

IMO Procedure Change and Development Working Group

Agenda

Meeting No.	15
Location:	IMO Board Room Level 17, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	20 September 2013
Time:	9.30 – 12.00 pm

Item	Subject	Responsible	Time
1.	WELCOME & APOLOGIES / ATTENDANCE	Chair	5 min
2.	MINUTES OF PREVIOUS MEETING	Chair	10 min
3.	ACTIONS ARISING	Chair	10 min
4.	PC_2013_06: MARKET PROCEDURE FOR CERTIFICATION OF RESERVE CAPACITY	IMO	15 min
5.	PC_2013_09: MARKET PROCEDURE FOR RESERVE CAPACITY PERFORMANCE MONITORING	IMO	15 min
6.	PC_2013_07: MARKET PROCEDURE FOR SETTLEMENT	IMO	40 min
7.	PC_2013_04: MARKET PROCEDURE FOR PRUDENTIAL REQUIREMENTS	IMO	40 min
8.	GENERAL BUSINESS	Chair	10 min
9.	NEXT MEETING: TBA	Chair	5 min

Independent Market Operator
IMO Procedure Change and Development Working Group

Minutes

Meeting No.	14
Location:	IMO Board Room Level 17, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Tuesday 23 April 2013
Time:	Commencing at 1:05 pm – 3:05 pm

Attendees		
Kate Ryan	IMO	Chair
Sam Beagley	IMO	IMO - Presenter
Natasha Cunningham	IMO	IMO - Minutes
Steve Gould	Community Electricity	Industry representative
Fiona Edmonds	Alinta	Industry representative (proxy)
John Rhodes	Synergy	Synergy
Brendan Clarke	System Management	System Management
William Street	IMO	IMO - Presenter
Bobby Ditric	IMO	IMO - Observer (arrived at 2.30)
Apologies		
John Nguyen	Perth Energy	Industry representative
Jacinda Papps	Verve Energy	Verve Energy
Debra Rizzi	Alinta	Industry representative

Item	Subject	Action
1.	<p>WELCOME AND APOLOGIES / ATTENDANCE</p> <p>The Chair opened the 14th meeting of the IMO Procedure Change and Development Working Group (Working Group) at 1:05 pm.</p> <p>The Chair noted apologies from Mr John Nguyen, Ms Jacinda Papps and Ms Debra Rizzi.</p>	
2.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes from Meeting 13 of the Working Group, held on 27 November 2012, were accepted by Working Group members as a true and accurate record of the meeting.</p>	

Item	Subject	Action
3.	<p>ACTIONS ARISING</p> <p>All actions arising were complete with the following exception.</p> <p>Item 138: The Chair noted that this action item was still a work in progress.</p>	
4.	<p>PC_2013_02: MARKET PROCEDURE FOR PARTICIPANT REGISTRATION AND DE-REGISTRATION</p> <p>The Working Group discussed the IMO's proposed amendments to the Market Procedure for Participant Registration and De-Registration. The following changes and actions were agreed.</p> <ul style="list-style-type: none"> • General: <ul style="list-style-type: none"> i) Review the consistency of version names in version history following the cover page. ii) Insert version number in the footer for ease of reference. • Step 1.1.1: Review and amend if appropriate the reference to the Market Procedure title for consistency with the rest of the document. • Step 1.4: Consider whether to de-capitalise "Market Documents" as it is not a defined term in the Market Rules. • Step 1.6: Amend the step for consistency with legislative hierarchy. • Table 1: In the definition for "Application(s)" delete the beginning of the definition "term used in this Procedure for" and begin the sentence at "any of the submissions..." • Table 3 (and subsequent uses in section 3): Change "Western Power Metering" to "Meter Data Agent." • Step 4.1: Consider whether it is necessary to clarify that this step is a required prerequisite to registration. • Step 4.1.1: Include a requirement that the most recent version of the document should be downloaded. • Steps 4.1.4 – 4.1.8: Consider including timeframes/timelines to these steps to increase transparency. • Step 4.2.8(a)(ii): Delete the full stop and replace with a semi colon. • Step 4.2.8(b)(ii) footnote 3: Consider clarifying whether these Applications can be done concurrently. • Step 4.2.9: <ul style="list-style-type: none"> i) Delete the beginning of the sentence "Upon receipt or as soon as practical..." so that the step begins with "The IMO..." ii) Include a requirement that the IMO can request additional 	

Item	Subject	Action
	<p>information OR missing information.</p> <ul style="list-style-type: none"> Step 4.2.11: Confirm if section (a) and (b) can be merged to provide a reason for rejection through WEMS. Step 5.1.1: Insert a full stop after (b). Step 5.1.6(b): <ul style="list-style-type: none"> i) Move section (b) to be relocated to above section 5.1.6. ii) Check to make sure that clause 2.31.11(b)(ii) is the correct reference. Step 5.1.7(a): Italicise “Application for Rule Participant De-Registration.” Step 5.1.8: Italicise “Application for Rule Participant De-Registration and re-word in accordance with section 4.2.11.” Step 5.2.3: Consider including referencing to specific clauses in the Market Rules to increase transparency. Step 5.2.5: Consider using a sub-heading of “Electricity Review Board” before clause 5.2.6. Step 6.1.6: Review whether 10 Business Days is an appropriate timeframe. Consider whether the Procedure should include steps to support clause 2.28.16B. <p><i>Action Point: The IMO to update the Market Procedure for Participant Registration, De-Registration and Transfer to reflect the amendments agreed to at the 23 April 2013 Working Group meeting.</i></p>	<p>IMO</p>
<p>5.</p>	<p>PC_2012_11: MARKET PROCEDURE FOR FACILITY REGISTRATION, DE-REGISTRATION AND TRANSFER</p> <p>The Working Group discussed the IMO’s proposed amendments to the Market Procedure for Facility Registration, De-Registration and Transfer. The following amendments were agreed.</p> <ul style="list-style-type: none"> General: <ul style="list-style-type: none"> i) Review the consistency of version names in version history following. ii) Insert version number in the footer for ease of reference. iii) Clarify the terms “cancel”, “reduce” and “disassociate” (as appropriate). Step 1.6: Amend the step to coincide with legislative hierarchy. Table 2: Add a brief description of the processes illustrated in 	

Item	Subject	Action
	<p>the table.</p> <ul style="list-style-type: none"> • Table 3 (and subsequent uses in section 3): Change “Western Power Metering” to “Meter Data Agent.” • Flow chart 3.2: Add a first step of “creating a facility.” • Flow chart 3.9: <ul style="list-style-type: none"> i) Change the word “disassociate” to “cancel.” This should also be amended through the entire Procedure. ii) Review language in the bottom two green boxes of the process map and amend appropriately to reflect the language used in the Market Rules. • Step 4.1.5: Delete “...may confirm the requested Facility name. The IMO...” so as to make one long consistent sentence. • Step 4.2.1: Remove “...have previously submitted the...” and replace with “prior to registering.” • Step 4.2.1(a): Review whether there is a more concise way to describe what ‘general information’ entails as well reviewing whether a reference to clause 2.33.3 should be incorporated. • Step 4.2.5: Incorporate a footnote so that the user knows both the application via WEMS and the Declaration of Application for Facility Registration are part of the registration form. • Step 4.2.9: <ul style="list-style-type: none"> i) Add a reference to clause 2.31.8. ii) Consider re-wording with references to the process in the Rules which is more coherent. • Step 4.2.10: <ul style="list-style-type: none"> i) Review language and amend appropriately to reflect the language used in the Market Rules. ii) Move entire step and insert it after step 4.2.9. • Step 4.2.12: Remove “System Management...” and replace with “Network Operator.” • Step 4.2.15: Include a new step under step 4.2.15 and implement the structure of step 5.1.13 for the purposes of content. • Step 5.1.2: Re phrase the wording to “The IMO may de-register...” to maintain consistency. • Step 5.1.2(a): Remove the “or” and replace with “and.” 	

Item	Subject	Action
	<ul style="list-style-type: none"> Step 5.1.8: should be reworded in accordance with the requirements in step 4.1.8 of this Procedure. Steps 6.1.2 and 6.1.3: Merge the two steps together. Step 6.1.5: Break the step down into smaller steps to enhance clarity. Step 6.1.8: Remove second paragraph from this step and make into a new step. Step 6.1.9: Include a requirement on the IMO to consult with System Management. Step 7.1.1: <ul style="list-style-type: none"> i) Insert a step clarifying the timeline for the IMO to approve or reject an application for Facility Aggregation. ii) Merge this step with step 7.1.3. Step 7.1.5 and 7.1.6: Amend to put the onus on System Management and/or the Network Operator to communicate with the IMO. Step 7.1.7: Review the wording and amend to be similar to the language used in step 7.2.6 (as appropriate) to maintain consistency. Step 7.1.10: <ul style="list-style-type: none"> i) De-italicise "...the IMO must..." ii) Include timeline requirements to enhance transparency. iii) Review if (a) and (b) can be merged to provide reason for rejection through WEMS. Step 7.2.1: Merge this step with step 7.2.2. Step 7.2.4: De-capitalise "relevant." Step 7.2.7: <ul style="list-style-type: none"> i) Review if section (a) and (b) can be merged together to provide a reason for rejection through WEMS. ii) Clarify the timing requirements (5 Business Days). Step 8.1.1: Merge this step with step 8.1.2. Step 8.1.9: <ul style="list-style-type: none"> i) Confirm if section (a) and (b) can be merged to provide a reason for rejection through WEMS. ii) Clarify that 5 Business Days applies to both parts (a) and (b). Step 8.1.10: Consider whether a process should be included to permit an Applicant an opportunity to respond. 	

Item	Subject	Action
	<p><i>Action Points:</i></p> <ul style="list-style-type: none"> • <i>Review clause 2.30A.2 in the Market Rules to ensure that there is no error in the current drafting of the rule.</i> • <i>The IMO to update the Market Procedure for Facility Registration, De-Registration and Transfer to reflect the amendments agreed to at the 23 April 2013 Working Group meeting.</i> 	<p>IMO</p> <p>IMO</p>
6.	<p>PC_2011_04: MARKET PROCEDURE FOR PRUDENTIAL REQUIREMENTS</p> <p>Due to time constraints, this item was not addressed and will be subsequently brought forward to the next Working Group meeting.</p> <p><i>Action Point: The IMO to include the Market Procedure for Prudential Requirements on the agenda for the next Working Group meeting.</i></p>	<p>IMO</p>
7.	<p>GENERAL BUSINESS/CLOSE OF MEETING</p> <p>No general business was recorded at the meeting.</p> <p>The Chair noted that the details of the next Working Group meeting would be advised at a later date.</p> <p>The Chair thanked all members for attending and declared the meeting closed at 3:05 pm.</p>	

Agenda item 3: 2013 IMO Procedure Change and Development WG Action Points

Legend:

Shaded	Shaded action points are actions that have been completed since the last IMOPWG meeting.
Unshaded	Unshaded action points are still being progressed.
Missing	Action items missing in sequence have been completed from previous meetings and subsequently removed from log.

#	Procedure Arising	Action	Status/Progress
107	N/A	When there is a long break between Working Group meetings, the minutes are to be ratified by email.	Ongoing.
138	Market Procedure for Notices and Communications	The IMO to update the Market Procedure for Notices and Communications to reflect the amendments agreed to at the 27 November 2012 meeting.	Underway.
139	Market Procedure for Participant Registration, De-Registration and Transfer	The IMO to update the Market Procedure for Participant Registration, De-Registration and Transfer to reflect the amendments agreed to at the 23 April 2013 Working Group meeting.	Complete. This Procedure Change Proposal was submitted into the process on 2 July 2013. The IMO is currently preparing the Procedure Change Report.
140	Market Procedure for Facility Registration, De-Registration and Transfer	The IMO to update the Market Procedure for Facility Registration, De-Registration and Transfer to reflect the amendments agreed to at the 23 April 2013 Working Group meeting.	Complete. This Procedure Change Proposal was submitted into the process on 2 July 2013. The IMO is currently preparing the Procedure Change Report.

#	Procedure Arising	Action	Status/Progress
141	Market Procedure for Prudential Requirements	The IMO to include the Market Procedure for Prudential Requirements on the agenda for the next Working Group meeting.	Complete. Included on agenda for IMO Procedures Working Group Meeting 15.

Agenda Item 4: Market Procedure for Certification of Reserve Capacity (PC_2013_06)

1. BACKGROUND

The Market Procedure for Certification of Reserve Capacity has been re-drafted to reflect the changes arising from *RC_2013_09: Incentives to Improve Availability of Scheduled Generators*. The Procedure also has changes resulting from *RC_2013_10: Harmonisation of Supply-Side and Demand-Side Capacity Resources* and *RC_2012_20: Consideration of Network Constraints for Certified Reserve Capacity*. In addition, the Procedure requires alteration to reflect the IMO's new format and the development of WEMS.

The Procedure should be read in conjunction with Chapter 4 of the Market Rules.

2. AMENDED MARKET PROCEDURE

The IMO has updated the Market Procedure to:

- Reflect the revised consideration of outages in the assessment of applications for Certified Reserve Capacity, including;
 - new outage rates scale in table form; and
 - addition of IMO discretions and report requests;
- Reflect the IMO's new format;
- Explain the IMO discretion to assign a level of Reserve Capacity less than full;
- Refine the assessment of fuel and other restrictions by the IMO;
- Outline the proposed changes to the Availability Classes; and
- Reflect the treatment of Facilities that share a Declared Sent Out Capacity.

3. RECOMMENDATIONS

The IMO recommends that the IMO Procedure Change and Development Working Group (Working Group):

- **Discuss** the re-drafting of the Market Procedure; and
- **Note** that the IMO will formally submit the revised Procedure into the Procedure Change Process, subject to any comment from the Working Group.



INDEPENDENT
MARKET
OPERATOR



Reserve Capacity Procedure: Certification of Reserve Capacity

VERSION 45



ELECTRICITY INDUSTRY ACT 2004
ELECTRICITY INDUSTRY
(WHOLESALE ELECTRICITY MARKET)

REGULATIONS 2004
WHOLESALE ELECTRICITY MARKET RULES
COMMENCEMENT:

This Market Procedure took effect from 8:00am (WST) on the
same date as the Wholesale Electricity Market Rules.

VERSION HISTORY

Version	Effective Date	Notes
1	21 Sep 2006	Market Procedure for Certification of Reserve Capacity
2	27 Jun 2008	Amendments to Market Procedure resulting from PC_2008_04
3	15 Dec 2010	Amendments to Market Procedure resulting from PC_2009_04
4	18 Mar 2013	Amendments to Market Procedure resulting from PC_2012_07
5	XX Feb 2014	Amendments to Market Procedure resulting from PC_2013_09

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1 PROCEDURE OVERVIEW

1.1 Relationship with the Market Rules

- 1.1.1 This Reserve Capacity Market Procedure (Procedure) has been developed in accordance with clauses 4.9.10 and 4.28C.15 of the Wholesale Electricity Market (WEM) Rules (Market Rules) and should be read in conjunction with chapter 4 of the Market Rules.
- 1.1.2 Reference to particular Market Rules within the Procedure, which are in bold and square brackets **[Clause XX]** are current as at **1 February 2013**~~2014~~. These references are included for convenience only and are not part of this procedure.
- 1.1.3 The IMO may modify or extend a date or time set under clause 4.1 of the Market Rules (except the dates and times set by clause 4.1.18, 4.1.26, 4.1.29 and 4.1.30) in accordance with the requirements outlined in clause 4.1.32.

1.2 Purpose of this Procedure

- 1.2.1 This Procedure describes the processes that:
 - (a) Market Participants must follow when applying for Certified Reserve Capacity **[Clause 4.9.10]** or Early Certified Reserve Capacity **[Clause 4.28C.15]**;
 - (b) the IMO must follow in processing an application for Certified Reserve Capacity, including how:
 - i. Certified Reserve Capacity is assigned; and
 - ii. Reserve Capacity Obligation Quantities are set **[Clause 4.9.10]**; and
 - (c) the IMO must follow in approving Capacity Credits associated with Early Certified Reserve Capacity. **[Clause 4.28C.15]**
- 1.2.2 This Procedure also specifies the format of data required to be submitted by a Market Participant applying for certification of Reserve Capacity. **[Clause 4.9.3(a)]**

1.3 Application of this Procedure

- 1.3.1 This Procedure applies to:
 - (a) Market Participants whenever making an application for Early Certified Reserve Capacity or Certified Reserve Capacity; and
 - (b) The IMO whenever processing an application for Early Certified Reserve Capacity or Certification of Reserve Capacity.

1.4 Associated Market Procedures and Market Documents

- 1.4.1 The following IMO Market Procedures are associated with this Procedure:
 - (a) Declaration of Bilateral Trades and the Reserve Capacity Auction;
 - (b) Reserve Capacity Security;
 - (c) Reserve Capacity Testing;
 - (d) Reserve Capacity Performance Monitoring;
 - (e) Facility Registration, De-Registration and Facility Transfer;
 - (f) Registration and De-Registration of Rule Participants;

- (g) Balancing Facility Requirements; and
 - (h) Notices and Communications.
- 1.4.2 The following Power System Operation Procedures are associated with this Procedure:
- (a) Facility Outages.
- 1.4.3 The following market documents are associated with this Procedure:
- (a) Information for Applicants for Certification of Reserve Capacity;
 - (b) WEMS user guide; and
 - (c) Load for Scheduled Generation – help guide.
- 1.5 Conventions Used**
- 1.5.1 In this Procedure, the conventions specified in clauses 1.3 - 1.5 of the Market Rules apply.
- 1.6 Terminologies and Definitions**
- 1.6.1 A word or phrase defined in the Market Rules, the Electricity Industry Act or the Regulations has the same meaning when used in this Procedure. In addition the following defined terms have the meaning given.

Table 1 - Defined Terms

Term	Definition
Temperature Dependence Curve	The information provided by a Market Participant under clause 4.10.1(e)(i) of the Market Rules, as determined by an independent engineering firm.
WEMS	An interface system that the IMO uses to administer/operate the Wholesale Electricity Market.

Table 1 – Defined Terms

2 APPLICATIONS FOR CERTIFICATION OF RESERVE CAPACITY

2.1 Submission of Applications

- 2.1.1 A Market Participant may lodge applications for Certified Reserve Capacity in respect of a Reserve Capacity Cycle between:
- (a) 9 AM on the first Business Day falling on or following 1 May of Year 1 of the Reserve Capacity Cycle; and
 - (b) 5 PM on the last Business Day falling on or before 1 July of Year 1 of the Reserve Capacity Cycle. **[Clauses 4.1.7, 4.1.11 & 4.9.1(a)]**
- 2.1.2 A Market Participant may lodge applications for Conditional Certified Reserve Capacity for a future Reserve Capacity Cycle at any time prior to 9 AM on the first Business Day falling on or following 1 May of Year 1 of the Reserve Capacity Cycle to which the application relates. **[Clauses 4.1.7 & 4.9.1(b)]**

- 2.1.3 A Market Participant with a Facility that meets the criteria outlined in clause 4.28C.1 of the Market Rules may lodge an application for Early Certified Reserve Capacity at any time before 1 January of Year 1 of the Reserve Capacity Cycle to which the application relates. **[Clause 4.28C.2]**
- 2.1.4 Before submitting an application for a Facility under step 2.1.1, 2.1.2 or 2.1.3, an applicant must ensure that:
- (a) it is registered as a Market Participant; and
 - (b) the Facility name is registered in the WEMS for the purposes of Certified Reserve Capacity in accordance with the Market Procedure for Facility Registration, Facility De-Registration and Facility Transfer. Note that this is not the same as being a Registered Facility under the Market Rules.
- 2.1.5 A Market Participant may apply for certification of the amount of Reserve Capacity which can be provided by a Facility if the Facility meets the requirements outlined in clause 4.8.1 of the Market Rules.
- 2.1.6 A Market Participant who lodges an application for certification of Reserve Capacity for a Facility must provide to the IMO the information specified in clause 4.9.3 of the Market Rules. The information provided must be consistent with the Reserve Capacity Cycle for which the application is being made and must be provided for each Facility. Further details of the data and information required to be submitted in support of an application is provided in the 'Information for Applicants for Certification of Reserve Capacity' document on the Market Web Site (<http://www.imowa.com.au/crc>).
- 2.1.7 A Market Participant must lodge an application for certification of Reserve Capacity through the WEMS. Any supporting documentation for an application required under clause 4.9.3 of the Market Rules may be delivered to the IMO in hard copy or emailed to system.capacity@imowa.com.au in any of the following formats:
- (a) compressed ZIP files (where the files in the archive must be in any of the formats listed below);
 - (b) MS Office (.xlsx, .xls, .docx, doc, pptx or .ppt); or
 - (c) Adobe PDF.

