

Potential Rule Changes: Reallocations

2.5B Reallocator

NB This new Rule provides for the new category of Registered Participant whose trading in the NEM is limited to reallocations.

(a) A Reallocator is a person so registered with NEMMCO in order to participate in reallocation transactions under clause 3.15.11.

(b) A person who is registered with NEMMCO as a Reallocator is:

(1) a Registered Participant for the purposes of the National Electricity Law and clauses 2.5B(3), 2.9, 2.10, 2.11, 3.3, 3.13.5A, 3.15, 8.2 and 8.9;

(2) treated as a Market Participant for the purposes of clauses 3.3 and clause 3.15 provided that a person who is registered with NEMMCO as a Reallocator is not regarded as a Market Participant for the purposes of clause 3.15.1(b); and

(3) entitled to receive any information NEMMCO is required to publish or otherwise make available to Registered Participants (other than confidential information in respect of one or more other Registered Participants), but is not otherwise a Registered Participant or a Market Participant for the purposes of these Rules unless they are also registered in another category of Registered Participant or Market Participant.

3.3 Prudential Requirements

3.3.8 Maximum credit limit and prudential margin

NB The prudential margin is determined by NEMMCO in conjunction with the Maximum Credit Limit and is covered by amendments to this Rule.

(a) NEMMCO must determine for each Market Participant a maximum credit limit and prudential margin.

NB The principles and probability levels have been included in the Principles Schedule 3.3

(b) The maximum credit limit for a Market Participant is a dollar amount to be determined by NEMMCO in accordance with this clause 3.3.8 on the basis of a "reasonable worst case" applying the principles set out in schedule 3.3, being an estimate by NEMMCO (on a "reasonable worst case" scenario basis) of the aggregate payments for trading amounts (after reallocation) to be made by the Market Participant to NEMMCO, for over a period of up to the credit period applicable to that Market Participant, to a probability level that the estimate would not be exceeded more than once in 48 months.

(c) In determining the maximum credit limit and prudential margin for a Market Participant, NEMMCO must do so in accordance with the principles set out in schedule 3.3, as varied as permitted by the Rules. The prudential margin for a Market Participant is a dollar amount to be determined by NEMMCO applying the principles set out in schedule 3.3, being an estimate by NEMMCO (on a "reasonable worst case" scenario basis) of the aggregate of the expected trading amount and the reallocation amount owing by the Market Participant to NEMMCO in respect of the reaction period.

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- (d) *NEMMCO* must *publish* details of the methodology as ~~applies from time to time~~ used by it in determining *maximum credit limits* and *prudential margins*.

NB *NEMMCO* proposes to expand the Methodology for calculating Maximum Credit Limits to include the prescriptive calculation of Prudential Margin. Participants are to be advised of the Prudential Margin value as part of any determination of Maximum Credit Limit. Both Maximum Credit Limit and Prudential Margin will be determined as non-negative values.

- (e) *NEMMCO* shall review the *maximum credit limit* and *prudential margin* of each *Market Participant* not less than once each year.
- (f) *NEMMCO* may change either or both of the *maximum credit limit* and/or *prudential margin* for a *Market Participant* at any time (whether by reason of an annual review or otherwise), provided that any change to the *maximum credit limit* and/or *prudential margin* will apply with effect from such time (not being earlier than the time of notification of the changed *maximum credit limit* and/or *prudential margin* (as the case may be) to the *Market Participant*) as *NEMMCO* specifies.
- (g) *NEMMCO* must notify the *Market Participant* of any determination of that *Market Participant's maximum credit limit* and/or *prudential margin* (as the case may be) and, on request from that *Market Participant*, provide details of the basis for that determination, including the trading, price, ~~and~~ volatility and *prospective reallocation* assumptions and the average *spot prices* and *ancillary service prices* and average *trading amounts*.
- (h) **[Deleted]**

3.3.9 Outstandings

NB The settlement amount payable is the net amount to be transacted in cash on each settlement day. It is net of amounts payable to *NEMMCO* and by *NEMMCO* for that week. Accordingly items C and D below are redundant and parts A and B need to be modified to recognise that settlement payments may be either to or from *NEMMCO* (typically for retailers and generators respectively). The pronumeral for Outstandings is changed to 'OS' to avoid confusion between 'O' and zero.

