

## Stakeholder Meeting – 12 December 2022

### Topic: MCL reassessment under extreme market conditions

- Attended by AEMO staff from the prudentials Team
- Key AEMO staff members: Stephen Harrison, Katalin Foran, Karla White, Pedro Riveros
- Attended by approximately 30 external stakeholders
- Stakeholder comments/questions from the meeting are shown below. Some of the questions were answered during the meeting. All questions will be recorded and answered in the Draft Report together with any further questions/comments from stakeholders arising through submission to the Consultation Paper.

### Stakeholder questions/comments

1. How is cash held not better than a guarantee? - disagree with this conclusion
2. Guarantees cost more and are far far far more difficult to put in place than cash for users
  - a. AEMO answer in chat - Cash held by AEMO is subject to clawback, should a participant fail. AEMO manages this risk with the use of credit support, in an effort to minimise the possibility of a shortfall event
3. Well AEMO will need to reassess a couple of conditions within its standard form guarantee. It is a barrier to entry.
  - a. AEMO answer in chat - Could you please email through the conditions you are referring to? Please send them to me [karla.white@aemo.com.au](mailto:karla.white@aemo.com.au)
4. Is this counter-intuitive ? during extreme market conditions -> banks become more risk adverse -> ability to get short term BG's (in AEMO format) will become harder => hence while cash is deliverable but BG's almost impossible => net result BG's not delivered and more failures....
5. Will there be a limit to how frequent AEMO can reassess MCL within a period (i.e. 7 days)?
6. It cost participants more a guarantee
7. Bank treat additional BG as a security application, even if it is backed with 100% cash. They need get their credit team to approve issuing, which could take a long time, even if we back it up cash.
8. Banks do a complete company review prior to issues BG's (new application) ... their risk managers , are very risk adverse during high price events ... will not issue !
9. Is it possible to set up a new mechanism like the security deposit but eliminate the claw back risk to AEMO?
10. Banks rotate staff as well and they find this particular bg , the proforma etc difficult. they don't seem to want to provide drafts either. It would be great to find an alternative which provided retailers flexibility to give you our money. as opposed to a BG at short notice
11. Regarding participants being proactive in providing bank guarantees, what reports or resources does AEMO propose to provide to assist with participants assessing their own MCL?
12. What is the expected response time for participants to supply a bank guarantee?