2.2 Specific Requirements for Early Certified Reserve Capacity

- 2.2.1 In addition to the requirements of step 2.1.6, an application for Early Certified Reserve Capacity must:
- (a) relate to a single future Reserve Capacity Cycle **[Clause 4.28C.3]**; and
 - (b) state that the applicant intends to trade all assigned Certified Reserve Capacity bilaterally. **[Clause 4.28C.4]**
- 2.2.2 An applicant for Early Certified Reserve Capacity must ensure that the IMO holds the benefit of a Reserve Capacity Security equal to the amount specified in clause 4.28C.9 of the Market Rules, within 30 Business Days of receiving notification of the amount of Early Certified Reserve Capacity assigned to the Facility under step 3.8.3 **[Clause 4.28C.8]**. For further details of the process for providing a Reserve Capacity Security refer to the Market Procedure for Reserve Capacity Security.

3 PROCESSING OF APPLICATIONS FOR CERTIFICATION OF RESERVE CAPACITY

3.1 Acknowledgement of application

3.1.1 The IMO must notify each applicant for certification of Reserve Capacity that its application has been received within one Business Day **[Clause 4.9.6]**. This notification may be provided through the WEMS.

3.1.2 An applicant must contact the IMO and arrange to resubmit its application for certification of Reserve Capacity where it has not received a notification of receipt of the application within the timeframes outlined in step 3.1.1. The resubmission of an application must be made during the applicable lodgement period specified in step 2.1.1, 2.1.2 or 2.1.3. **[Clause 4.9.7]**

3.2 Data accuracy and sufficiency assessment

3.2.1 The IMO must check all data provided in the application to check whether:

- (a) All required information has been provided;
- (b) The information provided is of sufficient detail; and
- (c) Information has been specifically provided to support the applicant's claims in respect to the capacity of the Facility.

3.2.2 Where the information provided by the applicant is considered by the IMO to be insufficient or incomplete following its assessment in step 3.2.1:

- (a) the IMO must request:
 - i. a clarification of the information provided originally; and/or
 - ii. further information to be provided to assist the IMO in processing the application; and
- (b) the applicant must respond to the request as soon as practicable.

3.3 Assessment of application where Facility has previously been assigned Conditional Certified Reserve Capacity

3.3.1 Where a Market Participant is re-lodging an application for Certified Reserve Capacity for a Facility that has already been assigned Conditional Certified Reserve Capacity, the IMO must check:

- (a) whether the application is consistent with the information upon which the Conditional Certified Reserve Capacity was assigned; and
- (b) whether the information has remained correct. **[Clause 4.9.5]**

3.3.2 A re-lodged application for Certified Reserve Capacity must include evidence of an Arrangement of Access or evidence that the Market Participant has accepted an Access Proposal from the relevant Network Operator made in respect of the Facility. **[Clause 4.10.1(bA)]**

3.3.3 Where the IMO determines that a re-lodged application for Certified Reserve Capacity:

- (a) is consistent with the information upon which the Conditional Certified Reserve Capacity was assigned;
- (b) is accurate; and
- (c) provides details of network access as required under step 3.3.2,

the IMO must confirm the Certified Reserve Capacity, Reserve Capacity Obligation Quantity and the Reserve Capacity Security levels, subject to re-calculation of the level of Certified Reserve Capacity for an Intermittent Generator. **[Clause 4.9.5(c)]**

- 3.3.4 Where a re-lodged application does not include details of network access as required under step 3.3.2, the IMO must deem the application to be inconsistent with the information upon which the Conditional Certified Reserve Capacity was assigned on the basis that the Facility assigned would be unable to be a Registered Facility prior to the date its Reserve Capacity Obligations for the relevant Reserve Capacity Cycle would take effect. **[Clause 4.11.1(f)]**

- 3.3.5 Where the IMO determines that a re-lodged application is:

- (a) inconsistent with the information upon which the Conditional Certified Reserve Capacity was assigned; or
- (b) the information is inaccurate,

the IMO must not take the Conditional Certified Reserve Capacity into account when processing the application. **[Clause 4.9.5(d)]**

3.4 Timing assessment

- 3.4.1 The IMO must not assign Certified Reserve Capacity to a Facility where the Facility:

- (a) is not scheduled to first commence operation by 1 October of Year 3 of the relevant Reserve Capacity Cycle, being the date that Reserve Capacity Obligations will apply for that Facility **[Clause 4.11.1(c)(ii)]**; or
- (b) will cease operation permanently, and hence cease to meet Reserve Capacity Obligations, from a time earlier than 1 August of Year 4 of the relevant Reserve Capacity Cycle **[Clause 4.11.1(c)(iii)]**; or
- (c) is not expected to be a Registered Facility by the time its Reserve Capacity Obligations for the relevant Reserve Capacity Cycle would take effect. **[Clause 4.11.1(f)]**

3.5 Outage assessment

- 3.5.1 The IMO must identify:

- (a) each Facility that has operated for at least 36 months and has had a Forced Outage rate ~~of greater than 15%~~, or a combined Planned Outage rate ~~and Forced Outage rate of greater than 30%~~ greater than the applicable percentages, contained in clause 4.11.1D, listed in the table below over the preceding 36 months; and
- (b) each Facility that has ~~operated for~~ been in Commercial Operation for less than 36 months, or is yet to commence ~~operation~~ Commercial Operation, where the IMO has cause to believe that over ~~a period of the first 36 months of Commercial Operation~~ the Facility is likely to have a Forced Outage ~~rate of greater than 15%~~ or a combined Planned Outage rate and Forced Outage rate of greater ~~than 30%~~ than the applicable percentages, contained in clause 4.11.1D as listed in the table below. **[Clause 4.11.1(h)]**

Table 2

<u>For IMO decisions related to the Capacity Year</u>	<u>Forced Outage rate greater than</u>	<u>Combined Planned Outage rate and Forced Outage rate greater than</u>
<u>Prior to 2016/17</u>	<u>15%</u>	<u>30%</u>
<u>2016/17</u>	<u>14%</u>	<u>28%</u>
<u>2017/18</u>	<u>13%</u>	<u>26%</u>
<u>2018/19</u>	<u>12%</u>	<u>24%</u>
<u>2019/20</u>	<u>11%</u>	<u>22%</u>
<u>2020/21 onwards</u>	<u>10%</u>	<u>20%</u>

3.5.2

~~3.5.3~~ **3.5.2** For the purpose of step 3.5.1, the IMO must calculate the Planned Outage rate and Forced Outage rate for each Facility in accordance with the Power System Operation Procedure: Facility Outages. **[Clause 4.11.1-(h)]**

~~3.5.4~~ **3.5.3** For each Facility identified in step 3.5.1, the IMO must notify the applicant that it has breached, or that the IMO has cause to believe that it will breach, the outage threshold in step 3.5.1. This notification must be provided to the applicant at least 15 Business Days prior to the deadline in step 3.8.1.

~~3.5.5~~ **3.5.4** Each notification issued under step 3.5.3 may include a request for additional information from the applicant that the IMO considers is relevant to the exercise of its discretion under clause 4.11.1(h) of the Market Rules, including but not limited to:

- (a) the causes of the outages;
- (b) the steps being taken, or that have been taken, to reduce the level of outages; and
- (c) the expected level of future outages.

~~3.5.6~~ **3.5.5** The IMO may consult with System Management in relation to the outage rates of any Facility identified in step 3.5.1.

~~3.5.7~~ **3.5.6** The IMO may decide not to assign, or to assign a specified quantity of Certified Reserve Capacity to a Facility identified in step 3.5.1 **[Clause 4.11.1(h)]**. In making this determination, the IMO may consider any information gathered in steps 3.5.4 and 3.5.5 and may also consider, amongst other factors:

- ~~(a) the actions being taken by the Market Participant to reduce the level of outages at the Facility;~~
- ~~(b) the likelihood that these actions will reduce the level of outages of the Facility; and~~
- ~~(c) whether or not the outages of the Facility are compromising, or are likely to compromise, the ability of the Facility to contribute to the security and reliability of the SWIS.~~

3.5.7 In making the decision in step 3.5.6, the IMO:

- (a) may consider any information gathered in steps 3.5.4 and 3.5.5;

- (b) may consider the information described in clause 4.11.1B(b) of the Market Rules; and
- (c) must consider the factors listed in clause 4.11.1C of the Market Rules;
- 3.5.8 Where the IMO makes a ~~decision~~termination under step ~~3.5.6~~ 4.5.4~~not to assign, or to assign a specified quantity of Certified Reserve Capacity to a Facility, the~~ IMO must publish the reasons for a decision made under clause 4.11.1(h) on the Market Web Site to the extent those reasons do not contain any confidential information **[Clause 4.11.1A]**.~~Where the IMO determines under step 3.5.6 to not assign Certified Reserve Capacity to a Facility, it must notify the applicant of its decision and the reasons for its decision in accordance with the process in section 3.8, otherwise the IMO must continue to process the application in accordance with the steps outlined in this Procedure. This must occur by the deadline specified in clause 4.1.15A of the Market Rules.~~
- 3.6 Balancing Facility Requirements**
- 3.6.1 The IMO must not assign Certified Reserve Capacity to a Balancing Facility with a rated capacity greater than or equal to 10 MW unless the IMO is satisfied that the Facility is likely to be able to meet the Balancing Facility Requirements, as described in the Market Procedure: Balancing Facility Requirements. **[Clause 4.11.12]**
- 3.7 Facility-specific assessment**
- 3.7.1 In addition to the assessments above, the IMO must further assess applications for Certified Reserve Capacity in accordance with:
- (a) section 4, for generation facilities that have nominated the use of the methodology described in clause 4.11.1(a);
 - (b) section 5, for generation facilities that have nominated the use of the methodology described in clause 4.11.2(b), including Intermittent Generators; and
 - (c) section 6, for Demand Side Programmes, Dispatchable Loads and Interruptible Loads.
- 3.8 Notifications regarding Certified Reserve Capacity**
- 3.8.1 The IMO must provide each applicant for certification of Reserve Capacity with a notification of whether their submission has been approved, partially approved or rejected:
- (a) by 5 PM of the last Business Day on or before 19 August of Year 1 of that Reserve Capacity Cycle, for applications for the current Reserve Capacity Cycle **[Clause 4.9.8(a) & 4.1.12]**; or
 - (b) within 90 days of the IMO receiving the application, for applications for a future Reserve Capacity Cycle **[Clause 4.9.8(b)]**.
- 3.8.2 If the IMO assigns Certified Reserve Capacity to a Facility the notification provided to the Facility must include the information specified in clause 4.9.9. **[Clause 4.11.1(i)]** Note that some of this notification to applicants may be provided through the WEMS.
- 3.8.3 The IMO must notify each applicant for Early Certified Reserve Capacity of the quantity of Early Certified Reserve Capacity, the initial Reserve Capacity Obligation Quantity and, provided that the Reserve Capacity Security has been

provided to the IMO, the quantity of Capacity Credits assigned to the Facility within 90 days of the application having been received. **[Clauses 4.28C.6, 4.28C.7 & 4.28C.10]**

4 ASSESSMENT FOR GENERATION FACILITIES BEING ASSESSED UNDER CLAUSE 4.11.1(A)

4.1 Plant capability assessment

4.1.1 The IMO must determine its reasonable expectation of the maximum sent out capacity for each Facility from 1 October of Year 3 of the Reserve Capacity Cycle until the end of July of Year 4 of the Reserve Capacity Cycle, after netting off capacity required to serve Intermittent Loads, embedded loads and Parasitic Loads, assuming an ambient temperature of 41⁰C. **[Clause 4.11.1(a)]**

4.1.2 The maximum sent out capacity determined in step 4.1.1 must not exceed the sum of the capacities specified by the Market Participant under clauses 4.10.1(e)(ii) and 4.10.1(e)(iii) of the Market Rules. **[Clause 4.11.1(b)]**

4.1.3 In determining the maximum sent out capacity in step 4.1.1, the IMO must have regard to the following information, as applicable:

- (a) the historical sent out generation of the Facility, as observed from Meter Data Submissions;
- (b) the results of Reserve Capacity Tests that have been conducted during the previous twelve months;
- (c) technical specifications for the Facility, as provided by an original equipment manufacturers or an engineering contractor; and
- (d) the Temperature Dependence Curve for the Facility.

4.2 Network access assessment

4.2.1 The IMO must assess the evidence of network access provided by the applicant under clause 4.10.1(bA) of the Market Rules, including the level of unconstrained access and details of any constraints that may apply.

4.2.2 The assessment in step 4.2.1 must consider, where applicable, the sharing of a Declared Sent Out Capacity by two or more generation Facilities, in which case the total Certified Reserve Capacity assigned to those Facilities must not exceed the Declared Sent Out Capacity. **[Clause 4.11.1(bB)]**

4.2.24.2.3 In respect of a Facility that will be subject to a Network Control Service contract, the IMO must not assign Certified Reserve Capacity in excess of the capacity that the IMO believes that Facility can usefully contribute given its location and any network constraints that are likely to occur. **[Clause 4.11.1(g)]**

4.2.34.2.4 Where the IMO requests information from a Network Operator in relation to an application for Certified Reserve Capacity, in accordance with clause 4.11.5, it must not provide information to the Network Operator that was provided to it as part of an application for Certified Reserve Capacity, except with the permission of the applicant.

4.3 Assessment of fuel supply, staffing constraints and other restrictions

4.3.1 The IMO must assess:

- (a) the details and evidence of firm and non-firm fuel supplies provided by the applicant under clause 4.10.1(e)(v) of the Market Rules; and

- (b) any restrictions on the availability of the Facility due to staffing constraints or other restrictions, as specified by the applicant under clause 4.10.1(g) of the Market Rules,

to determine whether it reasonably expects that the Facility is likely to be available at the level of capacity determined in step 4.1.1 ~~for Peak Trading Intervals on Business Days~~. **[Clause 4.11.1(a)]**

- 4.3.2 If the IMO reasonably expects in step 4.3.1 that the Facility is not likely to be available ~~for Peak Trading Intervals on Business Days~~ at the level of capacity determined in step 4.1.1, it may determine that the Facility is likely to be available ~~for Peak Trading Intervals on Business Days~~ at a lower level of capacity.

- 4.3.3 If an applicant nominates under clause 4.10.1(e)(v)(ii) of the Market Rules that it wishes provides details and evidence that the Facility ~~can operate on an to be certified in respect of more than one alternative~~ fuel source, the IMO must ~~assess this information to~~ determine whether it reasonably expects that the Facility is likely to be available on each fuel source, considered independently, at the level of capacity determined in step 4.1.1 ~~for 12 hours of continuous operation~~.

- 4.3.4 If the IMO reasonably expects in step 4.3.3 that the Facility is ~~not~~ likely to be available on each fuel source for 12 hours of continuous operation at the level of capacity determined in step 4.1.1, the Facility will ~~not~~ be considered to be a dual fuel Facility for the purpose of Certified Reserve Capacity.

- 4.3.5 The IMO may also review the water requirements for the Facility to determine whether it reasonably expects that the Facility is likely to be available at the level of capacity determined in step 4.1.1 ~~for Peak Trading Intervals on Business Days~~.

4.4 Environmental approval assessment

- 4.4.1 Where a Facility, or part of the Facility, has yet to enter service, the IMO must assess the evidence of Environmental Approvals, or evidence that the necessary Environmental Approvals will be granted in time to meet its Reserve Capacity Obligations, to ensure that:

- (a) the Environmental Approvals that have been granted or are being applied for will allow operation at the level of capacity determined in step 4.1.1; and
(b) it reasonably expects that the Environmental Approvals will be in place in time for the Facility to meet its Reserve Capacity Obligations.

- 4.4.2 If the IMO reasonably expects that the Environmental Approvals that have been granted or are being sought are insufficient to support availability for Peak Trading Intervals on Business Days at the level of capacity determined in step 4.1.14.1.14.1.1, it may determine that the Facility is likely to be available for Peak Trading Intervals on Business Days at a lower level of capacity.

4.5 Assignment of Certified Reserve Capacity

- 4.5.1 Based on the outcome of assessments in sections 4.1, to 4.4, the IMO must assign a quantity of Certified Reserve Capacity to a Facility according to its reasonable expectation of the amount of Reserve Capacity likely to be available from the Facility ~~during daily peak demand times~~ from 1 October in Year 3 to 31 July in Year 4 of the Reserve Capacity Cycle, assuming an ambient temperature of 41°C **[Clause 4.11.1(a)]**. This will be set to the minimum of:

- (a) the level nominated by the applicant in its application;
(b) a lower level of capacity as determined in step 3.5.6, if applicable;

- ~~(b)~~(c) the maximum sent out capacity of the Facility as determined in step 4.1.1;
- ~~(e)~~(d) the level of unconstrained access as assessed in step 4.2.1;
- ~~(d)~~(e) a lower level of capacity as determined in step 4.3.2, if applicable; and
- ~~(e)~~(f) a lower level of capacity as determined in step 4.4.2, if applicable.

4.5.2

4.6 Initial Reserve Capacity Obligation Quantity

- 4.6.1 The IMO must determine whether there are periods of time during which staffing or other factors will limit the Facility's ability to provide energy upon request.
- 4.6.2 The IMO must set the initial Reserve Capacity Obligation Quantity for the Facility at a level equal to the Certified Reserve Capacity except for those periods of time determined at step ~~4.6.14.6.14.6.1~~, in which case the IMO may set the initial Reserve Capacity Obligation at a lower level for those periods. **[Clause 4.12.4]**

5 ASSESSMENT FOR GENERATION FACILITIES BEING ASSESSED UNDER CLAUSE 4.11.2(b)

5.1 Consideration of nomination to use the methodology under clause 4.11.2(b)

- 5.1.1 Where an applicant nominates for a Facility to be assessed under the methodology described in clause 4.11.2(b), the IMO may reject that nomination if it reasonably believes that the capacity of the Facility has permanently declined, or is anticipated to permanently decline prior to or during the Reserve Capacity Cycle to which the Certified Reserve Capacity relates. **[Clause 4.11.2(a)]**
- 5.1.2 If the IMO rejects a nomination under step 5.1.1, it must process the application as if the application had nominated to use the methodology described in clause 4.11.1(a). This methodology is detailed in section 4. **[Clause 4.11.2(aA)]**

5.2 Network access assessment

- 5.2.1 The IMO must assess the evidence of network access provided by the applicant under clause 4.10.1(bA) of the Market Rules, including the level of unconstrained access and details of any constraints that may apply.

5.2.2 The assessment in step 5.2.1 must consider, where applicable, the sharing of a Declared Sent Out Capacity by two or more generation Facilities, in which case the total Certified Reserve Capacity assigned to those Facilities must not exceed the Declared Sent Out Capacity. **[Clause 4.11.1(bB)]**

~~5.2.25.2.3~~ In respect of a Facility that will be subject to a Network Control Service contract, the IMO must not assign Certified Reserve Capacity in excess of the capacity that the IMO believes that Facility can usefully contribute given its location and any network constraints that are likely to occur. **[Clause 4.11.1(g)]**

~~5.2.35.2.4~~ Where the IMO requests information from a Network Operator in relation to an application for Certified Reserve Capacity, in accordance with clause 4.11.5, it must not provide information to any Network Operator that was provided to it as part of an application for Certified Reserve Capacity, except with the permission of the applicant.