Rule 3.15.13 defines a negative settlement amount (e.g. A, B and SDA) as an amount owing from a *Market Participant* to *NEMMCO*. The concepts in this Rule 3.3 of Outstandings, Trading Limits, Typical Accruals and Call Amount take a positive value when a *Market Participant* owes money to *NEMMCO*. The signs used in these revisions more clearly address these definitions.

At any time the "*outstandings*" of a *Market Participant* is the dollar amount determined by the formula:

$$OS = -(A + B + SDA)$$

$$O = A + B - (C + D + E)$$

where:

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- ~~OS~~ is the amount of the *outstandings* of the *Market Participant*, ~~to be determined~~;
- A is the aggregate of the *net settlement amounts* payable ~~by the *Market Participant* to *NEMMCO*~~ in respect of *billing periods* prior to the current *billing period* which remain unpaid by, ~~or to,~~ the *Market Participant* whether or not the *payment date* has yet been reached;
- B is the *net settlement amount* payable by, ~~or to,~~ the *Market Participant* ~~to *NEMMCO*~~ in respect of *transactions* for *trading intervals* ~~which *that* have already occurred~~ in the current *billing period*;
- ~~C~~ is the aggregate of the *settlement amounts* payable to the *Market Participant* by ~~*NEMMCO*~~ in respect of *billing periods* prior to the current *billing period* which remain unpaid by ~~*NEMMCO*~~ (whether or not the *payment date* has yet been reached);
- ~~D~~ is the *settlement amount* payable to the *Market Participant* by ~~*NEMMCO*~~ in respect of *transactions* for *trading intervals* which have already occurred in the current *billing period*;
- ~~ESDA~~ is the balance (if any) of the *Market Participant* in the security deposit fund, in which case a credit balance will be a positive amount and a debit balance will be a negative amount;

but if ~~O~~ is negative then the *outstandings* of the *Market Participant* are zero. The amounts to be used in this calculation will be the actual *settlement amounts* for *billing periods* where *final statements* have been issued by *NEMMCO* or *NEMMCO*'s reasonable estimate of the *settlement amounts* for *billing periods* (where *final statements* have not been issued by *NEMMCO*).

Note: Where the value of *outstandings* of a *Market Participant* is a negative amount the absolute value of the *outstandings* amount will, for the purposes of clause 3.3, be treated as if it were an amount payable by *NEMMCO* to the *Market Participant*.

NB The existing Rule does not clearly contemplate that Outstandings could be negative.

3.3.10 Trading limit

NB The Trading Limit is now to be determined in terms of the Maximum Credit Limit and Prudential Margin.

- (a) The *trading limit* for a *Market Participant* is the dollar amount ~~which is the product of the prudential factor and the greater of:~~
- (i) ~~the *Market Participant*'s maximum credit limit; or~~
- (ii) ~~the *credit support* provided by the *Market Participant*, determined by *NEMMCO* on the basis of a "reasonable worst case" estimate by *NEMMCO* applying the principles in schedule 3.3 and determined by using the following formula:~~

$$TL = CS - PM_{RP}$$

where:

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TL is the *trading limit*;

CS is the *credit support* provided by the *Market Participant*;

PM is the *prudential margin* determined in accordance with clause 3.3.8(c).

Note: If the *prudential margin* exceeds the *credit support* the *trading limit* will have a negative value.

NB As the Trading Limit is now prescribed in terms of the Maximum Credit Limit and Prudential Margin, the provision for the Prudential Factor to be amended by NEMMCO is redundant, the principles for the Trading Limit also become redundant.

