comply with the NER;
 - for a market generator, market network service provider or a market small generation aggregator, the potential benefit of the non-suspension on reliability in the NEM outweigh the risk of removing the market participant from the market;

The draft rule provides a clearer decision-making framework that AEMO must apply when deciding whether to suspend a market participant under external administration.

- for a market participant other than the types listed above, the potential impact of the suspension on reliability in the NEM if AEMO considers this matter to be relevant; and
- any other matters AEMO considers relevant.

Should AEMO decide not to suspend a market participant under external administration, the final rule permits AEMO to impose conditions on the market participant in connection with the non-suspension decision, and requires the affected market participant to comply with any conditions imposed. In addition, the final rule requires AEMO to publish a 'non-suspension notice' if it decides not to suspend a market participant under external administration.

The final rule includes the following changes from the draft rule:

- Providing AEMO with the discretion to take into account the reliability impacts of suspending market participants other than a market generator, market network service provider or market small generation aggregator. This only applies if AEMO considers this to be a relevant matter.
- Modifying the definition of external administration default events, so that the decision-making framework only applies to default events where an external administrator is appointed.
- Clarifying the type of notices AEMO must issue in relation to a market participant, if an external administration default event occurs.

The rule commences operation on 1 January 2017.

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