5.3 Assessment of independent expert report

- 5.3.1 Where an applicant provides an independent expert report under clause 4.10.3 of the Market Rules, the IMO must assess the accuracy of the report. This assessment may consider the following factors:
- (a) the configuration of the Facility that was considered in developing the report;
 - (b) the level of network access available, or expected to be available, to the Facility as assessed in step 5.2.1;
 - (c) the observed sent out generation of similar Facilities, if applicable;
 - (d) any restrictions on the availability of the Facility due to staffing constraints or other restrictions, as specified by the applicant under clause 4.10.1(g) of the Market Rules; and
 - (e) any other factors that the IMO considers relevant.
- 5.3.2 If in step 5.3.1, the IMO considers the independent expert report to be inaccurate, it may determine alternative estimates of the expected energy that would have been sent out by the Facility had it been in operation with the configuration proposed in the application for Certified Reserve Capacity to be used in the Relevant Level Methodology. **[Appendix 9 Step 10]**

5.4 Assignment of Certified Reserve Capacity

5.4.1 The IMO must assign a quantity of Certified Reserve Capacity equal to the minimum of:

(a) The Relevant Level, determined in accordance with the Relevant Level Methodology prescribed in Appendix 9 of the Market Rules; and

~~(a)~~(b) the level of unconstrained access as assessed in step 5.2.1. [Clause 4.11.2(b)]

5.5 Initial Reserve Capacity Obligation Quantity

- 5.5.1 The IMO must set the initial Reserve Capacity Obligation Quantity to zero for an Intermittent Generator. **[Clause 4.12.4(aA)]**
- 5.5.2 For a generation system that is not an Intermittent Generator that has sought to be certified under clause 4.11.2(b), the IMO must:
- (a) identify whether there are periods of time during which staffing or other factors will limit the Facility's ability to operate at full output; and
 - (b) set the initial Reserve Capacity Obligation Quantity for the Facility at a level equal to the Certified Reserve Capacity except for those periods of time determined at step 5.5.2(a), in which case the IMO may set the initial Reserve Capacity Obligation at a lower level for those periods. **[Clause 4.12.4]**

6 ASSESSMENT FOR DEMAND SIDE PROGRAMMES, INTERRUPTIBLE LOADS OR DISPATCHABLE LOADS

6.1 Assessment of availability restrictions

- 6.1.1 The IMO must assess the availability limits specified by the applicant under clause 4.10.1(f) of the Market Rules and must reject any application where the specified availability limits are less than the minimum requirements specified in that clause.

6.1.2 The IMO must allocate each Facility to an Availability Class in accordance with clause 4.11.4 of the Market Rules. ~~where~~

- ~~(a) Facilities that are available for at least 24 hours but less than 48 hours are allocated to Availability Class 4;~~
- ~~(b) Facilities that are available for at least 48 hours but less than 72 hours are allocated to Availability Class 3; and~~
- ~~(c) Facilities that are available for greater or equal to 72 hours are allocated to Availability Class 2. [Clauses 4.11.4 & Appendix 3]~~

6.2 Facility capability assessment

- 6.2.1 The IMO must determine the quantity of capacity that it reasonably expects to be available from the Facility during the periods specified in clause 4.10.1(f)(vi) of the Market Rules, after netting off capacity required to serve minimum loads. **[Clause 4.11.1(j)]**
- 6.2.2 In determining the capacity in step 6.2.1, the IMO must have regard to the following information, as applicable:
 - (a) the previous performance of the Facility, where applicable, including the results of Reserve Capacity Tests;
 - (b) evidence of contracts with Associated Loads provided by the applicant;
 - (c) evidence that loads are being actively pursued to be associated with a Demand Side Programme, if applicable;
 - (d) the Relevant Demand for the Facility, or loads that are expected to be associated with the Facility, determined in accordance with clause 4.26.2C of the Market Rules;
 - (e) any restrictions on the availability of the Facility due to staffing constraints or any other restrictions, as specified by the applicant under clause 4.10.1(g) of the Market Rules;
 - (f) the past history of the applicant in procuring DSM capacity; and
 - (g) any other factors that the IMO considers relevant.

6.3 Assignment of Certified Reserve Capacity

- 6.3.1 Unless it has rejected the application under step 6.1.1, the IMO must assign Certified Reserve Capacity to a Facility equivalent to the quantity determined in step 6.2.1.

6.4 Initial Reserve Capacity Obligation Quantity

- 6.4.1 The IMO must set the initial Reserve Capacity Obligation Quantity for the Facility at:
 - (a) a level equal to the Certified Reserve Capacity during the periods of availability specified by the applicant under clause 4.10.1(f) of the Market Rules; and
 - (b) zero for periods outside the periods of availability specified by the applicant under clause 4.10.1(f) of the Market Rules, accounting for staffing and other restrictions on the ability of the Facility to curtail energy upon request. **[Clause 4.12.4(c)]**

Agenda Item 5: Market Procedure for Reserve Capacity Performance Monitoring (PC_2013_09)

1. BACKGROUND

The Market Procedure for Reserve Capacity Performance Monitoring has been re-drafted to reflect the changes arising from *RC_2013_09: Incentives to Improve Availability of Scheduled Generators*. In addition, the Procedure requires alteration to reflect the IMO's new format and the development of WEMS.

The Procedure should be read in conjunction with Chapter 4 of the Market Rules.

2. AMENDED MARKET PROCEDURE

The IMO has updated the Market Procedure to:

- Reflect the additional performance monitoring steps proposed in RC_2013_09;
- Reflect the IMO's new format;
- Remove steps made redundant by deleted clauses; and
- Describe the new performance reports that may be requested by the IMO, including;
 - performance improvement reports; and
 - the format of reports.

3. RECOMMENDATIONS

The IMO recommends that the IMO Procedure Change and Development Working Group (Working Group):

- **Discuss** the re-drafting of the Market Procedure; and
- **Note** that the IMO will formally submit the revised Procedure into the Procedure Change Process, subject to any comment from the Working Group.



INDEPENDENT
MARKET
OPERATOR



Market Procedure: Reserve Capacity Performance Monitoring

VERSION ~~33~~ 34



ELECTRICITY INDUSTRY ACT 2004
ELECTRICITY INDUSTRY
(WHOLESALE ELECTRICITY MARKET)
REGULATIONS 2004
WHOLESALE ELECTRICITY MARKET RULES
COMMENCEMENT:

This Market Procedure took effect from 8:00am (WST) on the same date as the Wholesale Electricity Market Rule, in which this Procedure is made in accordance with, commences.

VERSION HISTORY

Version	Effective Date	Notes
1	21 September 2006	Market Procedure at Market Start
2	15 October 2008	Amendments to Market Procedure resulting from PC_2008_07
3	18 April 2011	Amendments to Market Procedure resulting from PC_2010_05
4	<u>XX September 2013</u>	<u>Amendments to Market Procedure resulting from PC 2013 09</u>

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1 PROCEDURE OVERVIEW

1.1 Relationship with the Market Rules

- 1.1.1 This Reserve Capacity Performance Monitoring Procedure (Procedure) should be read in conjunction with clause 4.27 of the Wholesale Electricity Market (WEM) Rules (Market Rules).
- 1.1.2 Reference to particular Market Rules within the Procedure in bold and square brackets **[MR-[Clause XX]** are current as of ~~1 April 2011~~ **XX February 2014**. These references are included for convenience only, and are not part of this Procedure.

1.2 Purpose

- 1.2.1 The purpose of the Procedure is to describe the steps for conducting Reserve Capacity performance monitoring as required under the Market Rules.

1.3 Application

- 1.3.1 This Procedure applies to:
- (a) the IMO in conducting Reserve Capacity performance monitoring;
 - (b) System Management in testing facilities; and
 - (c) Market Participants in complying with Reserve Capacity performance requirements.

1.4 Associated Market Procedures

- 1.4.1 The following IMO Market Procedures are associated with this Procedure:
- (a) Certification of Reserve Capacity; and
 - (b) Reserve Capacity Security.

1.5 Conventions Used

- 1.5.1 In this Procedure the conventions specified in clauses 1.3 to 1.5 of the Market Rules apply.

1.6 Terminologies and Definitions

- 1.6.1 A word or phrase defined in the Electricity Industry Act, the Electricity Industry (Wholesale Electricity Market) Regulations or the Market Rules has the same meaning when used in this Procedure.

~~1.5 Interpretation~~

- ~~1.5.1 In this Procedure, the conventions specified in clauses 1.3-1.5 of the Market Rules apply. The following additional clarifications are noted:~~
- ~~(a) The term "Good industry practice" means the exercise of that degree of skill, diligence, prudence and foresight that a skilled and experienced person would reasonably and ordinarily exercise under comparable conditions and circumstances consistent with applicable written laws and statutory instruments and applicable recognised codes, standards and guidelines;~~

- (b) ~~The term “Reserve Capacity performance report” means a report provided by a Market Participant at the request of the IMO for the purposes of Reserve Capacity Monitoring; and~~
- (c) ~~The term “Reserve Capacity progress report” means a report provided by a Market Participant in respect of a Facility that is yet to enter service and provided for the purpose of Reserve Capacity progress monitoring; and~~
- (d) ~~The term an “Authorised Officer” means, in respect of a Market Participant, an Officer as defined in Section 9 of the Corporations Act 2001.~~

Table 1

<u>Term</u>	<u>Definition</u>
<u>Good industry practice</u>	<u>means the exercise of that degree of skill, diligence, prudence and foresight that a skilled and experienced person would reasonably and ordinarily exercise under comparable conditions and circumstances consistent with applicable written laws and statutory instruments and applicable recognised codes, standards and guidelines</u>
<u>Reserve Capacity performance report</u>	<u>a report provided by a Market Participant at the request of the IMO for the purposes of Reserve Capacity Monitoring</u>
<u>Reserve Capacity progress report</u>	<u>a report provided by a Market Participant in respect of a Facility that is yet to enter service and provided for the purpose of Reserve Capacity progress monitoring</u>
<u>Authorised Officer</u>	<u>in respect of a Market Participant, an Officer as defined in Section 9 of the Corporations Act 2001.</u>

2 PROCEDURE STEPS

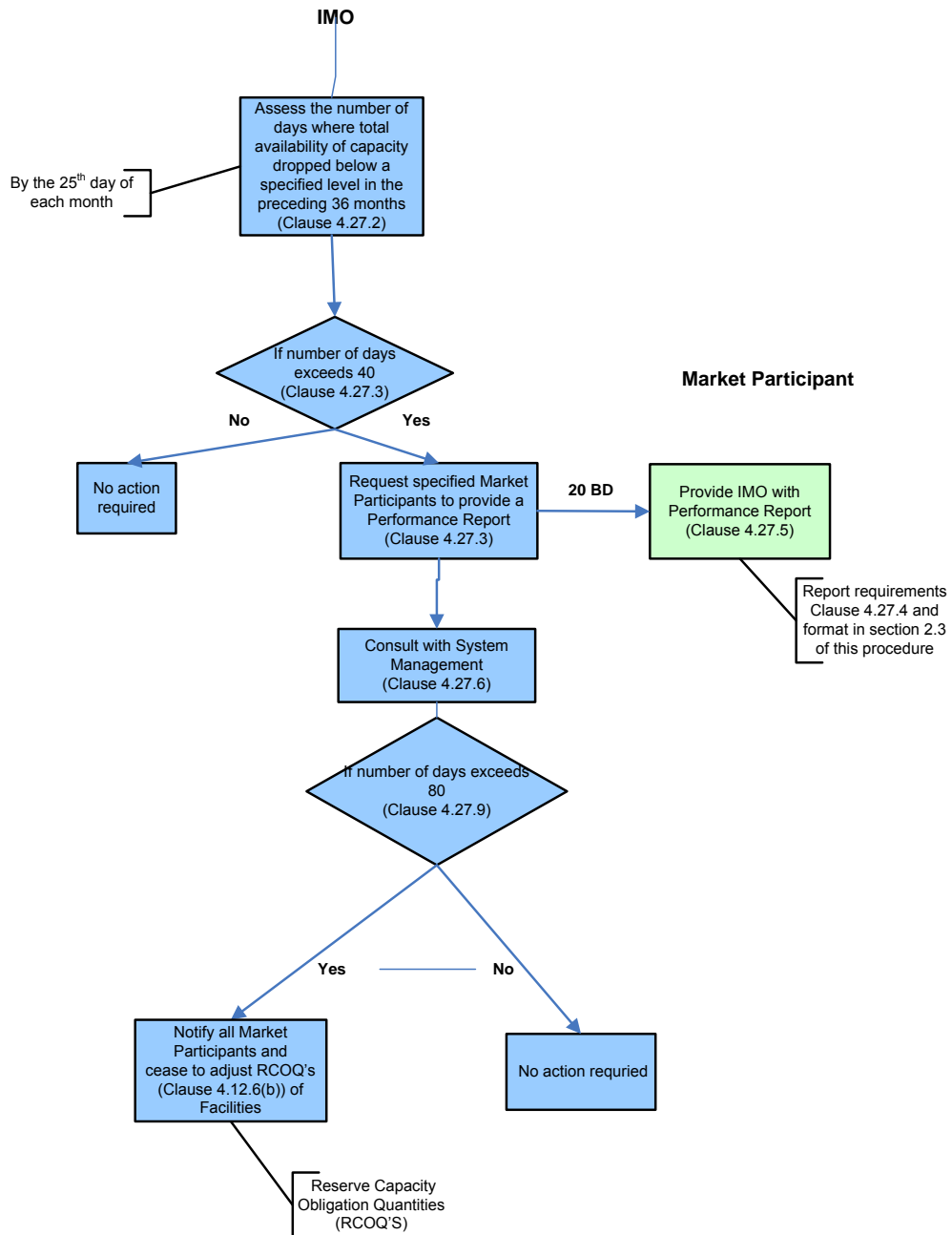
This section outlines the procedure steps associated with Reserve Capacity performance monitoring and progress reports.

The diagrams on the following two pages outline the processes for the:

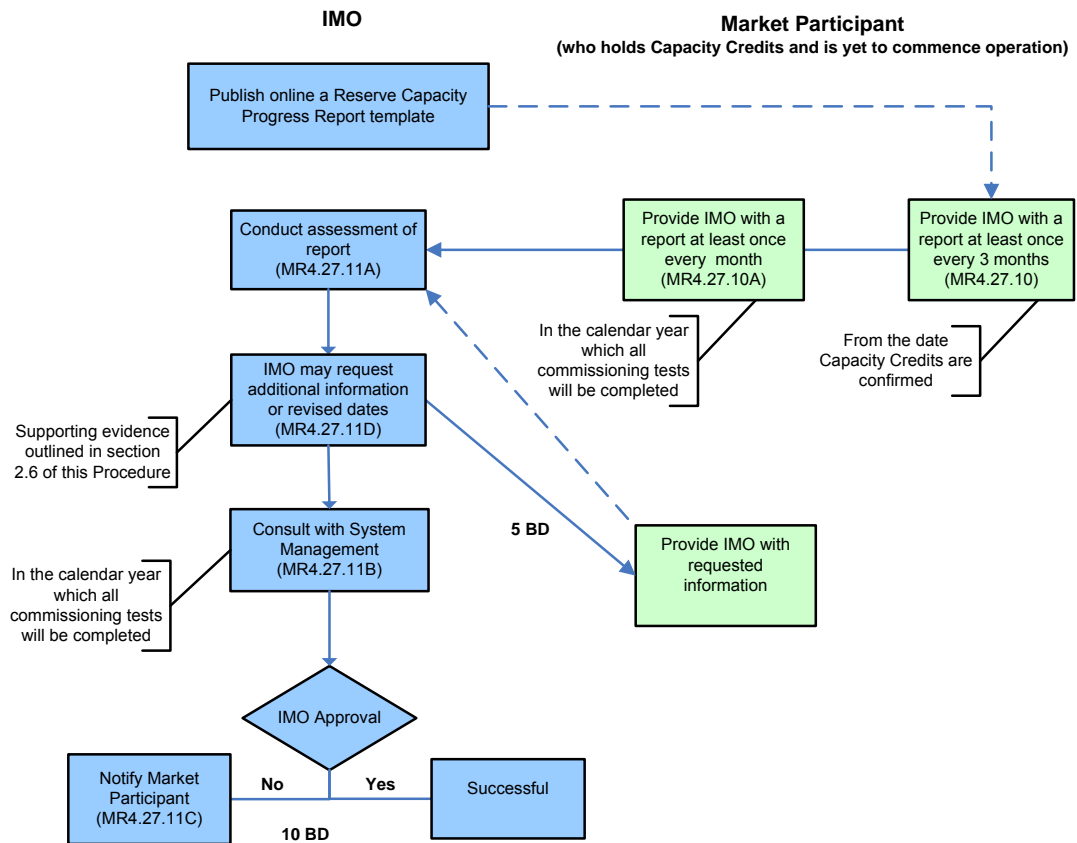
- Reserve Capacity performance monitoring; and
- Progress reports.

Details of certain associated sections of this Procedure are also indicated in these diagrams.

Performance Monitoring Process Diagram



Progress Reports Process Diagram



2.1 Steps to be followed by the IMO to perform Reserve Capacity monitoring

2.1.1 The IMO must monitor the total availability of capacity in the South West interconnected system (SWIS) daily in accordance with clause 4.27.1.

2.1.2 By the twenty fifth day of each month, the IMO must assess the number of days in the preceding 12 calendar months where the total available capacity in the SWIS dropped below 80% (during the Hot Season), and 70% (in either the Intermediate Season or Cold Season), of the total Capacity Credits held by Market Participants for more than six hours on the day ~~[MR [Clause 4.27.2A]]~~.

~~2.1.3 The IMO may use the Wholesale Electricity Market System (WEMS) to conduct the Reserve Capacity monitoring process in steps 2.1.1 and 2.1.2.~~

~~2.1.3 By the twenty fifth day of each month, the IMO must assess the number of Equivalent Planned Outage Hours taken in the preceding 12 calendar months by each Facility assigned Capacity Credits for the current Capacity Year. [Clause 4.27.2A].~~

~~2.1.4 The IMO must identify any Facilities for which the Equivalent Planned Outage Hours for the preceding 12 calendar months exceeds 1750 hours.~~

~~2.1.4.2.1.5 If the number of days determined in accordance with step 2.1.22.1.22.1.2 exceeds 40, then the IMO must require Market Participants to fill out a report ("The Reserve Capacity performance report") for each Facility holding Capacity Credits which [MR [Clause 4.27.3]]:~~

~~(a) has taken more than 1000 Equivalent Planned Outage Hours has been unavailable due to Planned Outages for more than 1000 hours during the preceding 12 calendar months; and~~

~~(b) has not been included in such a report during the preceding 12 calendar months.~~

~~2.1.6 Following consideration of the factors listed in clause 4.27.3B of the Market Rules and any consultation with System Management, the IMO may require the Market Participant holding Capacity Credits for a Facility identified in step 2.1.4 to provide:~~

~~(a) a Reserve Capacity performance report; and~~

~~(b) performance improvement reports at specified intervals (not more frequently than once per quarter). [Clause 4.27.3A].~~

~~2.1.5 The Reserve Capacity Performance Report described in step 2.1.4.3 must include the information listed in section 2.3 of this Market Procedure and must be provided to the IMO within 20 Business Days of being requested to do so [MR [Clause 4.27.5]].~~

~~2.1.6.2.1.7 The IMO must consult with System Management on the implications of the aa Reserve Capacity performance report or a performance improvement report provided under clause 4.27.5 of the Market Rules, and may also consult, at the Market Participant's expense, with any person the IMO considers suitably qualified to provide an opinion on the report. The IMO may ask the person to provide an opinion on the report generally, or to limit the scope of the opinion to specified matters covered in the report. The IMO must consult with System Management on the implications of a Reserve Capacity performance report [MR [Clause 4.27.6]].~~

~~2.1.7 The IMO at its sole discretion may limit the number of days of Planned Outages in each of the next 24 months, if the IMO considers the number of days reported to~~

~~be unjustified based on good industry practice. The IMO must notify the Market Participant who filed the report described in step 2.1.4 of the limit [MR 4.27.7].~~

~~2.1.8 — Note: The limit is NOT on the number of days that Planned Outages can occur, but on the number of days that Planned Outages can be taken while being exempt from Capacity Credit Refund payments (and only when clause 4.27.9 applies). This section is not intended to restrict the ability of a Market Participant to request a Planned Outage.~~

~~2.1.9 — If the IMO limits the number of days in accordance with step 2.1.7, then the modified value supersedes the corresponding value specified in the report [MR 4.27.8].~~

~~2.1.10~~ ~~2.1.8~~ If the number of days determined in accordance with step ~~2.1.22.1.22.1.22.1.12.1.2~~ exceeds 80, then the IMO must ~~[MR [Clause 4.27.9]]~~:

(a) must notify all Market Participants that this has occurred; and

~~(b) cease to adjust Reserve Capacity Obligation Quantities for 12 months commencing on the first trading day of the following month under clause 4.12.6(b) of the Market Rules in response to Planned Outages for Facilities:~~

~~(c) —~~

~~(d) — referred to in step 2.1.4; and~~

~~(e) —~~

~~(f) — where the number of days of Planned Outage during that 12 month period has exceeded the total number of days of Planned Outage predicted for that 12 month period in accordance with step 2.3.4(c) and modified by step 2.1.8.~~

(b) during the 12 Trading Months commencing from the first Trading Day of the following Trading Month, may adjust the limit for the RCOQ Reduced Planned Outage Count specified in clause 4.12.9.