- (b) ~~**[deleted]** NEMMCO shall from time to time in its discretion, and after consultation with *Market Participants* in accordance with the *Code consultation procedures*, set and publish the *prudential factor*. The *prudential factor* shall be set on the basis that the product of the *prudential factor* and a *Market Participant's maximum credit limit* will result in a *trading limit* (at which *call notices* can be issued by NEMMCO in accordance with clause 3.3.11) which is sufficiently less than the *maximum credit limit*, such that if the *Market Participant* fails to comply with a *call notice* it would be expected that *default event* and suspension procedures could be applied to the *Market Participant* before the *outstandings* of the *Market Participant* exceed the *maximum credit limit*, on the basis of the trading, price and volatility assumptions used in calculating the *maximum credit limit* for that *Market Participant*.~~
- (c) ~~**[deleted]** Until otherwise determined and published by NEMMCO, the *prudential factor* is:~~
- ~~(1) 84% where the *maximum credit limit* is calculated on a *payment period* of 28 days; or~~
 - ~~(2) 75% where the *Market Participant* has lodged and NEMMCO has accepted a *reduced payment period request* for the *maximum credit limit* to be calculated on a *payment period* of 14 days.~~

3.3.11 Call notices

- (a) If at any time the *outstandings* of a *Market Participant* ~~exceed~~ is greater than the *trading limit* for that *Market Participant*, NEMMCO may do either or both of the following:

NB The above edit expresses the test more clearly given that one or both of Outstandings and Trading Limit may be negative.

- (1) give the *Market Participant* an “*interim statement*” covering any *transactions* for *trading intervals* not already the subject of issued *preliminary* or *final statements* or another *interim statement*, notwithstanding that the usual time for the issue of a *preliminary* or *final statement* for those *trading intervals* has not been reached; and

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- (2) give the *Market Participant* a notice (a "*call notice*") ~~which that~~ specifies an "*invoiced amount*", the current *maximum credit limit* for a *Market Participant*, the current *trading limit* for the *Market Participant*, and the *call amount*, where:

$$\text{Call Amount} = \text{IA} - \text{OS} - \text{TypA} - \text{SDA}$$

NB The formula for the Call Amount is simplified by replacing the term for Invoiced Amount (which requires its own definition) with the previously defined Outstandings. Consequently, the 'SDA' term can be removed as it is already accounted for in Outstandings.

except where the formula produces a negative result, in which case the *call amount* is zero,

where:

IA = the *invoiced amount*, being the aggregate of all *interim, preliminary or final statements*, which at the time of issue of the *call notice* are unpaid by the *Market Participant*, notwithstanding that the usual time for issue or payment of those *settlement statements* has not been reached.

OS = the *outstandings* for the *Market Participant* as at the date of the issue of the *call notice*.

TypA = the *typical accrual* for the *Market Participant* as at the date of the issue of the *call notice*.

~~*SDA* = is the balance (if any) of the *Market Participant* in the security deposit fund in which case a credit balance will be a positive amount and a debit balance will be a negative amount.~~

Note: If the value of *outstandings* of a *Market Participant* has a negative value and the *trading limit* also has a negative value, the *outstandings* will be greater than the *trading limit* if the absolute value of the *trading limit* is greater than the absolute value of the *outstandings*, in which case *NEMMCO* may exercise its powers under either or both of clauses 3.3.11(a)(1) or 3.3.11(a)(2) or both clauses.

- (b) *NEMMCO* may, in its absolute discretion, cancel a *call notice* or *interim statement* issued under this clause at any time. The cancellation of a *call notice* or *interim statement* does not affect *NEMMCO*'s rights to issue a further *call notice* or *interim statement* on the same grounds that gave rise to *NEMMCO* issuing the cancelled *call notice* or *interim statement*.