~~2.1.9 The IMO may use the Wholesale Electricity Market System (WEMS) to conduct the Reserve Capacity monitoring process in steps 2.1.1, 2.1.2 and 2.1.32.1.32.1.5.~~

2.2 Steps to be undertaken by Market Participants if issued with a request for a Reserve Capacity performance report

2.2.1 If a Market Participant is provided with a request for a Reserve Capacity performance report by the IMO, the Market Participant must:

(a) Provide a Reserve Capacity performance report to the IMO in the format described in section 2.3 within 20 Business Days from the date the request is issued to the Market Participant; and

~~(a)(b) Provide a performance improvement report in the format described in section 2.4 within the time and in the format specified by the IMO [Clause 4.27.5 (b)].~~

~~Provide the Reserve Capacity performance report using the format detailed in section 2.3.~~

2.3 Format of a Reserve Capacity performance report

Reserve Capacity performance reports provided by Market Participants in accordance with clause 4.27 of the Market Rules and in accordance with this Market Procedure must be provided using the format listed in the following procedure steps.

- 2.3.1 Reports provided in accordance with this Procedure must be provided by the Market Participant in writing.
- 2.3.2 Reports provided in accordance with this Procedure must be signed by an Authorised Officer of the Market Participant.
- 2.3.3 Sections to be included in the Reserve Capacity performance report include:
 - (a) Section 1 – details of the Facility as appropriate;
 - (b) Section 2 - explanations of all Planned Outages taken by the Facility in the preceding 12 calendar months ~~[MR [Clause 4.27.4(a)]]~~;
 - (c) Section 3 - a statement of the expected maximum number of days of Planned Outages to be taken by the Facility in each of the next 24–36 months commencing from the month in which the report is requested, including
 - i. -adequate explanation to make clear the reason for each Planned Outage ~~[MR [Clause 4.27.4(b)]]~~;
 - ii. the relationship of the Planned Outages to the long term asset management strategy and established maintenance plan for the Facility [Clause 4.27.4(bA)].
 - (d) Section 4 - measures proposed-being undertaken (including timing of such measures), or-already-undertaken, by the Market Participant to increase the availability of the Facility ~~[MR [Clause 4.27.4(c)]]~~ including
 - iii. their actual and anticipated effect on the frequency of Planned Outages;
 - ~~(e)~~(e) Section 5 – other information as deemed appropriate by the Market Participant and other facility availability information that the IMO requests [Clause 4.27.4(d)]; and
 - ~~(d)~~(f) Section 6 – Declaration including the following text:

Declaration

(This needs to be made by an officer of the Market Participant as defined by Section 9 of the Corporations Act 2001)

On behalf of (*Company or business name*).....,

I declare that the above information provided in respect to this Reserve Capacity performance report is accurate.

Signed

Date:

Person making declaration:

Position held in company or business:

Postal address:

Phone:

Email address:

Fax no:

(e) —

2.4 Format of a Reserve Capacity performance improvement report

Reserve Capacity performance improvement reports provided by Market Participants in accordance with clause 4.27 of the Market Rules and in accordance with this Market Procedure must be provided using the format listed in the following procedure steps.

2.4.1 Reports provided in accordance with this Procedure must be provided by the Market Participant in writing.

2.4.2 Reports provided in accordance with this Procedure must be signed by an Authorised Officer of the Market Participant.

2.4.3 Sections to be included in the Reserve Capacity performance improvement report include **[Clause 4.27.5(b)]**:

(a) Section 1 – details of the Facility as appropriate;

(b) Section 2 – descriptions of the measures proposed, being undertaken or already undertaken by the Market Participant to increase the availability of the Facility;

(c) Section 3 – the target and actual availability and reliability of the Facility as measured by Industry Standard Generation Performance Indicators; and

(d) Section 4 – explanation of any variation between expected and actual improvement of the availability of the Facility as a result of the measures taken.

(e) Section 5 – Declaration including the following text:

Declaration

(This needs to be made by an officer of the Market Participant as defined by Section 9 of the Corporations Act 2001)

On behalf of (Company or business name).....

I declare that the above information provided in respect to this Reserve Capacity performance **improvement** report is accurate.

Signed

Date:

Person making declaration:

Position held in company or business:

Postal address:

Phone:

Email address:

Fax no:

~~2.3.4 The IMO may request a performance improvement report under clause 4.27.3A(b) which must include **[Clause 4.27.4A]**;~~

- ~~(a) descriptions of the measures proposed, being undertaken or already undertaken by the Market Participant to increase the availability of the Facility;~~
- ~~(b) the target and actual availability and reliability of the Facility as measured by Industry Standard Generation Performance Indicators; and~~
- ~~(c) explanation of any variation between expected and actual improvement of the availability of the Facility as a result of the measures taken.~~

2.42.5 Procedure Steps to be followed by the IMO in respect of Reserve Capacity progress reports

While the following procedure steps relate to Facilities that are yet to enter service, they are included in this performance monitoring section as the IMO must monitor their progress towards achieving the schedule in clause 4.10.1(c)(iii) of the Market Rules.

Late delivery of capacity will lead to a Market Participant being liable for Reserve Capacity refund payments. In addition, a Market Participant may forfeit its Reserve Capacity security deposit if it fails to deliver capacity within the first Capacity Year for which the Facility was assigned Capacity Credits.

2.4.12.5.1 Progress reports must be submitted by Market Participants with Facilities that are yet to commence operation at least once every three months between the date the Capacity Credit is confirmed under clause 4.20 and the date the Facility commences operation **[MR-[Clause 4.27.10](#)]**.

2.4.22.5.2 In the calendar year in which all Commissioning Tests will be completed, Market Participants must file a progress report with the IMO at least once every month between the commencement of that calendar year and the date IMO has notified the Market Participant that the need to hold Reserve Capacity Security has ceased **[MR4.27.10A]**.

2.4.32.5.3 The IMO must publish on its website (www.imowa.com.au/information-for-participants/user-access/market-forms ~~http://www.imowa.com.au/10_5_1_market_forms.htm~~) a copy of the Reserve Capacity progress report template and Market Participants must use that template.

2.4.42.5.4 On receiving a Reserve Capacity progress report, the IMO must determine if all details and information have been completed.

2.4.52.5.5 If the IMO determines that the information provided is insufficient, the IMO may contact the Market Participant and request additional supporting information in accordance with clause 4.27.11D and section 2.5 of this Procedure.

2.4.62.5.6 The report described in step ~~2.5.12.5.12.4.1~~ must include the current revised estimates of each date to which clause 4.10.1(c)(iii) refers **[MR-[Clause 4.27.11](#)]**.

2.4.72.5.7 The IMO must conduct an assessment and approve or not approve the current nominations for each date provided in the report in accordance with clause 4.27.11. The IMO must not approve a date which would prevent the IMO from assigning Certified Reserve Capacity **[MR4[Clause 4.27.11A](#)]**.

2.4.82.5.8 In the calendar year in which all Commissioning Tests will be completed, the IMO must consult with System Management in its assessment of the nominated commissioning date. The IMO must not approve the date if, in System Management's opinion, the Facility is unlikely to have completed all Commissioning Tests by that date **[MR4[Clause 4.27.11B](#)]**.

2.4.92.5.9 If the IMO does not approve one or more of the dates it must, within 10 Business Days from the date the report was submitted, notify the Market Participant of its decision and provide reasons why the dates have not been approved **[MR4[Clause 4.27.11C](#)]**.

~~2.4.10~~2.5.10 The IMO may require the Market Participant to provide supporting evidence submitted by an Authorised Officer, submit further reports or revise the dates **[MR4Clause 4.27.11D]**.

~~2.4.11~~2.5.11 The IMO may use the information contained in any Reserve Capacity progress report to:

- (a) determine the start date of any applicable Reserve Capacity Obligations associated with that Facility; and
- (b) trigger a Reserve Capacity Test under section 4.25 of the Market Rules (if appropriate).

2.52.6 Procedure Steps to be undertaken by the Market Participant for Reserve Capacity progress reports

~~2.5.12~~2.6.1 Reserve Capacity progress reports must be submitted by Market Participants with Facilities that are yet to commence operation:

- (a) at least once every three months between the date the Capacity Credit is confirmed under clause 4.20 and the date the Facility commences operation **[MR-Clause 4.27.10]**; and
- (b) at least once every month between the commencement of the calendar year in which the date referred to in clause 4.10.1(c)(iii)(7) falls and the date that the IMO has notified the Market Participant, in accordance with 4.13.10A, of its determination, that the need to maintain the Reserve Capacity Security for the facility has ceased **[MR-Clause 4.27.10A]**.

~~2.5.22~~2.6.2 Market Participants may provide the IMO with Reserve Capacity progress reports on a more frequent basis than is detailed in step 2.5.1.

~~2.5.32~~2.6.3 The report described in step 2.5.1 must include the current revised estimates of each date to which clause 4.10.1(c)(iii) refers **[MR-Clause 4.27.11]**.

~~2.5.42~~2.6.4 The Reserve Capacity progress report must be signed by an Authorised Officer.

~~2.5.52~~2.6.5 The IMO may contact the Market Participant and request additional supporting information as per step 2.6. The Market Participant must comply with such requests if made by the IMO.

~~2.5.62~~2.6.6 Market Participants must provide the Reserve Capacity progress report in the form specified by the IMO, which can be found on the IMO Website (www.imowa.com.au/information-for-participants/user-access/market-forms <http://www.imowa.com.au/10-5-1-market-forms.htm>).

2.62.7 Supporting Evidence that the IMO may request from a Market Participant

~~2.6.12~~2.7.1 The IMO may request additional information to complete its assessment of whether a Facility will be able to fully meet its Reserve Capacity Obligations by a nominated date **[MR4Clause 4.27.11D]**.

~~2.6.22~~2.7.2 If the IMO requires additional information or evidence, it must notify the Market Participant in writing within 5 Business Days of receiving the Reserve Capacity progress report and list the information to be submitted to the IMO.

~~2.6.32~~2.7.3 Supporting evidence that may be requested by the IMO may include, but not be limited to:

- (a) Network access agreements;
- (b) Local government approvals;
- (c) Evidence of execution of fuel supply and transport contracts;
- (d) Evidence of financial approvals;
- (e) Relevant construction and operational licenses;
- (f) Independent construction schedules for the plant, network and fuel supply facilities;
- (g) Repair and/or rework schedules;
- (h) Photographs of construction works;
- (i) Evidence of environmental test completion;
- (j) Evidence of network connection tests completion as indicated in the Network Access Code;
- (k) Full load testing results;
- (l) Practical completion certificates; and
- (m) Quality assurance certificates.

2.6.42.7.4 The IMO may take whatever reasonable steps that it deems necessary to determine the accuracy of information provided to it under step 2.6 and step 2.7 of this Procedure.

2.6.52.7.5 The IMO may request additional information, evidence or clarification in respect of the information provided in accordance with step 2.6.3 of this Procedure.

2.6.62.7.6 Once the IMO has determined that the additional information provided is appropriate and relevant, the IMO must make an assessment as to whether the information may impact on the likely progress of the Facility with respect to meeting any Reserve Capacity Obligations and the nominated date for commencing the obligations.

2.6.72.7.7 The IMO may use the additional information to determine whether it should approve the start date of any applicable Reserve Capacity Obligations associated with that Facility.

2.6.82.7.8 If the IMO is not provided with the requested additional information from the Market Participant, the IMO may decide not to approve the nominated date for commencing the Reserve Capacity Obligations.

2.6.92.7.9 If the IMO does not approve the nominated date, the date will be as specified in 4.1.26.

2.72.8 Procedure steps to be undertaken by the Market Participant in response to a request by the IMO for additional supporting evidence

2.7.12.8.1 If a Market Participant is requested to provide additional information for the IMO's assessment of whether its facility will complete its Commissioning Tests by a nominated date, the Market Participant must provide the requested information to the IMO within 5 Business Days from the date the request is issued to the Market Participant.

- | ~~2.7.22~~2.8.2 The Market Participant may provide reasons to the IMO as to why any information or evidence cannot be provided by the requested time, however, failure to provide information or evidence may influence the IMO's ability to approve any nominated dates.
- | ~~2.7.32~~2.8.3 The letter providing the additional information must be signed by an Authorised Officer.

Agenda Item 6: Market Procedure for Settlement (PC_2013_07)

1. BACKGROUND

The Market Procedure for Settlement has been re-drafted to reflect the changes required for the commencement of *RC_2013_08: Market Participant Fees - Clarification of GST Treatment* on 1 January 2014. As the Procedure has been left largely unedited since the inception of the Market Rules, the IMO has taken the opportunity to re-draft the content of the Procedure to ensure that it is current and relevant.

The Procedure should be read in conjunction with Chapter 9 of the Market Rules.

2. AMENDED MARKET PROCEDURE

The IMO has updated the Market Procedure to:

- Reflect the necessary changes arising from *RC_2013_08: Market Participant Fees - Clarification of GST Treatment*;
- Reflect the IMO's new format;
- Provide greater clarity to potential and existing Rule Participants on the settlement process by improving the information provided around:
 - STEM and Non-STEM settlement processes and timelines;
 - Adjustment processes and timelines;
 - Process for settlement of the market in case of default situations;
 - Invoicing and the application of GST and interest to settlement transactions; and
 - Disagreement and dispute processes and timelines;
- Improve the structure of the Procedure; and
- Define new terms.

Given the substantial restructuring and redrafting of the Settlement Procedure, the IMO has not shown its proposed amendments in tracked changes.

3. RECOMMENDATIONS

The IMO recommends that the IMO Procedure Change and Development Working Group (Working Group):

- **Discuss** the re-drafting of the Market Procedure; and
- **Note** that the IMO will formally submit the revised Procedure into the Procedure Change Process, subject to any comment from the Working Group.



INDEPENDENT
MARKET
OPERATOR



Market Procedure: Settlement

VERSION 3



ELECTRICITY INDUSTRY ACT 2004
ELECTRICITY INDUSTRY
(WHOLESALE ELECTRICITY MARKET)

REGULATIONS 2004
WHOLESALE ELECTRICITY MARKET RULES
COMMENCEMENT:

This Market Procedure took effect from 8:00am (WST) on the
same date as the Wholesale Electricity Market Rules.

VERSION HISTORY

Version	Effective Date	Notes
1	21 September 2006	Market Procedure for the Settlements
2	19 July 2011	Amendments to Market Procedure resulting from PA redevelopment
3	DD MMM YYYY	Amendments to Market Procedure resulting from PC_2013_07

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1 PROCEDURE OVERVIEW

1.1 Relationship with the Market Rules

- 1.1.1 This Market Procedure for Settlement (Procedure) is made in accordance with clause 9.2.1 of the Wholesale Electricity Market (WEM) Rules (Market Rules).
- 1.1.2 Reference to particular Market Rules within the Procedure in bold and square brackets **[clause XX]** are current as of 1 January 2014. These references are included for convenience only and are not part of this Procedure.

1.2 Purpose of this Procedure

- 1.2.1 The purpose of this Procedure is to outline the following:
 - (a) the settlement processes for:
 - i. STEM transactions, settled on a weekly basis;
 - ii. Non-STEM transactions, settled on a monthly basis;
 - iii. Adjustments; and
 - iv. Settlement of the market in the event a Market Participant defaults on payment;
 - (b) the application of taxes and interest to settlement transactions; and
 - (c) the operation of Settlement Statements, Participant Information Reports and Invoices, payments; and lodging Notices of Disagreement and Dispute.

1.3 Application of this Procedure

- 1.3.1 In this Procedure where obligations are conferred on a Rule Participant that Rule Participant must comply with the relevant obligations in accordance with clauses 2.9.6, 2.9.7 and 2.9.8 of the Market Rules, as applicable.

1.4 Associated Market Procedures

- 1.4.1 The following Market Procedures are associated with this Procedure:
 - (a) Capacity Credit Allocation;
 - (b) Meter Data Submissions; and
 - (c) Prudential Requirements.
- 1.4.2 The following market documents available on the Market Web Site ¹, are associated with this Procedure:
 - (a) Settlement Cycle Timelines; and
 - (b) Product Calculation Sheet (PCS).

1.5 Conventions Used

- 1.5.1 In this Procedure, the conventions specified in clauses 1.3 to 1.5 of the Market Rules apply.

¹ <http://www.imowa.com.au/market-procedures>.

1.6 Terminologies and Definitions

- 1.6.1 A word or phrase defined in the Electricity Industry Act, the Electricity Industry (Wholesale Electricity Market) Regulations, or the Market Rules, has the same meaning when used in this Procedure. In addition the following defined terms have the meaning given.