3.3.12 Typical accrual

- (a) The *typical accrual* for a *Market Participant* at any time is the amount ~~which~~ *NEMMCO* determines would have been the *outstandings* of the *Market Participant* at that time had the *spot prices* and the *trading amounts* of the *Market Participant* been at the level of the average *spot price* and *ancillary service prices* and average *trading amounts* of the *Market Participant* used by *NEMMCO* for the purposes of the most recent determination of the *maximum credit limit* of the *Market Participant*.

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Note: The value of the *typical accrual* of a *Market Participant* will be a negative amount if the average *settlement amount* of the *Market Participant* is a positive amount.

NB The Note is inserted to recognise that for a Market Generator the Typical Accrual would most likely be a negative value.

- (b) ~~NEMMCO must, o~~On request from a *Market Participant*, NEMMCO must provide that *Market Participant* with details of ~~any~~ the typical accrual for that *Market Participant*.

3.15.11 Reallocation transactions

NB Reallocation options and details are to be contained in the Reallocation Procedures with the principles to be included in those procedure contained in the Rules as below.

- (a) A *reallocation transaction* is a *transaction* undertaken with the consent of two *Market Participants* and NEMMCO, under which NEMMCO credits one *Market Participant* with a positive *trading amount* in respect of a *trading interval*, in consideration of a matching negative *trading amount* debited to the other *Market Participant* in respect of the same *trading interval*.
- (b) NEMMCO must ~~prepare~~ establish, maintain and publish procedures to record *reallocation requests* and *reallocation transactions*, including the types of *reallocation transactions* that may be undertaken in accordance with clause 3.3.19 and this clause 3.15.11 (the "**reallocation procedures**") in accordance with the *Rules consultation procedures*.
- (c) The *initial reallocation procedures* are deemed to have been prepared and published in accordance with the *Rules consultation procedures* and take effect on the date clause 3.15.11 takes effect.
- ~~(e)~~(d) *Reallocation transactions* may be of any type permitted in the *reallocation procedures* ~~either *quantity reallocation transactions* or *dollar reallocation transactions*.~~
- ~~(d)~~(e) A *reallocation transaction* is initiated by a *reallocation request* lodged with NEMMCO by or on behalf of two *Market Participants*. In order to be valid, a *reallocation request* must contain ~~such~~ the information as required by, the *reallocation procedures* and must be lodged with NEMMCO in accordance with the *reallocation procedures* and timetable for submission of *reallocation requests* as published by NEMMCO from time to time:
- (1) ~~be executed by each of the two *Market Participants* which are parties to the *reallocation request*;~~ **[deleted]**

NB Deleted as the detail is to be included in reallocation requests is now set out in NEMMCO's the reallocation procedures.

- (2) **[deleted]** specify the *trading interval(s)* (*specified trading intervals*) to which the *reallocation request* applies;
- (3) **[deleted]** specify the starting day, being the first day on which a *reallocation transaction* is to occur;

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- (4) ~~[deleted]~~ specify the termination day, being the last day on which a *reallocation transaction* is to occur;
- (5) ~~[deleted]~~ specify whether it is a request for a *quantity reallocation transaction* or a *dollar reallocation transaction*;
- (6) ~~[deleted]~~ if it is a *quantity reallocation transaction*, specify the *reallocated quantity* (in MWh) for each *specified trading interval*;
- (7) ~~[deleted]~~ if it is a *quantity reallocation transaction*, specify the applicable *regional reference node*, of which the *regional reference price* will be used for the calculation of the result of the *reallocation transaction*;
- (8) ~~[deleted]~~ if it is a *dollar reallocation transaction*, specify the amount in dollars as the *reallocated dollar amount* for each *specified trading interval*;
- (9) ~~[deleted]~~ specify which of the *Market Participants* is the credited party, the other *Market Participant* being the debited party;
- (10) ~~[deleted]~~ be lodged with NEMMCO in accordance with the *procedures* and *timetable* for submission of *reallocation requests* as published by NEMMCO from time to time; and
- (11) ~~[deleted]~~ otherwise be in the form determined from time to time by NEMMCO.

NB Delete (d1) as termination of a reallocation request is covered in clause 3.15.11(f).

- (d1) ~~[deleted]~~ A *reallocation transaction* is terminated on a date earlier than that on the registered *reallocation request* by a *reallocation termination request* lodged with NEMMCO by or on behalf of the two *Market Participants*. In order to be valid, a *reallocation termination request* must:
 - (1) ~~be executed by each of the two *Market Participants* which are parties to the registered *reallocation request*;~~
 - (2) ~~specify the new termination day, being the last day on which the *reallocation transaction* is to occur and not being earlier than the date on which the *reallocation termination request* was lodged with NEMMCO;~~
 - (3) ~~be lodged with NEMMCO in accordance with the *procedures* and *timetable* for submission of *reallocation requests* as published by NEMMCO from time to time; and~~
 - (4) ~~otherwise be in the form determined from time to time by NEMMCO.~~

NB Rules (e), (g) and (h) currently provide for reallocations to be accepted conditionally before registration in NEMMCO's systems. As reallocations are lodged electronically at the outset, it is more appropriate to register all reallocation requests that satisfy validation. If a reallocating participant is exceeding their trading limit and NEMMCO in its reasonable opinion decides that one or more debit reallocation/s are direct significant contributors to this situation, ~~then~~ the amended Rule allows NEMMCO to deregister the reallocation request/s,

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providing the deregistration is notified to the participants on that first business day.

~~(e)(f)~~ Upon receipt of a *reallocation request* or a *reallocation termination request* NEMMCO must verify the acceptability of the proposal (in accordance with rules and protocols to be established by NEMMCO) and must notify the parties of the verification or rejection of register the *reallocation request* or a *reallocation termination request* within the time specified in the *reallocation procedures* and timetable for the recording of *reallocation requests* as published by NEMMCO from time to time, and may impose conditions on that registration as contemplated by the *reallocation procedures*.

~~(f)(g)~~ ~~Deleted~~ After a *reallocation request* has been registered in respect of two *Market Participants*, NEMMCO may deregister the *reallocation request* if:

- ~~(1)~~ the *prudential requirements* are not satisfied in respect of by either of those *Market Participants*;
- ~~(2)~~ either of the *Market Participants* fails to comply with any conditions imposed by NEMMCO in respect of the *reallocation request* at the time it was registered;
- ~~(3)~~ both of the *Market Participants* which are parties to the *reallocation request* notify NEMMCO in accordance with the *reallocation procedures* that they require the *reallocation request* to be terminated; or
- ~~(4)~~ a *default event* occurs in respect of either of the *Market Participants* and NEMMCO exercises its powers under clause 3.15.11(~~np~~)

~~(g)(h)~~ NEMMCO may notify the relevant *Market Participants* that acceptance Registration of a *reallocation request* under clause 3.15.11(e) or termination under clause 3.15.11(d1) is conditional upon satisfaction of *prudential requirements* or other conditions specified by NEMMCO, in which case if the conditions are not met in accordance with the *procedures* and timetable for the recording of *reallocation requests* as published by NEMMCO from time to time then the *reallocation request* or the *reallocation termination request* may be declined by NEMMCO. Deregistration of a *reallocation request* prevents *reallocation transactions* occurring pursuant to in respect of all the *trading intervals* of the *reallocation request* which that occurring after the time of deregistration. NEMMCO must not deregister a *reallocation request* under this clause 3.15.11(g) otherwise than in accordance with the *reallocation procedures*.

NB The following clause is redundant as it is covered in clause (e) above. The new clause makes it clear that parties can reverse out a reallocation if required.