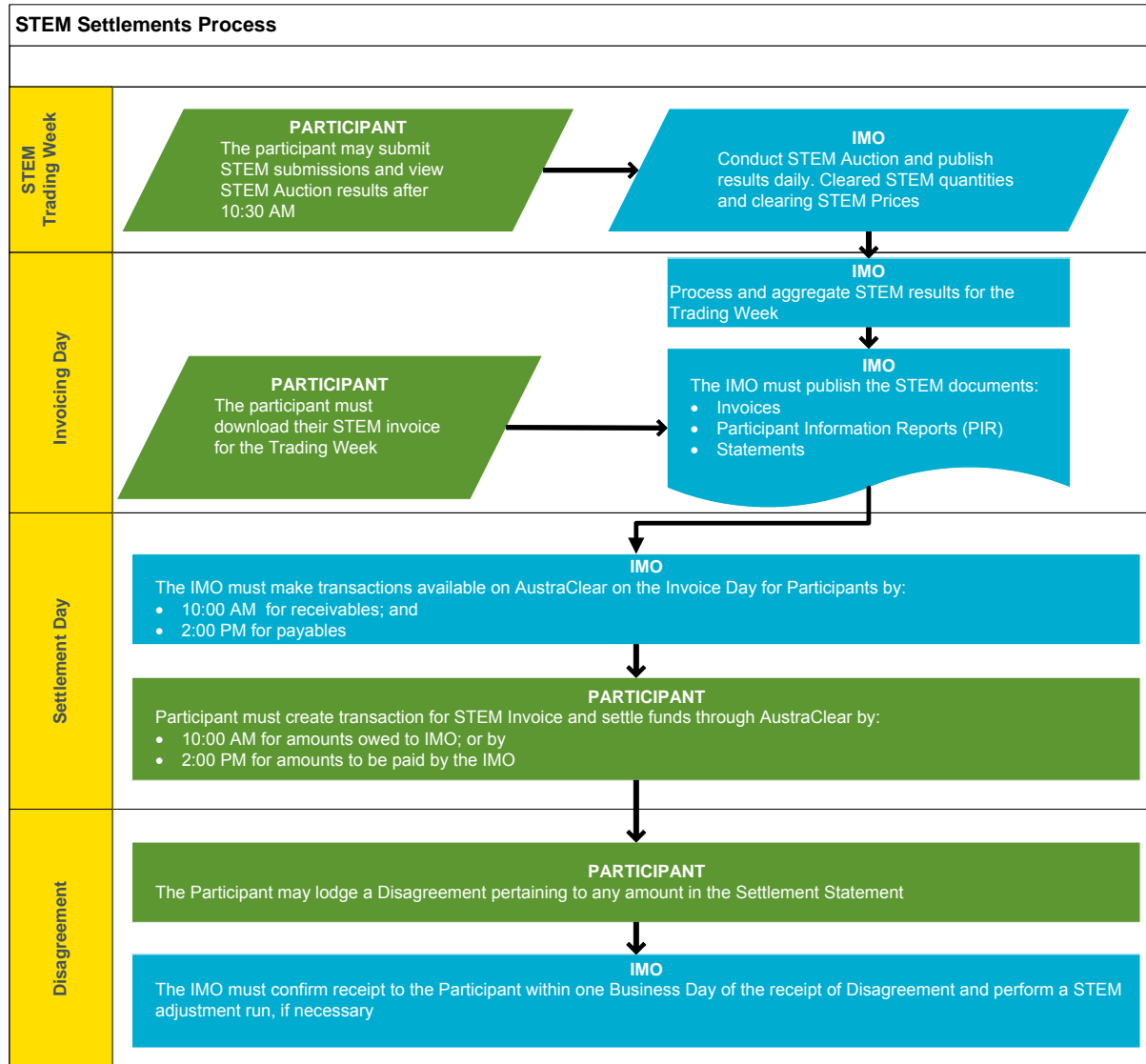
Table 1 – Defined Terms

Term	Definition
Adjustment	The process undertaken by the IMO to recalculate the STEM and Non-STEM transactions in accordance with clause 9.16.3 of the Market Rules
Adjusted	The resulting outcome following the Adjustment process
Ancillary Service Settlement	The process of calculating a Rule Participant's transactions pertaining to their Ancillary Service segment in the Non-STEM for a Trading Month
Austraclear	The electronic funds transaction system used by the IMO and Rule Participants to settle market payments
Balancing Settlement	The process of calculating a Rule Participant's transactions pertaining to their Balancing segment in the Non-STEM for a Trading Month
Commitment and Outage Compensation Settlement	The process of calculating a Rule Participant's transactions pertaining to their commitment and Outage compensation segment in the Non-STEM for a Trading Month
Default Levy Settlement	The process of allocating and calculating a Rule Participant's share of a Payment Default amount
Disagreement Deadline	The date by which a Rule Participant is obligated to issue a Notice of Disagreement to the IMO
Energy Market Settlement Data	Data the IMO must use to perform its settlement obligation in accordance with clause 9.3.1(d) of the Market Rules
Market Participant Fee	The fees charged by the IMO to a Market Participant inclusive of Market Fees, Regulator Fees and System Operation Fees
Market Participant Fee Settlement	The process of calculating a Rule Participant's transactions pertaining to their Market Participant Fee segment in the Non-STEM for a Trading Month
Non-STEM	Any market settlement amount other than STEM
Non-STEM Settlement	The process of calculating a Rule Participant's Non-STEM cleared quantities and the respective settlement amount
Participant Information Report (PIR)	A report specifying the calculations and variables for each transaction made by a Rule Participant during a Trading Day
Project Calculation Sheet (PCS)	A worksheet that defines all calculations used in the settlement process

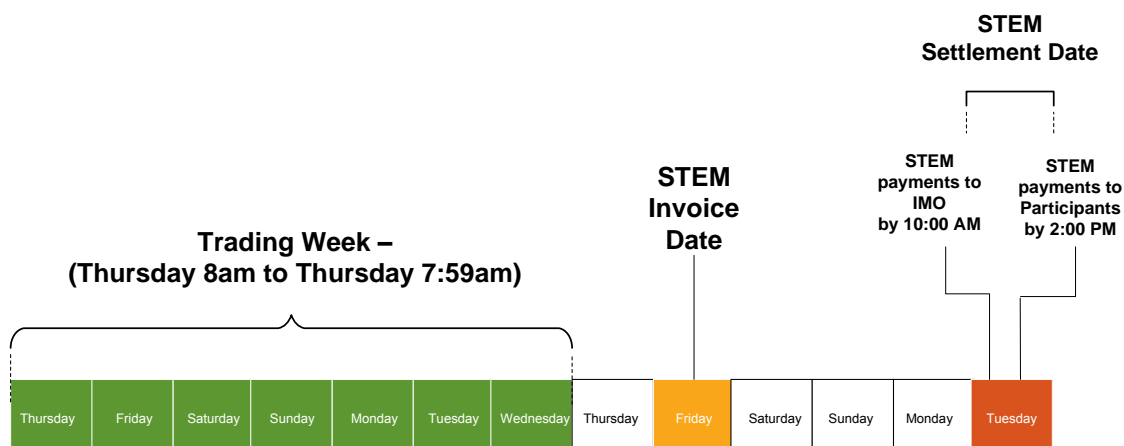
Term	Definition
Reconciliation Settlement	The process of calculating a Rule Participant's transactions pertaining to their reconciliation segment in the Non-STEM for a Trading Month
Reserve Capacity Settlement	The process of calculating a Rule Participant's transactions pertaining to their Reserve Capacity segment in the Non-STEM for a Trading Month
Settlement Date	The date upon which a Rule Participant must make payment to the IMO for a settlement Invoice
Settlement Portal	The interface within WEMS that enables Rule Participants to view and download their settlement documents
Settlement Statement	A statement for transactions during a Trading Day pertaining to the relevant settlement amount
Shared Reserve Capacity Cost	Monthly cost of acquiring Capacity Credits, in excess of the Reserve Capacity Target, paid by Market Customers to the IMO
STEM Settlement	The process of calculating a Rule Participant's STEM cleared quantities and the respective settlement amount
Supplementary Capacity Payment	Monthly payment by the IMO of a Supplementary Capacity Contract amount to Rule Participants
Supplementary Reserve Capacity	Additional capacity that the IMO acquires by contract, if it considers there is inadequate Reserve Capacity in the six months preceding the Capacity Year
Targeted Reserve Capacity Cost	Monthly cost of acquiring Capacity Credits, up to the Reserve Capacity Target, that are not bilaterally traded by Rule Participants, paid by Market Customers to the IMO
Wholesale Electricity Market System (WEMS)	An IT interface system that the IMO uses to administer/operate the Wholesale Electricity Market

2 STEM SETTLEMENT

2.1 STEM Settlement Process Overview Flow Chart



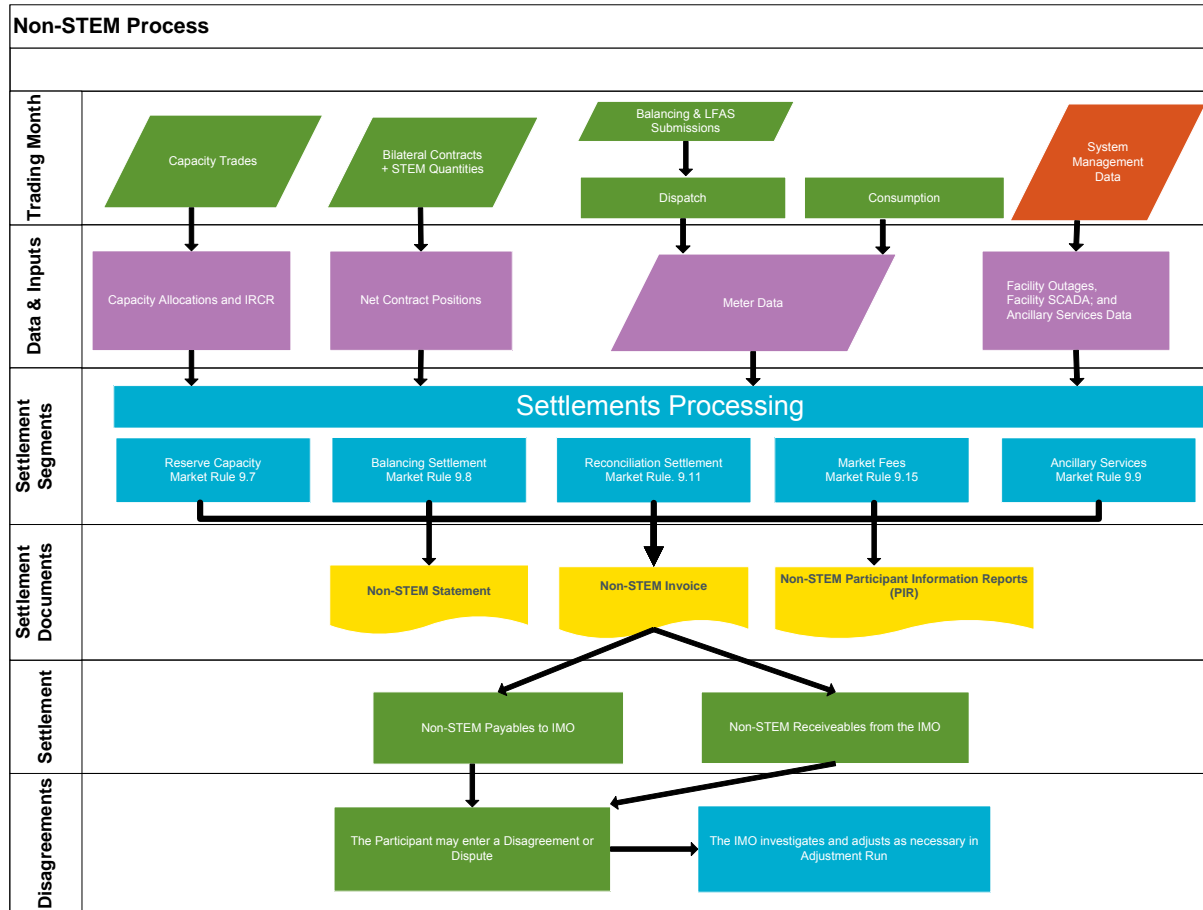
2.2 STEM Settlement Timeline



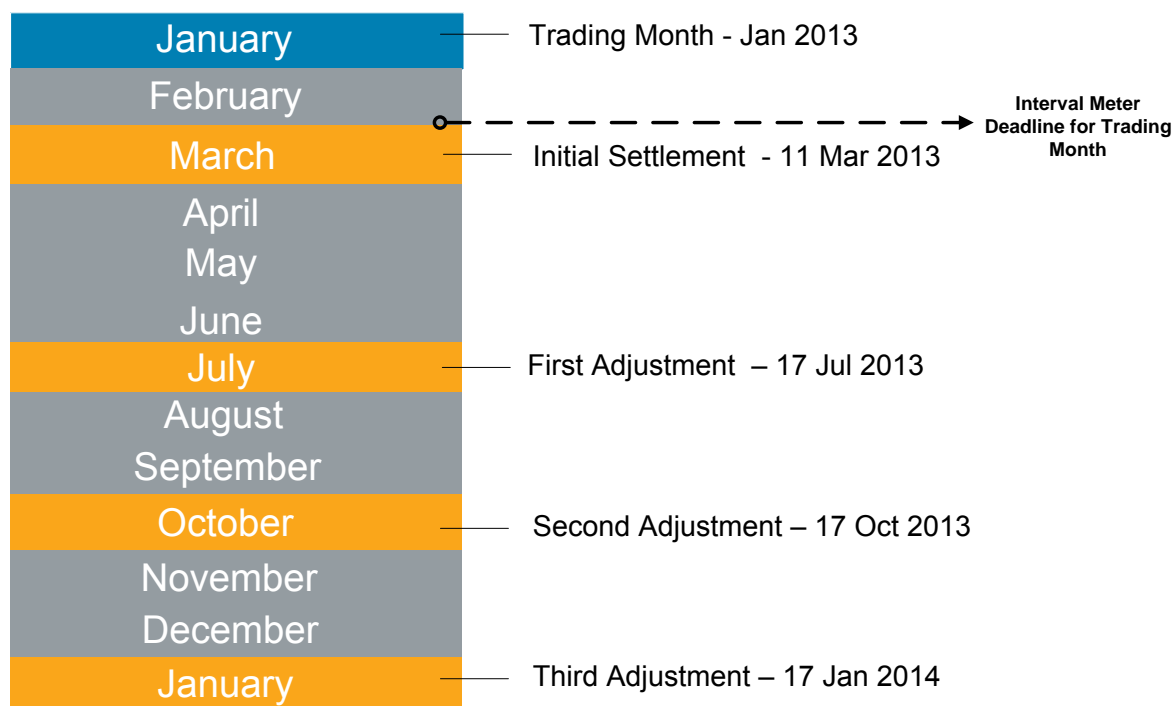
- 2.3.1 The IMO must settle a STEM Trading Week in accordance with the Settlement Cycle Timeline available on the Market Web Site. The Settlement Cycle Timeline defines the applicable dates for each of the events for each STEM Trading Week, such as:
- (a) the start of the Trading Week;
 - (b) the end of the Trading Week;
 - (c) the Statement and Invoice date;
 - (d) the Settlement Date; and
 - (e) the Disagreement Deadline.
- 2.3.2 During a STEM Trading Week, a Rule Participant may make submissions and participate in the STEM. The STEM Trading Week begins at the Trading Interval commencing at 8:00 AM on Thursday and ends on the Trading Interval commencing at 7:30 AM on the following Thursday.
- 2.3.3 After a Trading Week, the IMO must calculate a Rule Participant's STEM Settlement amount for a Trading Week in accordance with clause 9.6.1 of the Market Rules.
- 2.3.4 On the first Business Day commencing after the end of a Trading Week, the IMO must issue to each Rule Participant participating in the STEM:
- (a) a STEM Settlement Statement for each of the Trading Days in the Trading Week in accordance with step 6.1;
 - (b) a STEM PIR for each of the Trading Days in the Trading Week in accordance with step 6.2; and
 - (c) an Invoice for the STEM Settlement Statements in the Trading Week in accordance with step 7.1.
- 2.3.5 On the second Business Day following the statement and Invoice date in step 2.3.4, the IMO and the Rule Participant must settle the Invoices in accordance with section 8 of this Procedure.
- 2.3.6 If a Rule Participant disagrees with any amount stated in the STEM Settlement Statement issued in step 3.2.4, the Rule Participant may issue a Notice of Disagreement to the IMO in accordance with section 9 of this Procedure.

3 NON-STEM SETTLEMENT

3.1 Non-STEM Settlement Process Work Flow Chart



3.2 Example of the Non-STEM Settlement Timeline



- 3.2.1 The IMO must process and settle all Non-STEM transactions for a Trading Month, in accordance with the dates specified in the Settlement Cycle Timeline.
- 3.2.2 Non-STEM Settlement calculations for a Trading Month, must use the Meter Data Submissions received up to the Interval Meter Deadline for the respective Trading Month.
- 3.2.3 The Interval Meter Deadline occurs on the first Business Day of the second month following the Trading Month. This deadline is the date that the Metering Data Agent must provide metering data to the IMO to settle for the Trading Month **[Clause 9.16.2(a)]**.
- 3.2.4 Prior to commencing the Non-STEM Settlement process for a Trading Month, the IMO must determine the Individual Reserve Capacity Requirement (IRCR) and the Capacity Credit Allocation for each Rule Participant. More information regarding the determination of the IRCR and Capacity Credit Allocation is provided in the *Market Procedure for: Individual Reserve Capacity Requirements* and *Market Procedure for: Capacity Credit Allocation*, available on the Market Web Site.
- 3.2.5 The IMO must use the following information when performing market settlement **[Clause 9.3.1]**:
 - (a) the Ancillary Service, and Outage compensation settlement data described in clause 3.22 of the Market Rules;
 - (b) the Reserve Capacity Settlement data described in clause 4.29 of the Market Rules;
 - (c) the Network Control Service settlement data described in clause 5.9 of the Market Rules; and

- (d) the Energy Market Settlement Data described in clause 6.21 of the Market Rules.
- 3.2.6 The IMO must issue the Non-STEM Settlement Statement for a Trading Month no later than five Business Days after the Interval Meter Deadline **[Clause 9.16.2(c)]**.
- 3.2.7 The IMO must issue the Non-STEM Invoice for the Trading Month six Business Days after the Interval Meter Deadline **[Clause 9.16.2(d)]**.
- 3.2.8 The IMO and Rule Participants must settle the amount stated in the Non-STEM Invoice issued in step 3.2.7 on the eighth Business Day after the Interval Meter Deadline, and follow the steps in section 8.1 of this Procedure **[Clause 9.16.2(e)]**.
- 3.2.9 If a Rule Participant disagrees with any amount stated in the Non-STEM Settlement Statement issued in step 3.2.6, the Rule Participant may issue a Notice of Disagreement to the IMO in accordance with section 9 of this Procedure.

3.3 Non-STEM Settlement Segments

- 3.3.1 The IMO must process and calculate all Non-STEM transactions and attribute them to each of the following Non-STEM Settlement segments:
 - (a) Balancing Settlement (refer to section 3.4);
 - (b) Reconciliation Settlement (refer to section 3.5);
 - (c) Ancillary Services (refer to section 3.6);
 - (d) Reserve Capacity (refer to section 3.7);
 - (e) Market Fees (refer to section 3.8); and
 - (f) Commitment and Outage Compensation Settlement (refer to section 3.9).
- 3.3.2 The IMO must commence calculations of the above Non-STEM Settlement segments after the Interval Meter Deadline, and complete the calculations no later than five Business Days after the Interval Meter Deadline of the Trading Month.

3.4 Balancing Settlement

- 3.4.1 The IMO must calculate, no later than five Business Days after the Interval Meter Deadline for the Trading Month, each Rule Participant's Balancing Settlement segment amount for the Trading Month in accordance with clause 9.8.1 of the Market Rules.
- 3.4.2 With regard to step 3.4.1, the IMO must calculate the payment for dispatch of any Demand Side Programmes and Dispatchable Loads dispatched by System Management based on the Standing Data price specified by the Rule Participant in WEMS in accordance with clause 6.17.6 of the Market Rules.
- 3.4.3 With regard to step 3.4.1, the IMO must calculate payments for generators dispatched Out of Merit for constrained on or constrained off compensation payments in accordance with clause 6.17.3 of the Market Rules.
- 3.4.4 The IMO must calculate the monthly sum of each Rule Participant's Balancing Settlement segment amounts to determine the net Non-STEM Settlement amount for the Trading Month in accordance with step 3.10.1 of this Procedure.

3.5 Reconciliation Settlement

- 3.5.1 The IMO must calculate, no later than five Business Days after the Interval Meter Deadline for the Trading Month, each Rule Participant's share of the Reconciliation Settlement segment in accordance with clause 9.11.1 of the Market Rules.
- 3.5.2 The IMO must attribute a share of the costs for the Reconciliation Settlement segment based on the Market Customer's consumption share, to pay for the following:
- (a) Balancing Settlement segment imbalance for the Trading Month;
 - (b) constrained on and constrained off payments;
 - (c) differences in averaged marginal losses, from actual marginal losses;
 - (d) dispatch of any Demand Side Programmes and Dispatchable Loads; and
 - (e) shortfall in payment for Load Rejection Reserve Services, System Restart Services, and Dispatch Support Services for the Trading Month.
- 3.5.3 The IMO must calculate the consumption share for each Market Customer based on its monthly energy usage, in accordance with clause 9.3.7 of the Market Rules.
- 3.5.4 The IMO must use the calculated monthly value of each Rule Participant's Reconciliation Settlement segment amount to determine the net Non-STEM Settlement amount for the Trading Month in accordance with step 3.10.1.

3.6 Ancillary Services Settlements

- 3.6.1 The IMO must calculate, no later than five Business Days after the Interval Meter Deadline of the Trading Month, each Rule Participant's share of the Ancillary Services Settlement segment.
- 3.6.2 The IMO must calculate and allocate the costs of Ancillary Services Settlement segment to each Rule Participant in accordance with clause 9.9.1 of the Market Rules.
- 3.6.3 For the Trading Month the IMO must calculate the Verve Energy Ancillary Services provider payment component, in accordance with clause 9.9.1 of the Market Rules.
- 3.6.4 For the Trading Month, the IMO must calculate the "*ASP_Payment*" component to pay for contracted Ancillary Services to a Rule Participant, which is not Verve Energy. This is calculated in accordance with clause 9.9.3 of the Market Rules.
- 3.6.5 For the Trading Month, the IMO must calculate the "*LF_Market_Payment*" component to pay a Rule Participant for providing Load Following Services to maintain system frequency. This is calculated in accordance with clause 9.9.2(d) of the Market Rules.
- 3.6.6 For the Trading Month, the IMO must calculate the "*LF_Capacity_Cost_Share*" component for each Rule Participant based on its market share of metered quantities for Non-Scheduled Generators, Non-Dispatchable and Interruptible Loads for the Trading Month. This is calculated in accordance with clause 9.9.2(p) of the Market Rules.
- 3.6.7 For the Trading Month, the IMO must calculate the "*LF_Market_Cost_Share*" component for each Rule Participant based on its market share of metered quantities for Non-Scheduled Generators, Non-Dispatchable and Interruptible

Loads for the Trading Month. This is calculated in accordance with clause 9.9.2(n) of the Market Rules.

- 3.6.8 For the Trading Month, the IMO must calculate the “*SR_Availability_Cost_Share*” component for each Market Generator based on its proportion of deemed risk that its Generator(s) imposes on the system. This is calculated in accordance with clause 9.9.2(l) of the Market Rules.
- 3.6.9 For the Trading Month, the IMO must apportion costs to each Market Customer for Load Rejection Reserve Services, System Restart Services and Dispatch Support Services in accordance with clause 3.22.1 of the Market Rules. The calculation of the apportionment is based on consumption share for the Trading Month in accordance with clause 9.9.1 of the Market Rules.
- 3.6.10 The IMO must use the calculated monthly value of each Rule Participant’s Ancillary Service Settlement amount to determine the net Non-STEM Settlement amount for a Trading Month in accordance with step 3.10.1.

3.7 Reserve Capacity Settlement

- 3.7.1 The IMO must calculate, no later than five Business Days after the Interval Meter Deadline of the Trading Month, each Rule Participant’s share of the Reserve Capacity Settlement segment.
- 3.7.2 The Reserve Capacity Settlement segment amount for a Rule Participant for a Trading Month is calculated in accordance with clause 9.7.1 of the Market Rules.
- 3.7.3 With regard to step 3.7.2, the IMO must calculate the quantity and amount payable for any uncontracted Capacity Credits not covered by Special Price Arrangements and which are not allocated to another Rule Participant for the Trading Month.
- 3.7.4 With regard to step 3.7.2, the IMO must calculate the amount payable for Capacity Credits covered by Special Price Arrangements and which are not allocated to another Rule Participant for the Trading Month and apply the Monthly Special Reserve Capacity Price.
- 3.7.5 With regard to step 3.7.2, the IMO must calculate the Capacity Cost Refund payable to the IMO by a Rule Participant for the Trading Month, in accordance with clause 4.26.2F of the Market Rules.
- 3.7.6 With regard to step 3.7.2, the IMO must determine for each Intermittent Load registered to the Rule Participant the amount of the Intermittent Load Refund to be applied for the Trading Month in respect of that Intermittent Load in accordance with 4.28A.1 of the Market Rules.
- 3.7.7 With regard to step 3.7.2, The IMO must calculate the Supplementary Capacity Payment to be made by the IMO to a Rule Participant for Supplementary Reserve Capacity provided for the Trading Month in accordance with clause 4.29.3(e)(i) of the Market Rules.
- 3.7.8 In accordance with clause 4.28.3, the IMO must calculate the Targeted Reserve Capacity Cost payment for the cost of Reserve Capacity to be shared amongst those Market Customers who have not had sufficient Capacity Credits allocated to them for a Trading Month in accordance with clause 4.29.3(b) of the Market Rules.
- 3.7.9 With regard to step 3.7.2, the IMO must calculate the Shared Reserve Capacity Cost amount for the cost of Reserve Capacity to be shared amongst all Market Customers for the Trading Month in accordance with clause 4.29.3(c) of the Market Rules.

3.7.10 With regard to step 3.7.2, the IMO must calculate the “*LF_Capacity_Cost*” as the total Load Following Service capacity payment to be paid by the Rule Participant to the IMO for the Trading Month in accordance with clause 9.9.2(q) of the Market Rules.

3.7.11 The IMO must use the calculated monthly value of each Rule Participant’s Reserve Capacity Settlement amount to determine the net Non-STEM Settlement amount for a Trading Month in accordance with step 3.10.1.

3.8 Market Participant Fee Settlement

3.8.1 The IMO must calculate, no later than five Business Days after the Interval Meter Deadline of the Trading Month, each Market Participant’s Market Fee Settlement segment amount for the Trading Month.

3.8.2 The IMO must charge a Market Participant Market Fees, System Operation Fees and Regulator Fees for the Trading Month in accordance with clause 2.24 of the Market Rules.

3.8.3 The IMO must charge a Market Fee rate to all energy generated and consumed by each Market Participant for a Trading Month in accordance with clause 9.13 of the Market Rules.

3.8.4 The IMO must calculate the Market Participant Fee segment in accordance with clause 9.13.1 of the Market Rules.

3.8.5 The IMO must use the monthly value of each Market Participant’s Market Participant Fee Settlement amount to determine the net Non-STEM Settlement amount for a Trading Month in accordance with step 3.10.1.

3.9 Commitment and Outage Compensation Settlement

3.9.1 The IMO must calculate, no later than five Business Days after the Interval Meter Deadline of the Trading Month, each Rule Participant’s Commitment and Outage Compensation Settlement segment amount for the Trading Month.

3.9.2 The Commitment and Outage Compensation Settlement amount for each Rule Participant for the Trading Month is calculated in accordance with clause 9.10.1 of the Market Rules.

3.9.3 The IMO must use the monthly value of each Market Participant’s Commitment and Outage Compensation Settlement amount to determine the net Non-STEM Settlement amount for a Trading Month in accordance with step 3.10.1.

3.10 The Net Non-STEM Settlement Amount of the Trading Month

3.10.1 The IMO must calculate, no later than five Business Days after the Interval Meter Deadline of the Trading Month, the net Non-STEM Settlement total for each Rule Participant for the Trading Month in accordance with clause 9.14.1 of the Market Rules.

3.10.2 The IMO must issue a Settlement Statement and a PIR for each Non-STEM Settlement segment amount in accordance with section 6.1 and section 6.2 of this Procedure.

3.10.3 The IMO must issue an Invoice for the net Non-STEM Settlement amount in accordance with section 7.1 of this Procedure. The IMO must settle the net Non-STEM Settlement amount on the Settlement Date specified on the Settlement Cycle Timeline for the Trading Month.

4 ADJUSTMENT PROCESS

4.1 Adjustments

- 4.1.1 The IMO must undertake an Adjustment process for STEM Settlements if a Rule Participant lodges a Notice of Disagreement and the IMO considers the STEM Statements to be inaccurate;
- 4.1.2 The IMO must undertake an Adjustment process for Non-STEM Settlements in accordance with Settlement Cycle Timeline for the Trading Month.
- 4.1.3 Where an Adjustment is required for a:
 - (a) STEM Settlement amount, the steps in section 4.2 must be followed; or
 - (b) Non-STEM Settlement amount, the steps in section 4.3 must be followed.

4.2 STEM Adjustments

- 4.2.1 If the IMO undertakes a STEM Settlement Adjustment, the IMO must commence the Adjustment two Business Days after the respective Disagreement Deadline for the STEM Trading Week specified by the Settlement Cycle Timeline.
- 4.2.2 If the IMO undertakes a STEM Settlement Adjustment, the IMO must recalculate the amounts in the relevant STEM Settlement segments in accordance with section 2 of this Procedure, after resolving any issues that may have caused the inaccuracy in the initial STEM Settlement Statement.
- 4.2.3 If the IMO performs a STEM Settlement Adjustment, it must issue an Adjusted STEM Settlement Statement and PIR to every Rule Participant no later than 20 Business Days after it commenced the STEM Adjustment process. This is performed in accordance with steps 6.1 and 6.2 **[Clause 9.16.4(b)]**.
- 4.2.4 If the IMO issues an Adjusted STEM Settlement Statement and PIR, it must issue an Adjusted Invoice for the Trading Week two Business Days after the date of release of the Adjusted STEM Settlement Statement and PIR in accordance with section 7.1 of this Procedure **[Clause 9.16.4(c)]**.
- 4.2.5 The IMO must accrue interest on any Adjusted STEM Settlement amount in accordance with step 7.3.

4.3 Non-STEM Adjustments

- 4.3.1 The IMO must commence the process for adjusting settlements for Non-STEM in accordance with the dates specified in the Settlement Cycle Timeline.
- 4.3.2 When adjusting Non-STEM Settlement amounts the IMO must recalculate the amounts included in the relevant Settlement Statements, but must take into account any of the following information provided in relation to the previous Settlement Statement issued for the Trading Month **[Clause 9.19.1(a)]**:
 - (a) revised metering data which has been provided by the Metering Data Agent;
 - (b) actions arising from a Notice of Disagreement;
 - (c) the resolution of any Notice of Dispute;
 - (d) determinations made in accordance with clauses 6.16A.1(b)(i), 6.16A.2(b)(i), 6.16B.1(b)(i) or 6.16B.2(b)(i) of the Market Rules;

- (e) revised Market Fee rate, System Operation Fee rate or Regulator Fee rate; and
 - (f) any adjustment required for GST purposes under clause 9.1.2 of the Market Rules.
- 4.3.3 During the recalculation of the Non-STEM Settlement segment values, the IMO must follow the same procedural steps as performed in section 3 of this Procedure.
- 4.3.4 The IMO must issue an Adjusted Non-STEM Settlement Statement and PIRs no later than 20 Business Days after the date of commencement of the Adjustment process for the respective Non-STEM Trading Month. This is performed in accordance with section 6.1 and section 6.2 of this Procedure.
- 4.3.5 The IMO must issue an Adjusted Non-STEM Settlement Invoice two Business Days after the Non-STEM Settlement Statement and PIR are issued. The Adjusted Invoice must only include a net amount that needs to be paid by or paid to the Rule Participant to reflect the Adjusted Settlement amounts for the Trading Month. The Adjusted Invoice must take into account any previous Adjustments made under clause 9.19 of the Market Rules.
- 4.3.6 The IMO must accrue interest on any Adjusted Non-STEM Settlement amount in accordance with step 7.3.

5 DEFAULT AND SETTLEMENT IN DEFAULT

5.1 Default

- 5.1.1 If a Rule Participant fails to make a payment to the IMO by the Settlement Date, then the IMO must Draw Upon any Credit Support held by the IMO in accordance with the *Market Procedure for Prudential Requirements*.
- 5.1.2 If at any time the Total Amount received by the IMO is not sufficient to settle the outstanding Invoice amount owed to the IMO, the IMO must only be liable to make payments limited to the Total Amount. This calculation is in accordance with clause 9.24.3A of the Market Rules.
- 5.1.3 The IMO must apply the Total Amount in accordance with clause 9.24.3A(a) of the Market Rules.
- 5.1.4 The IMO must notify all Rule Participants, by email, no later than 1:30 PM on the Business Day of default, the expected reduction in payment for the STEM Settlement or the Non-STEM Settlement amounts.

5.2 Receipt of payment within five Business Days of a Payment Default

- 5.2.1 If within five Business Days the Rule Participant makes full or partial payment to the IMO with regards to the Payment Default in step 5.1, then the IMO must within one Business Day apply the amount received in accordance with clause 9.24.4 of the Market Rules.
- 5.2.2 The IMO must accrue interest on any Payment Default amount in accordance with step 7.3.

5.3 Non-payment after five Business Days of a Payment Default

5.3.1 If a Rule Participant has not made payment, in full, of a Payment Default amount in step 5.2 within five Business Days of the default, the IMO must recover, in full, the overdue amount by raising a levy on Market Participants **[Clause 9.24.5]**.

5.3.2 The IMO must subsequently raise a Default Levy from all Rule Participants (other than Rule Participants with unrecovered Payment Defaults) to cover the remaining shortfall. A Rule Participant Levy Settlement amount is calculated in accordance with the formula below:

Rule Participant Default Levy Settlement amount (p) =

Payment Default amount, multiplied by

[absolute values for consumption (p,m) + absolute values for generation(p,m)]

divided by

[absolute values for total market consumption (p,m) + absolute values for total market generation (p,m)] less [(absolute values for consumption (d,m) + absolute values for generation(d,m)]

Where:

p refers to the Rule Participant paying the default;

d refers to the Rule Participant with unrecovered Payment Defaults;

m is the most recent Trading Month for which Statements were published; and

consumption or generation are the quantities determined in accordance with Metered Schedules.

5.3.3 The IMO must accrue interest on any Default Levy payment amount in accordance with step 7.3.

5.3.4 The IMO must notify each Rule Participant, by email, the Default Levy amount within six Business Days of the Payment Default occurring.

5.3.5 The IMO must provide each Rule Participant with an Invoice pertaining to the Default Levy payable, within six Business Days, through the Settlement Portal in WEMS in accordance with step 7.1.

5.3.6 A Rule Participant must pay the full amount notified by the IMO under step 5.3.4 and 5.3.5 to the IMO by 10:00 AM, eight Business Days after the date of the Payment Default. A Rule Participant must make payment whether or not it disputes the amount notified.

5.3.7 By 2:00 PM, eight Business Days after the date of a Payment Default, the IMO must allocate the total of the Default Levy Settlement amounts received under step 5.3.6 in accordance with clause 9.24.8 of the Market Rules.

6 SETTLEMENT DOCUMENTS

6.1 Settlement Statements

- 6.1.1 The IMO must issue Settlement Statements for each STEM Settlement period or Non-STEM Settlement period in accordance with the Settlement Cycle Timeline available on the Market Web Site.
- 6.1.2 A Rule Participant must have access to the Settlement Portal in WEMS to view the relevant Settlement Statements.
- 6.1.3 The IMO must only generate Settlement Statements for the relevant Rule Participant with respect to periods, markets and segments in which the Rule Participant has involvement. The 'statement list screen' on the Settlement Portal allows Rule Participants to retrieve their list of statements, based on the market type and the date of publication.
- 6.1.4 The IMO must, for each STEM Settlement Statement, ensure it contains the information specified in clause 9.17.2 of the Market Rules.
- 6.1.5 The IMO must, for each Non-STEM Settlement Statement, ensure it contains the information specified in clause 9.18.3 of the Market Rules.

6.2 Participant Information Report (PIR)

- 6.2.1 The IMO must issue PIRs for each Rule Participant, for each STEM Settlement period or Non-STEM Settlement period in accordance with the Settlement Cycle Timeline. The PIR must contain the information and settlement variables which enable the Rule Participant to validate the settlement data.
- 6.2.2 The IMO must only create a PIR for each Rule Participant with respect to periods, markets and segments in which the Rule Participant has involvement.
- 6.2.3 Rule Participants may access their relevant PIR through the Settlement Portal in WEMS. The Rule Participant's relevant PIRs are accessible based on the market segment type and the date of publication of the PIR.

7 INVOICING, GST AND INTEREST APPLICATION

7.1 Invoicing

- 7.1.1 The IMO must issue settlement Invoices in accordance with the Settlement Cycle Timeline.
- 7.1.2 The IMO must create and publish Invoices in accordance with clause 9.22.2 of the Market Rules.
- 7.1.3 A settlement Invoice must be generated with respect to periods in which a Rule Participant has involvement.
- 7.1.4 A Rule Participant may retrieve a list of Invoices through the Settlement Portal available through WEMS.
- 7.1.5 The Rule Participant must check their settlement Invoice amount through the Settlement Portal. Settlement Invoice amounts are made available to the Rule Participant in accordance with the Settlement Cycle Timeline.

7.2 Application of GST on Invoicing

- 7.2.1 With respect to prices, fees and charges, the IMO must apply taxes in accordance with clause 9.1.2 of the Market Rules and the GST Act. The IMO must apply taxes during the Invoicing stage of the settlement process.
- 7.2.2 The IMO must include GST on any Invoice issued to Rule Participants where appropriate **[Clause 9.1.2(d)]**.
- 7.2.3 The IMO must apply GST on the following transactions:
- (a) the net STEM Settlement amount;
 - (b) the net Balancing Settlement amount;
 - (c) the net Reconciliation Settlement amount;
 - (d) the net Ancillary Services Settlement amount;
 - (e) the net Reserve Capacity Settlement amount; and
 - (f) the net Commitment and Outage Compensation Settlement amount.
- 7.2.4 The IMO must not apply GST on the following transactions:
- (a) the Market Participant Fee Settlement amount;
 - (b) the net Default Levy Settlement amount; and
 - (c) interest accrued on any settlement amount
- 7.2.5 The IMO must apply GST on the following transactions in accordance with the following formulas:
- STEM Settlement amount + GST = net STEM Settlement amount x 1.10
- Balancing Settlement amount + GST = net Balancing Settlement amount x 1.10
- Reconciliation Settlement Amount + GST = net Reconciliation Settlement amount x 1.10
- Ancillary Service Settlement amount + GST = net Ancillary Service Settlement amount x 1.10
- Reserve Capacity Settlement amount + GST = net Reserve Capacity Settlement amount x 1.10
- Commitment and Outage Compensation Settlement amount + GST = net Commitment and Outage Compensation Settlement amount x 1.10

7.3 Application of Interest on Invoicing

- 7.3.1 The IMO must calculate and accrue interest on the following transactions:
- (a) Adjustments to STEM and Non-STEM Settlement amounts;
 - (b) payments made by Rule Participants after the Settlement Date; and
 - (c) when calculating a Default Levy payment amount by a Rule Participant.
- 7.3.2 With regards to STEM and Non-STEM Adjusted Invoices, the IMO must accrue interest compounded daily at the Bank Bill Rate from and including the initial Settlement Date. The IMO must accrue interest up to, but not including, the date of payment of the Invoice issued under the Adjusted Settlement Statement.

- 7.3.3 With regards to payments made after the Settlement Date, the IMO must accrue interest compounded daily at the Bank Bill Rate from and including the date of the initial Settlement Date.
- 7.3.4 With regards to Default Levy payments, the IMO must apply interest compounded daily at the Bank Bill Rate up to, but excluding, the date in which the Rule Participant makes payment to the IMO.
- 7.3.5 The IMO must publish the Bank Bill Rate applied to any Invoice issued to a Rule Participant on the Market Web Site.
- 7.3.6 The IMO must calculate interest on Adjusted STEM and Non-STEM Settlement amounts in accordance with the formula below:
- Interest accrued =
- (net settlement amount + GST applicable) x (1 + Bank Bill Rate/Days in the year)^(days since the initial Settlement Date up to, but excluding the date in which the Rule Participant makes payment to the IMO)
- 7.3.7 The IMO must calculate interest on late payments by Rule Participants in accordance with the formula below:
- Interest accrued =
- Payment Default amount x (Bank Bill Rate/Days in the year)^(1 + total days in which the Rule Participant was in default of the Payment Default amount)
- 7.3.8 The IMO must calculate interest on the Default Levy payment in accordance with the formula below:
- Interest accrued =
- Rule Participant Default Levy amount x (1 + Bank Bill Rate/Days in the year)^(total days in which the payment was in default)

8 INVOICE PAYMENT

8.1 Payment

- 8.1.1 A Rule Participant must settle any outstanding Invoice to the IMO, in full, through Austraclear. The IMO may approve an alternative method of payment if the Rule Participant is temporarily unable to make payment through Austraclear.
- 8.1.2 The Rule Participant must pay the amount owed to IMO by 10:00 AM, on the payment date in accordance with the settlement Invoice. Payment must be made by the Rule Participant even if the Rule Participant disagrees with the settlement amount.
- 8.1.3 If the Rule Participant does not pay the amount owed to the IMO by 10:00 AM, in accordance with step 8.1.2, a Suspension Event must be triggered.
- 8.1.4 Upon the IMO being aware of a Suspension Event, and the suspension event has not been remedied the IMO must issue a Cure Notice in accordance with clause 9.23.4(a).
- 8.1.5 The IMO must pay any amount owed to a Rule Participant by 2:00 PM, on the payment date in accordance with the settlement Invoice. The IMO must authorise

the payment, in full, through Austraclear, unless an alternate payment method is agreed to by the Rule Participant.