~~(h)(i)~~ After the parties have satisfied any *prudential requirements* or other conditions imposed by NEMMCO in respect of the *reallocation*, NEMMCO must register the *reallocation request* within the time required in the *procedures* and timetable for recording *reallocation requests* as published by NEMMCO from time to time, or on the starting date specified in the *reallocation request*, whichever is

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~~the later, and must notify both *Market Participants* of the date and time of commencement of *reallocation transactions* in accordance with the *reallocation request*. The *Market Participants* may agree to reverse the effect of a registered *reallocation request* by lodging a new *reallocation request* in accordance with the *reallocation procedures* and timetable for submission of *reallocation requests* as published by NEMMCO from time to time.~~

~~(j)~~ (j) NEMMCO must include details of *reallocation transactions* in the *settlement statements* issued to all parties to those *reallocation transactions*.

~~(k)~~ (k) Where there is a registration of a *reallocation request* in respect of a *trading interval* and that *trading interval* has occurred, a *reallocation transaction* occurs in accordance with that *reallocation request*.

NB The detail of clauses (k), (l), and (m), which are only relevant to some types of reallocation transactions, would be contained in the reallocation procedures.

~~(l)~~ (l) **[deleted]** ~~Where a *quantity reallocation transaction* occurs, the *reallocation transaction* results in a positive *trading amount* for the credited party, the *trading amount* being the *reallocated quantity* multiplied by the *regional reference price* for the specified *region* for the *trading interval* specified in the *reallocation request*.~~

(m) **[deleted]** ~~Where a *dollar reallocation transaction* occurs, the *reallocation transaction* results in a positive *trading amount* for the credited party, the *trading amount* being the *reallocated dollar amount*.~~

~~(n)~~ (n) **[deleted]** ~~A *quantity reallocation transaction* and a *dollar reallocation transaction* each result in a *trading amount* for the debited party which is the negative of that for the credited party.~~

NB Part (n) is amended so that reallocations cannot be deregistered until a default notice is issued to one of the parties, and the time for deregistration is clarified.

~~(o)~~ (o) If a *default event* occurs in relation to ~~either a party to a *reallocation request* when one or more of the *trading intervals* specified in the *reallocation request* has not occurred, then~~ NEMMCO may deregister the *reallocation request* by notice given at any time whilst the *default event* is subsisting. The deregistration is effective ~~forthwith~~ immediately upon NEMMCO notifying both of the parties to a *reallocation request* of the ~~fact of deregistration, where~~ upon such notice the deregistration of that *reallocation request* is effective for all *trading intervals* commencing after the time of ~~specified in the notice, and notwithstanding that the *default event* may be subsequently cured.~~ Deregistration of the *reallocation request* prevents the completion of the requested *reallocation transactions* occurring pursuant to the *reallocation request* in the *trading intervals* which that commence at or after the time specified in the deregistration notice of the deregistration is given.

~~(p)~~ (p) In addition to any other right ~~which NEMMCO may exercise in relation to~~ following a *default event*, upon deregistration of a *reallocation request* NEMMCO may redetermine the *maximum credit limit* and *trading limit* for either or both of the parties to the *reallocation request*, having regard to the deregistration ~~which that~~ has occurred.

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Schedule 3.3 - Principles for Determination of Maximum Credit Limits & Prudential Margins

NB These changes incorporate the principle removed from clause 3.3.8 (b), reference the use of the Prudential Margin, correctly reference the Maximum Credit Limit term and clarify that only prospective reallocations can be used to impact the Maximum Credit Limit calculation.

This schedule sets out the principles to be followed by NEMMCO in determining the maximum credit limit and prudential margin for a Market Participant.

S3.3.1 Principles for determining Maximum Credit Limits

- (a) The ~~MCL~~maximum credit limit should be set on the principle of imposing a guarantee of payment being made to NEMMCO to a level of a "reasonable worst case" - a position ~~which that~~, while not being impossible, is ~~likely to happen only once in a few years~~ to a probability level that the estimate would not be exceeded more than once in 48 months.
- (b) When calculating the ~~MCL~~maximum credit limit NEMMCO should have regard to:
- ~~I~~(1)- impartial objectivity rather than subjectivity, though it is recognised that some key parameters will need to be subjectively estimated from a limited amount of data - the estimation should be as impartial as possible;
 - ~~II~~(2)- the average level and volatility of the *regional reference price* for the *region* for which the ~~MCL~~maximum credit limit is being calculated, measured over a period of time comparable to the frequency of breaches of the ~~MCL~~maximum credit limit ~~(about four years)~~;
 - ~~III~~(3)- the pattern of the quantity of electricity recorded in the *metering data* for the ~~Market Participant~~;
 - ~~IV~~(4) the quantity and pattern of the *prospective reallocation transactions* in the immediate future;
 - ~~V~~(5) the correlation between the metered amounts of electricity and the *regional reference price*;
 - ~~VI~~(6) the length of the *credit period*, which is the number of days from ~~initial consumption~~ the start of a billing period to the end of the *reaction period* taking into account:
 - ~~A~~(i) the length of the *billing period*;
 - ~~B~~(ii) the typical time from the end of the *billing period* to the day on which *settlement* for that *billing period* is due to be paid (the *payment period*);

NB clauses (~~III~~3) and (~~IV~~4) are amended to clarify that a request to NEMMCO for a reduced Maximum Credit Limit does not result in a reduced payment period – the settlement cycle of payment after 20 business days is not affected.

- ~~C~~(iii) any current written request ~~reduced payment period request~~ from the *Market Participant* to NEMMCO for the *maximum credit limit* to be determined on a *payment period* ~~of~~ taken, for the purposes of ~~Rule~~ clause 3.3.8 and not otherwise, to be 14 days;

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- ~~D.(iv)~~ the time from a *default event* to the suspension or other removal of the *defaulting party* Market Participant from the *market*, being a period of up to 7 days (the *reaction period*);
- ~~VII.(7)~~ the statistical distribution of accrued amounts ~~which that~~ may be owed to *NEMMCO*;
- ~~VIII.(8)~~ the degree of confidence that the ~~MCL~~ maximum credit limit will be large enough to meet large defaults (i.e. the degree of reasonableness in a "reasonable worst case").
- (c) As far as practicable, this schedule 3.3 must be read and construed as taking into account *market ancillary service* transactions for the calculation of ~~MCL~~ the maximum credit limit for that *Market Participant*.

S3.3.2 Principles for determining prudential margins

NB These principles referenced from clause 3.3.8 are required to determine the Prudential Margin.

The value of the *prudential margin* for a *Market Participant* is set on the same principles as the *maximum credit limit* except that:

- (a) if the aggregate of all *trading amounts* for the *Market Participant* is a positive amount the quantity and pattern of those *trading amounts* are not taken into account when determining the *prudential margin*;
- (b) if the aggregate of all *reallocation amounts* for the *Market Participant* is a positive amount the quantity and pattern of those *reallocation amounts* are not taken into account when determining the *prudential margin*; and
- (c) the *prudential margin* is calculated in respect of the *reaction period*.

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Glossary Terms

NB A number of terms used in deleted clauses can now have the definitions removed and some new terms are required.

dollar reallocation transaction	[deleted] A reallocation transaction under which the Market Participants have requested NEMMCO to debit one of them with a dollar amount and credit the other with a similar dollar amount.
<u>prospective reallocation</u>	<u>A reallocation transaction which that occurs in a trading interval that takes place at a time after the reallocation request is made.</u>
prudential factor	[deleted]
<u>prudential margin</u>	<u>A dollar amount to be determined by NEMMCO in accordance with clause 3.3.8.</u>
quantity reallocation transaction	[deleted] A reallocation transaction under which the Market Participants have requested NEMMCO to debit one of them with a trading amount (being a quantity multiplied by the spot price for a region) and credit the other with a similar trading amount.
<u>reallocation amount</u>	<u>In respect of a Market Participant, the positive or negative dollar amount in respect of a reallocation transaction being an amount payable to or by the Market Participant.</u>
<u>reallocation procedures</u>	<u>The procedures published by NEMMCO under clause 3.15.11(b).</u>
reallocation termination request	[deleted]