- 8.1.6 If the Rule Participant defers collection for the Invoice amount payable by the IMO, they must contact the IMO, by email, and confirm the collection for another date.
- 8.1.7 The IMO must not settle any amount invoiced, under \$1.00 (Australian Dollar).

9 NOTICES OF DISAGREEMENTS AND DISPUTE

9.1 Notice of Disagreement

- 9.1.1 In accordance with clause 9.20 of the Market Rules, a Rule Participant may issue a Notice of Disagreement to the IMO, by email to operations@imowa.com.au, in respect to a Settlement Statement by the deadline specified in clause 9.16.4(e) of the Market Rules.
- 9.1.2 The Notice of Disagreement must include all of the details specified in clause 9.20.4 of the Market Rules.
- 9.1.3 The IMO must acknowledge receipt of the Notice of Disagreement from the Rule Participant within one Business Day via email.
- 9.1.4 If a Rule Participant has not received the acknowledgement detailed in step 9.1.3, within one Business Day, the Rule Participant must contact the IMO either via email or phone within one Business Day to confirm receipt. The Rule Participant may be required to make arrangements to resubmit the Notice of Disagreement **[Clause 9.20.3]**.
- 9.1.5 A Rule Participant may only issue a Notice of Disagreement in respect of information in the relevant Settlement Statement that:
 - (a) in the case of an initial STEM Settlement, the Rule Participant believes the Settlement Statement differs from the expected results under the Market Rules;
 - (b) in the case of an initial Non-STEM Settlement, the Rule Participant believes the Settlement Statement differs from the expected results under the Market Rules;
 - (c) in the case of an Adjusted Settlement, the Rule Participant believes the Settlement Statement incorrectly differs from the original Settlement Statement; and
 - (d) a Settlement Statement has not been changed in accordance with the resolution of a Notice of Disagreement or a Dispute which the Rule Participant issued to the IMO.
- 9.1.6 A Notice of Disagreement with respect to an initial STEM Settlement Statement may not be issued by a Rule Participant more than 20 Business Days after the issuance of the Settlement Statement **[Clause 9.17.3]**.
- 9.1.7 A Notice of Disagreement with respect to an initial Non-STEM Settlement Statement may not be issued by a Rule Participant more than 20 Business Days after the issuance of the Settlement Statement **[Clause 9.16.2(f), 9.16.4(e)]**.
- 9.1.8 A Notice of Disagreement with respect to an Adjusted Settlement Statement may not be issued by a Rule Participant more than nine months after the issuance of the original Settlement Statement **[Clause 9.19.7]**.

- 9.1.9 Where a Rule Participant issues a Notice of Disagreement to the IMO in relation to information provided by a Metering Data Agent or System Management the IMO must notify the Metering Data Agent or System Management, in writing, in accordance with clause 9.20.5 of the Market Rules.
- 9.1.10 The Metering Data Agent and System Management must comply with any request for information from the IMO regarding a Notice of Dispute in accordance with clause 9.20.5 of the Market Rules.
- 9.1.11 Where a Rule Participant issues a Notice of Disagreement to the IMO in relation to information developed by the IMO, the IMO must comply with clause 9.20.6 of the Market Rules.
- 9.1.12 The IMO must, as soon as practicable, but no later than three months after acknowledging receipt of a Notice of Disagreement to a Rule Participant, provide a response to the Rule Participant. The IMO must provide a response to a Rule Participant in writing. This response must detail the actions the IMO will undertake in response to the Notice of Disagreement. Such actions may include, but are not limited to, those prescribed in clause 9.20.7(a) to (c) of the Market Rules.

9.2 Notice of Dispute

- 9.2.1 Where a Rule Participant is not satisfied with the IMO's response with regard to a Notice of Disagreement in step 9.1.12, the Rule Participant may issue a Notice of Dispute, in writing, to the IMO.
- 9.2.2 A Notice of Dispute must include all of the details specified in clause 2.19.3 of the Market Rules.
- 9.2.3 A Rule Participant must only issue a Notice of Dispute to the IMO in relation to a Settlement Statement after:
- (a) a Notice of Disagreement was raised in accordance with step 9.1 of this Procedure; and
 - (b) the IMO provided a response to the Rule Participant in accordance with clause 9.20.7 of the Market Rules and the Rule Participant is not satisfied with the outcome.
- 9.2.4 A Notice of Dispute must be raised within 12 months of the issuance of the Settlement Statement to the Rule Participant by the IMO which the Rule Participant wishes to dispute.
- 9.2.5 The IMO must acknowledge receipt of a Notice of Dispute to the Rule Participant, in writing, within two Business Days of receipt of the Notice of Dispute.
- 9.2.6 In the first instance, the IMO and any affected Rule Participant must progress the Notice of Dispute through the dispute resolution process in accordance with clause 2.19.5 to 2.19.7 of the Market Rules.
- 9.2.7 Where a Notice of Dispute is escalated to a second stage of dispute resolution the IMO and any affected Rule Participant must progress the dispute in accordance with clause 2.20 of the Market Rules.



INDEPENDENT
MARKET
OPERATOR

Wholesale Electricity Market Procedure Change Proposal

Procedure Change ID: PC_2013_04

Change requested by

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Date submitted:	TBA
Urgency:	2-medium
Procedure change title:	Changes to Market Procedure for Prudential Requirements
Market Procedure(s) affected:	Market Procedure for Prudential Requirements

Introduction

The IMO or System Management, as applicable, may initiate the Procedure Change Process by developing a Procedure Change Proposal. Rule Participants may notify the IMO or System Management, as applicable, where they consider an amendment or replacement of a Market Procedure would be appropriate.

If an Amending Rule requires the IMO or System Management to develop new Market Procedures or to amend or replace existing Market Procedures, then the IMO or System Management, as applicable, is responsible for the development, amendment, or replacement of Market Procedures so as to comply with the Amending Rule.

Market Procedures:

- (a) must:
 - i. be developed, amended or replaced in accordance with the process in the Wholesale Electricity Market (WEM) Rules (Market Rules);
 - ii. be consistent with the Wholesale Market Objectives;
 - iii. be consistent with the Market Rules, the Electricity Industry Act and the Regulations; and



- (b) may be amended or replaced in accordance with clause 2.10 and must be amended or replaced in accordance with clause 2.10 where a change is required to maintain consistency with Amending Rules.

The Wholesale Market Objectives are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

Details of Procedure Change Requested

1. Provide a reason for the proposed new, amended or replacement Market Procedure:

Background

The *Market Procedure for Prudential Requirements* (Market Procedure) provides further detail on issues related to the:

- (a) determination of a Market Participant's Credit Limit;
- (b) notification of any changes in circumstances affecting a Market Participant's Credit Limit;
- (c) arrangements for a Market Participant to provide Credit Support;
- (d) management of a list of entities that meet the Acceptable Credit Criteria;
- (e) application of a Market Participant's voluntary prepayments to its Outstanding Amount;
- (f) concept of a Market Participant's Trading Margin and the calculation and method of

making a Margin Call; and

(g) list of factors for assessing the expected value of transactions.

The IMO has developed the Rule Change Proposal *RC_2012_23: Prudential Requirements* to provide further clarification of the obligations of Market Participants and the IMO with respect to prudential security and managing the financial exposure to the market. This Rule Change Proposal is currently in the first submission period.

The IMO has simultaneously drafted proposed amendments under RC_2012_23 and the Market Procedure to allow the Market Advisory Committee (MAC) and the IMO Procedure Change and Development Working Group (IMOPWG) to assess the proposed amendments in their entirety.

In addition, the proposed amendments in the Rule Change Proposal and this draft Procedure Change Proposal will ensure that the Market Rules are principles-based by moving the more prescriptive detail to the Market Procedure.

It should be noted that the Market Procedure has not been amended since 2008, necessitating substantial changes to implement the proposed Amending Rules from RC_2012_23 and reflect the IMO's new standards in style, language and formatting. As a result, the IMO has not provided a marked-up copy of the proposed amended Market Procedure.

The key areas that the IMO proposes more substantive amendments to are discussed below.

Proposed Amendments

1. Credit Limit determinations

Clause 2.37 of the Market Rules requires the IMO to determine, review and revise a Credit Limit for each Market Participant. RC_2012_23 proposes to make amendments to strengthen the linkages between obligations and move the prescriptive detail for determining a Market Participant's Credit Limit to the Market Procedure.

Specifically, RC_2012_23 seeks to amend clause 2.37.4 so that the Credit Limit is:

- (a) determined as the maximum amount owed by a Market Participant over a 70 day period, making the Credit Limit calculation predictable, repeatable and robust;
- (b) calculated by taking into account various factors as laid out in proposed amendments to clause 2.37.5; and
- (c) supported by an obligation on the IMO to provide the Market Participant with details of the factors used in making the determination (as proposed in clause 2.37.7).

Consequently, the IMO has revised the Market Procedure with respect to Credit Limit determinations to:

- (a) provide greater transparency around the application of various factors in determining Credit Limits under section 2 of the Market Procedure;

- (b) provide further detail on the calculation of the Credit Limit for each type of Market Participant under section 2.2 and 2.3 of the Market Procedure; and
- (c) improve the IMO's process of notifying a Market Participant of its Credit Limit under section 2.7 of the Market Procedure.

The IMO has also included the amendments to the Market Procedure to reflect the Amending Rules made in *RC_2010_11: Removal of Network Control Services Expression of Interest and Tender Process* by removing the references to Credit Limits for Network Operators which are required to fund Network Control Service Contracts.

2. Time period of historical settlement data used in Credit Limit determination

In determining Credit Limits, the IMO uses historical data to predict future behaviour. The IMO currently uses settlement data from the previous 48 months to form the basis of a Market Participant's Credit Limit. The IMO has received suggestions from Market Participants that this time period is too long and therefore does not adequately represent current circumstances and behaviours.

To assess the impact of the proposed reduction in the time period, the IMO has examined the results of the last two annual Credit Limit reviews performed in 2010 and 2011. Using the current 48-month time span, the analysis shows that approximately 50% of Credit Limits were set based on settlement data within the later 24 months. The remaining 50% were set based on settlement data in the first 24 months of the 48-month time span. The analysis indicated that half of the Market Participants would have had their Credit Limits set at a lower level under the proposed shorter time span. This is likely to have resulted in reduced prudential financing costs to those Market Participants.

While the proposed amendments may result in the IMO holding a lower level of prudential security for some Market Participants, the regular monitoring of Market Participants' Trading Margins and the increased ability for the IMO to make Margin Calls at short notice will reduce the financial risk of default to the market overall.

Based on considerations as discussed above, the IMO proposes that the time period of historical data to be used in Credit Limit determination should be reduced to 24 months. A time period of 24 months captures two samples of peak periods (by including two summer seasons). A shorter time period would not offer enough peak periods and would reduce further if exceptional events occurred (for example price spikes due to Varanus Island) and had to be factored out.

The IMO proposes to amend section 2.2 of the Market Procedure which details the process to be followed to determine a Market Participant's Credit Limit. More specifically, the amendments to step 2.2.3 reflect the proposed change in time span from 48 to 24 months.

3. Notification of any change in circumstances affecting a Market Participant's Credit Limit

Currently, clause 2.37.5 only contemplates situations where a Market Customer's prudential risk may be affected, resulting in an increase in its Credit Limit. The clause does not take into account situations where Market Generators may need to vary their position in the Balancing Market based on changes in their Bilateral Contract position. The exclusion of circumstances

affecting Market Generators in clause 2.37.5 does not provide the IMO with an opportunity to revise their Credit Limit accordingly. Furthermore, this clause does not contemplate situations where a decrease in a Market Participant's Credit Limit may be considered.

In RC_2012_23, the IMO proposes to amend clause 2.37.5 (renumbered to 2.37.8) to require a Market Participant to advise the IMO of information that may result in either an increase or decrease in the Market Participant's Credit Limit. The details on the circumstances under which a Market Participant must notify the IMO are proposed to be moved to the Market Procedure.

The IMO proposes to include in section 2.8 of the Market Procedure a non-exhaustive list of circumstances that may affect a Market Participant's Credit Limit, under which a Market Participant must notify the IMO.

4. Accounting for voluntary prepayments in the calculation of the Outstanding Amount

RC_2012_23 clarifies that Market Participants are allowed to make voluntary prepayments to reduce their Outstanding Amount and consequently increase their Trading Margin to securely transact in the market. The current processes around handling these monies are not well-defined and therefore present a financial risk to the market, particularly as they relate to Suspension Events such as a payment default or insolvency of a Market Participant.

The current Market Procedure does not specifically address prepaid amounts. The IMO proposes to amend section 5.2 of the Market Procedure to detail the obligations on Market Participants and the IMO and the process to be followed for handling voluntary prepayments.

The IMO proposes amendments to the Market Procedure to require a Market Participant wishing to make a prepayment to complete a proforma template (included in Appendix 2 of the Market Procedure) stating that the amount can only be applied to reducing the Market Participant's Outstanding Amount and thereby increasing the Trading Margin. The proposed amendments also require the IMO to adjust this amount in the upcoming Invoice and appropriately reduce the Outstanding Amount in the prudential security report available through the Market Participant Interface on the WEM System.

5. Credit Support arrangements

In RC_2012_23, the IMO proposes to amend clauses 2.38.1, 2.38.2 and 2.38.3 of the Market Rules to:

- (a) provide clarity to Market Participants with respect to their obligations to provide and maintain an appropriate level of Credit Support;
- (b) change the timelines in all relevant clauses from one Business Day to 24 hours to minimise the potential financial risk to the market; and
- (c) retain the principles in the Market Rules and move the prescriptive detail around timelines for providing Credit Support and circumstances which may necessitate replacement Credit Support to the Market Procedure.

As a result, the IMO proposes amendments to section 3 of the Market Procedure to:

- (a) include a time by which a Market Participant must provide Credit Support to the IMO; and
- (b) provide greater clarity around the processes to be followed by Market Participants and the IMO, to ensure that adequate Credit Support is maintained at all times.

6. List of factors to assess the expected value of transactions

In RC_2012_23, the IMO proposes to develop a list of factors to be taken into account when determining the expected value of a transaction. The IMO proposes to include this list in Appendix 1 of the Market Procedure.

The IMO is seeking submissions regarding this proposal. The submission period is 20 Business Days from the publication of this Procedure Change Proposal. Submissions must be delivered to the IMO by 5:00 pm on (TBC).

The IMO prefers to receive submissions by email to market.development@imowa.com.au using the submission form available on the following webpage:
<http://www.imowa.com.au/procedure-changes>.

Submissions may also be sent to the IMO by fax or post, addressed to:

Independent Market Operator
Attn: Group Manager, Development and Capacity
PO Box 7096, Cloisters Square
Perth WA 6850
Fax: (08) 9254 4399

2. Provide the wording of the amended Procedure

The proposed draft amended Market Procedure is provided as an attachment.

3. Describe how the proposed changes to the Market Procedure would be consistent with the Market Rules, the Electricity Industry Act and Regulations

The proposed draft amended Market Procedure has been reviewed as a whole by the IMO to ensure compliance of the Market Procedure with the relevant provisions in the:

- Electricity Industry Act;
- Regulations; and
- Market Rules

4. Describe how the proposed changes to the Market Procedure would be consistent with the Wholesale Market Objectives

The steps described in the proposed amended Market Procedure will facilitate the prudential obligations to be met by Market Participants and the IMO as described in clauses 2.37 to 2.42 of the Market Rules.

The IMO considers that the proposed amendments to the Market Procedure support the amendments proposed to the Market Rules in RC_2012_23, which better achieve Wholesale Market Objective (a). The IMO also considers that the amended draft Market Procedure, as a whole, is consistent with the remaining Wholesale Market Objectives.

Procedure Change ID: PC_2013_04

Received Date:



INDEPENDENT
MARKET
OPERATOR



Market Procedure: Prudential Requirements

VERSION 3



ELECTRICITY INDUSTRY ACT 2004
ELECTRICITY INDUSTRY
(WHOLESALE ELECTRICITY MARKET)

REGULATIONS 2004

WHOLESALE ELECTRICITY MARKET RULES

COMMENCEMENT:

This Market Procedure took effect from 8:00am (WST) on the
same date as the Wholesale Electricity Market Rules.

VERSION HISTORY

Version	Effective Date	Notes
1	12 September 2006	Market Procedure for Prudential Requirements
2	15 October 2008	Amendments to Market Procedure resulting from PC_2008_08
3	XX Month 2013	Amendments to Market Procedure resulting from PC_2013_04

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1 PROCEDURE OVERVIEW

1.1 Relationship with the Market Rules

- 1.1.1 This Market Procedure for Prudential Requirements (Procedure) is made in accordance with clause 2.43.1 of the Wholesale Electricity Market (WEM) Rules (Market Rules).
- 1.1.2 Reference to particular Market Rules within the Procedure in bold and square brackets **[Clause XX]** are current as of [date after commencement of RC_2012_23] 2013. These references are included for convenience only, and are not part of this Procedure.

1.2 Purpose of this Procedure

- 1.2.1 This Procedure outlines:
 - (a) how the IMO will determine Credit Limits;
 - (b) the arrangements for Credit Support, including:
 - i. the form of acceptable guarantees and bank letters of credit;
 - ii. where and how the IMO will hold cash deposits and how the costs and fees of holding cash deposits will be met; and
 - iii. the application of monies drawn from Credit Support in respect of amounts owed by the relevant Market Participant to the IMO;
 - (c) how the IMO will assess persons against the Acceptable Credit Criteria;
 - (d) how Trading Margins will be calculated;
 - (e) how Margin Calls will be issued;
 - (f) factors to be taken into account in determining the expected value of transactions; and
 - (g) other matters relating to clauses 2.37 to 2.42 of the Market Rules.

1.3 Application of this Procedure

- 1.3.1 In this Procedure, where obligations are conferred on a Rule Participant, that Rule Participant must comply with the relevant obligations in accordance with clauses 2.9.6, 2.9.7 and 2.9.8 of the Market Rules, as applicable.

1.4 Associated Market Procedures and market documents

- 1.4.1 The following Market Procedures are associated with this Procedure:
 - (a) Rule Participant Registration and Deregistration;
 - (b) Settlements; and
 - (c) Reserve Capacity Security.
- 1.4.2 The following market documents available on the Market Web Site, are associated with this Procedure:
 - (a) Change of Contact Details form;
 - (b) Bank Undertaking for Credit Support;
 - (c) Contact Details of Bank Undertakings form;
 - (d) Guarantee for Credit Support;

- (e) Security Deposit deed for Credit Support;
 - (f) Security Deposit deed for Credit Support (provided by Third Party);
 - (g) Deed for submitting voluntary prepayments;
 - (h) Acceptable Credit Criteria form; and
 - (i) List of entities meeting Acceptable Credit Criteria.
- 1.4.3 The following user guides available on the Market Web Site, are associated with this Procedure:
- (a) Market Participant Registration Software User Guide.

1.5 Conventions Used

- 1.5.1 In this Procedure the conventions specified in clauses 1.3 to 1.5 of the Market Rules apply.
- 1.5.2 The appendices contained within this Procedure form part of the Procedure and are legally enforceable.

1.6 Terminologies and Definitions

- 1.6.1 A word or phrase defined in the Electricity Industry Act, the Electricity Industry (Wholesale Electricity Market) Regulations or the Market Rules has the same meaning when used in this Procedure. In addition the following defined terms have the meaning given.

Table 1 – Defined Terms

Term	Definition
Due Date	Due Date is the date specified by the IMO in respect of a step in this Market Procedure
Treasury Corporation	A central borrowing authority of an Australian State or Territory, which authority has been established by an Act of Parliament of that State or Territory.

1.7 Amendments to proforma documents

- 1.7.1 The IMO may, in its absolute discretion, amend and publish on the Market Web Site any market documents listed in step 1.4.2.
- 1.7.2 A Market Participant wishing to use any market document listed in step 1.4.2 must ensure that it downloads the current version on the Market Web Site.
- 1.7.3 If the IMO amends and publishes a market document prior to a Market Participant's provision of Credit Support under this Procedure, the IMO must apply the amended and published version of that market document to assess compliance of the Credit Support.

2 CREDIT LIMITS - APPLICATION OF CLAUSE 2.37.4

2.1 Credit Limit determination

2.1.1 When determining a Market Participant's Credit Limit in accordance with clauses 2.37.2 or 2.37.3 of the Market Rules, the IMO must take into account the principles laid out in clause 2.37.4 [Clause 2.37.1].

2.1.2 The IMO must apply clause 2.37.4 as follows:

- (a) For a Market Participant for which at least three full months of settled Non-Short Term Energy Market (Non-STEM) data are available, the IMO must determine a Credit Limit in accordance with step 2.2 of this Procedure.
- (b) For a Market Participant for which less than three full months of settled Non-STEM data are available, the IMO must determine an initial Credit Limit in accordance with step 2.3 of this Procedure.

2.2 Credit Limit determination for a Market Participant for which at least three months of settled Non-STEM data are available

2.2.1 The IMO must identify when a minimum of three full months of settled Non-STEM data become available for a Market Participant.

2.2.2 Within five Business Days after making the identification in step 2.2.1, the IMO must determine a Credit Limit for the Market Participant using the methodology detailed in step 2.2.5.

2.2.3 The IMO must determine a Market Participant's Anticipated Maximum Exposure (AME) using up to 24 months of available settlement data from the period preceding the date on which the Credit Limit is determined, in the order of steps listed below:

- (a) For each settled Trading Month, the IMO must calculate the Trading Day Non-STEM exposure for each Trading Day of the Trading Month for the Market Participant. This Trading Day exposure consists of the Reserve Capacity settlement amount, Balancing settlement amount, Ancillary Service settlement amount, Outage Compensation settlement amount, Reconciliation Settlement amount and Market Participant Fee settlement amount, as applicable. This is calculated as:

$$\left\{ \frac{[RCSA(p, m) + ASSA(p, m) + COCSA(p, m) + RSA(p, m) + MPFSA(p, m) + \sum_{t=1}^n BSA(p, d, t)]}{n} \right\}$$

Where:

$RCSA(p, m)$ is the Reserve Capacity settlement amount for Market Participant p for Trading Month m calculated as per clause 9.7.1 of the Market Rules;

$ASSA(p, m)$ is the Ancillary Service settlement amount for Market Participant p for Trading Month m calculated as per clause 9.9.1 of the Market Rules;

$COCSA(p, m)$ is the Outage Compensation settlement amount for Market Participant p for Trading Month m calculated as per clause 9.10.1 of the Market Rules;

$RSA(p, m)$ is the Reconciliation Settlement amount for Market Participant p for Trading Month m calculated as per clause 9.11.1 of the Market Rules;

$MPFSA(p, m)$ is the applicable Market Participant Fee settlement amount for Market Participant p for Trading Month m calculated as per clause 9.13.1 of the Market Rules;

$\sum_{i=1}^n BSA(p, d, t)$ is the sum over n days, of the Balancing settlement amounts for Market Participant p for all Trading Intervals t of Trading Day d calculated as per clause 9.8.1 of the Market Rules; and

n is the number of Trading Days in Trading Month m .

- (b) Using each day's Non-STEM exposure, the IMO must calculate the total running 70 day exposure, for all consecutive 70 day periods from the last day of the most recently settled Trading Month up to a maximum of 24 months prior to the time of calculation.
- (c) The IMO must determine the highest running 70 day exposure as the Market Participant's 70 day maximum exposure in Non-STEM.
- (d) If the Market Participant participated in STEM over that period, the IMO must also calculate the trading day STEM exposure for the Market Participant. This is calculated as:

$$\left\{ \frac{STEMSA(p, w)}{m} \right\}$$

Where:

$STEMSA(p, w)$ is the STEM settlement amount for Market Participant p for Trading Week w calculated as per clause 9.6.1 of the Market Rules; and

m is the number of Trading Days in Trading Week w .

- (e) Using each day's STEM exposure, the IMO must calculate the total running 15 day exposure, for all consecutive 15 day periods from the last day of the most recently settled Trading Week up to a maximum of 24 months prior to the time of calculation.
- (f) The IMO must determine the highest running 15 day exposure as the Market Participant's 15 day maximum exposure in STEM.
- (g) The AME is the sum of the 70 day maximum Non-STEM exposure and 15 day maximum STEM exposure.

2.2.4 In addition to the amount determined in step 2.2.3, the IMO may, in its absolute discretion, decide to apply an amount in accordance with clauses 2.37.5(k) or 2.37.6 of the Market Rules¹, if it reasonably considers that its inclusion will adequately protect the Market in the event that a Market Participant defaults.

2.2.5 The IMO must set a Market Participant's Credit Limit as the sum of the AME determined in step 2.2.3 and any amount determined in step 2.2.4.

¹ In accordance with Proposed Amending Rules in RC_2012_23.

2.3 Credit Limit determination for a Market Participant for which less than three full months of settled Non-STEM data are available

2.3.1 For a Market Participant for which less than three full months of settled Non-STEM data or no data² are available, the IMO must determine an initial Credit Limit for that Market Participant in accordance with step 2.3.4.

2.3.2 The IMO must determine the type of Market Participant and refer to the requisite steps in accordance with Table 2.

Table 2 – Credit Limit determination steps by type of Market Participant

No.	Type of Market Participant	Procedure Step
(a)	Market Generator adding a new Facility	2.4
(b)	Market Customer acquiring new end-consumers of Load(s)	2.5
(c)	Market Participant that is both a Market Generator and a Market Customer	Sum of the amounts determined at (a) and (b) in this table (after accounting for any offset amounts)
(d)	Market Participant with a Demand Side Programme ³ adding a Demand Side Programme	Sum of the amounts determined at (a), (b) and (c) if applicable and 2.6 (after accounting for any offset amounts)

2.3.3 In addition to the amount determined under steps 2.4.4, 2.5.4 or 2.6.4 as applicable, the IMO may in its absolute discretion, decide to apply an amount in accordance with clauses 2.37.5(k) or 2.37.6 of the Market Rules¹, if it reasonably considers that its inclusion will adequately protect the market in the event that a Market Participant defaults.

2.3.4 The IMO must set a Market Participant's initial Credit Limit as the sum of the amount determined under steps 2.4.4, 2.5.4 and 2.6.4 as applicable and any amount determined in step 2.3.3.

2.3.5 When the IMO identifies that a minimum of three full months of settled Non-STEM data have become available for a new Market Participant, the IMO must determine the Credit Limit for that Market Participant using the methodology described in step 2.2.

2.4 Credit Limit determination for a Market Generator adding one or more new Facilities

2.4.1 If not already submitted at the time of Facility Registration, a new or existing Market Generator adding one or more new Facilities must, by the agreed Due Date, provide the following data to the IMO:

- (a) The minimum stable generation and the maximum output (estimated maximum output for a Non-Scheduled Generator) for each Facility;
- (b) The Certified Reserve Capacity for each Facility;

² All new Market Participants will fall in this category and will have an initial Credit Limit determined for them for a period of three months.

³ Note that under the Market Rules, a Market Participant wishing to register a Demand Side Programme must register itself as a Market Customer.

- (c) The actual or estimated amount of energy to be sold under Bilateral Contracts; and
 - (d) The actual or estimated amount of Capacity Credits it intends to trade bilaterally.
- 2.4.2 The IMO must make reasonable estimations for the following:
 - (a) Average Balancing Price;
 - (b) Ancillary Services cost;
 - (c) Percentage of time that each Facility is expected to run;
 - (d) Monthly Reserve Capacity Price; and
 - (e) Percentage of Forced Outages that each Facility may experience.
- 2.4.3 Based on the data provided in step 2.4.1 and estimations determined in step 2.4.2, the IMO must reasonably assume:
 - (a) The maximum quantity of the energy to be bought in the Balancing Market over 70 days;
 - (b) The maximum amount of Market Participant Fees and Ancillary Service payments over 70 days; and
 - (c) The maximum quantity of potentially unavailable capacity over 70 days.
- 2.4.4 Using the data in step 2.4.2 and assumptions in step 2.4.3, the IMO must determine an initial amount for the new or existing Market Generator adding one or more new Facilities.
- 2.5 Credit Limit determination for a Market Customer acquiring one or more new end-consumers or Loads**
- 2.5.1 If not already submitted at the time of Participant Registration, a Market Customer must, by the agreed Due Date, provide the following data to the IMO:
 - (a) The actual or forecast amount of energy contracted to sell to Load(s);
 - (b) The actual or estimated amount of energy to be purchased under Bilateral Contracts; and
 - (c) The actual or estimated amount of Capacity Credits it intends to trade bilaterally.
- 2.5.2 The IMO must make reasonable estimations for the following:
 - (a) Average Balancing Price;
 - (b) Ancillary Services cost;
 - (c) Monthly Reserve Capacity Price; and
 - (d) Individual Reserve Capacity Requirement.
- 2.5.3 Based on the data provided in step 2.5.1, the IMO must reasonably assume:
 - (a) The maximum quantity of energy to be bought in the Balancing Market over 70 days;
 - (b) The maximum amount of Market Participant Fees and Ancillary Service payments over 70 days; and

- (c) The maximum quantity of Capacity Credits to be bought from the IMO over 70 days.
- 2.5.4 Using the data in step 2.5.2 and assumptions in step 2.5.3, the IMO must determine an initial amount for the new or existing Market Customer acquiring new Load(s).
- 2.6 Credit Limit determination for a Market Participant adding a new Demand Side Programme**
- 2.6.1 A Market Participant adding a new Demand Side Programme must, by the agreed Due Date, provide the following data to the IMO:
- (a) The sum of the expected minimum consumption of all Associated Loads for the Demand Side Programme in MW;
 - (b) The meter identification number of each Load to be associated;
 - (c) The estimated availability of the Demand Side Programme; and
 - (d) The actual or estimated amount of Capacity Credits it intends to trade bilaterally.
- 2.6.2 The IMO must make reasonable estimations for the following:
- (a) The total Capacity Credits assigned to all of the Market Participant's Demand Side Programmes;
 - (b) The total Reserve Capacity Deficit of all of the Market Participant's Demand Side Programmes;
 - (c) Monthly Reserve Capacity Price; and
 - (d) Refund factor based on the Refund Table in clause 4.26.1 of the Market Rules.
- 2.6.3 Based on the data provided in step 2.6.1 and estimations determined in step 2.6.1(a), the IMO must reasonably assume:
- (a) the maximum quantity of potential unavailable capacity over 70 days.
- 2.6.4 Using the data in step 2.6.1(a) and assumption in step 2.6.2(a), the IMO must determine an initial amount for a Market Participant adding a Demand Side Programme.
- 2.7 Notifying a Market Participant of its Credit Limit**
- 2.7.1 Within one Business Day from determining a Market Participant's Credit Limit, the IMO must:
- (a) notify the Market Participant, via email or letter,
 - i. of the amount of the Credit Limit;
 - ii. the basis for the determination with specific references to the factors listed in clauses 2.37.5 and 2.37.6 of the Market Rules ⁴ **[Clause 2.37.7]**; and
 - iii. whether it is required to submit any Credit Support and the Due Date by which the Credit Support must become duly effective⁵; and

⁴ In accordance with proposed Amending Rules in RC_2012_23.

- (b) update the requisite information for the Market Participant in the Wholesale Electricity Market System (WEMS).

2.8 Changes in circumstances affecting a Market Participant's Credit Limit

2.8.1 A Market Participant must notify the IMO as soon as practicable, via email or letter, where it becomes aware that any change in its circumstances may warrant a revision of its Credit Limit **[Clause 2.37.8]**. Such circumstances include, but are not limited to:

- (a) For a Market Customer:
 - i. Expected increases in metered consumption quantities;
 - ii. Acquisition of new Loads; or
 - iii. Expected decreases in the quantity of electricity purchased bilaterally;
- (b) For a Market Generator:
 - i. Expected decreases in metered generation quantities;
 - ii. Acquisition of new Facilities;
 - iii. Expected decreases in the quantity of electricity sold bilaterally; or
 - iv. Material fuel supply disruptions; or
- (c) Any other event that may affect a Market Participant's commercial position in the market.

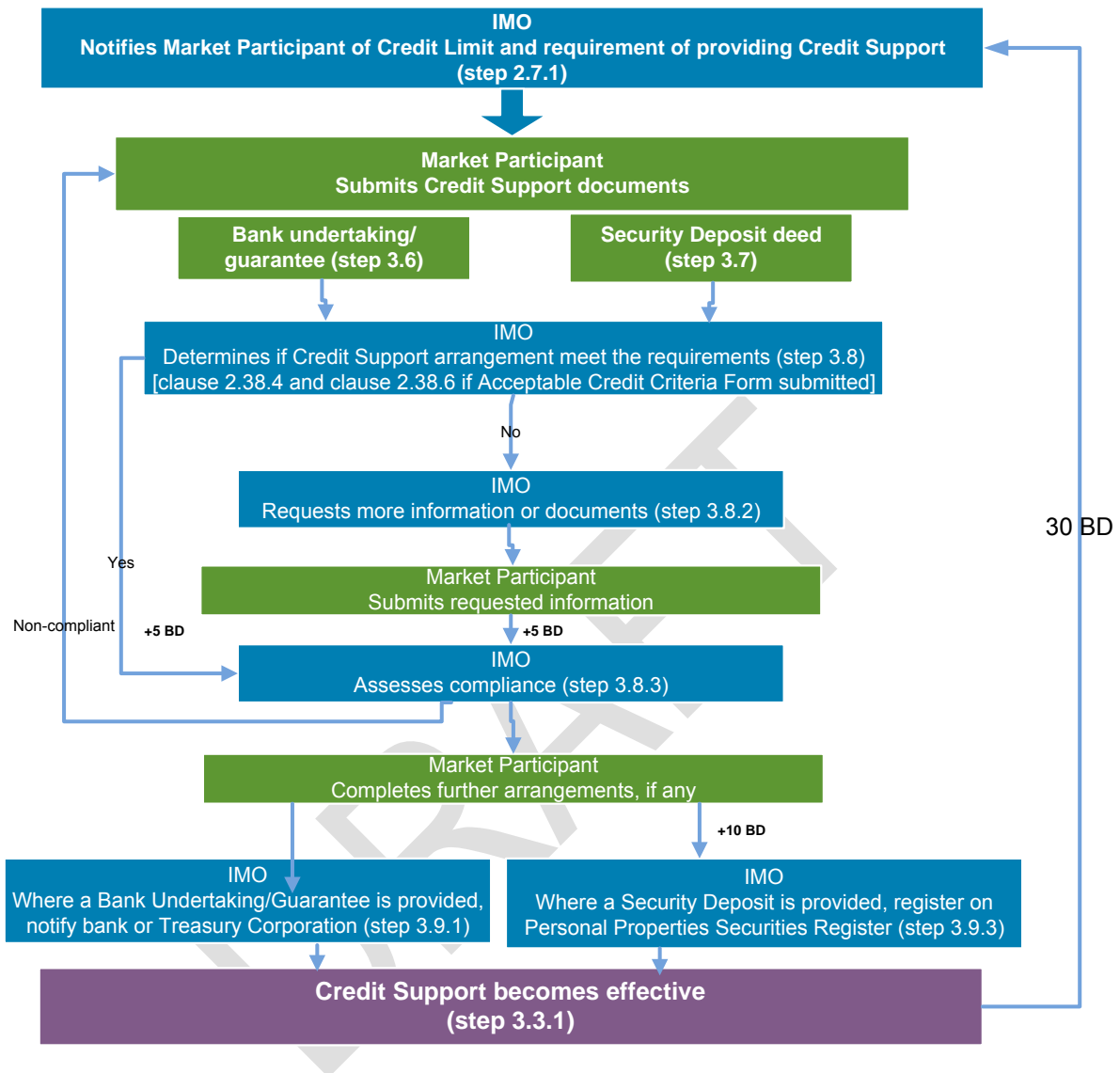
2.8.2 Notwithstanding the obligation in step 2.8.1, a Market Participant may submit a request to the IMO, via email or letter, to consider revising its Credit Limit. The Market Participant must provide reasons and evidence for requesting a revision of its Credit Limit.

2.8.3 If the IMO decides to revise the Credit Limit for a Market Participant in response to a notification received in step 2.8.1 or a request received in step 2.8.2, then the IMO must determine the revised Credit Limit in accordance with step 2.2 or step 2.3, as applicable.

2.8.4 If the IMO decides not to revise the Credit Limit for a Market Participant in response to a notification received in step 2.8.1 or request received in step 2.8.2, then the IMO must notify the Market Participant of its reasons for not doing so via email or letter, as soon as practicable.

⁵ The Credit Support Due Date is determined in accordance with the Table in step 3.3.1.

3.1 Credit Support delivery process



3.2 Amount of Credit Support

3.2.1 Where a Market Participant receives a notification in step 2.7.1 requesting the submission of Credit Support, the Market Participant must ensure that the amount of Credit Support provided is no less than the most recent Credit Limit determined and notified by the IMO **[Clause 2.38.1]**.

3.3 Timeline for providing Credit Support

3.3.1 Before a Market Participant participates and transacts in the market, it must provide duly effective Credit Support to the IMO according to the timelines in Table 3.

Table 3 – Timelines for providing Credit Support by type of Market Participant

Id.	Type of Market Participant/ event	Timeline for providing Credit Support
(a)	New Market Generator	Before the Facility undertakes a Commissioning Test
(b)	Existing Market Generator adding a new Facility	Before the new Facility undertakes a Commissioning Test
(c)	New Market Customer (with end-consumers)	After evidence of an approved Electricity Transfer Access Contract (ETAC) is provided to the IMO and before the Market Customer participates in the market
(d)	Existing Market Customer (adding new end-consumers or Load(s))	Upon notifying the IMO that an increase in consumption is expected
(e)	Market Customer with a Demand Side Programme (new or existing adding a DSP)	Before the DSP's Reserve Capacity Obligation Quantity becomes applicable as per clause 4.1.26 of the Market Rules
(f)	The IMO undertakes a Credit Limit review for the Market Participant	Within 30 Business Days from the IMO's notification to the Market Participant

3.4 Maintaining Credit Support

- 3.4.1 At least 10 Business Days before the expiry of existing Credit Support, a Market Participant may provide replacement Credit Support to the IMO in an amount not less than its most recently determined Credit Limit. Notwithstanding, the Market Participant must ensure that the replacement Credit Support becomes effective at the expiry of the existing Credit Support **[Clause 2.38.2]**.
- 3.4.2 Where a Market Participant becomes aware that its Credit Support is affected by any of the circumstances as laid out in step 3.4.3, it must:
- (a) notify the IMO via email or letter immediately; and
 - (b) provide duly effective replacement Credit Support in an amount not less than its most recently determined Credit Limit, within 24 hours of the notification **[Clause 2.38.3]**.
- 3.4.3 For the purposes of clause 2.38.3, circumstances that may invoke actions in step 3.4.2 include, but are not limited to where:
- (a) Existing Credit Support is no longer current or valid;
 - (b) The Credit Limit has been increased;
 - (c) The Credit Support provider no longer meets any one of the Acceptable Credit Criteria;
 - (d) Some or all of the existing Credit Support has been drawn upon by the IMO;
 - (e) The Credit Support provider ceases to or threatens to cease to carry on providing Credit Support in relation to the Market Participant; or
 - (f) The Credit Support provider in relation to the Market Participant becomes insolvent or is dissolved.
- 3.4.4 Where the IMO becomes aware that circumstances (as specified in step 3.4.3) exist in relation to a Market Participant, it must:
- (a) notify the Market Participant via email or letter immediately; and

- (b) require the Market Participant to provide duly effective replacement Credit Support in an amount not less than its most recently determined Credit Limit, within 24 hours of the notification [**Clause 2.38.3**].

3.5 Credit Support arrangements

- 3.5.1 A Market Participant must ensure that its Credit Support arrangement meets the requirements of clause 2.38.4 of the Market Rules.
- 3.5.2 A Market Participant must provide Credit Support in the form of a:
 - (a) guarantee or bank undertaking, in accordance with the process detailed in Section 3.6 of this Procedure and in accordance with clause 2.38.4(a) of the Market Rules; or
 - (b) Security Deposit, in accordance with the process detailed in Section 3.7 of this Procedure and in accordance with clause 2.38.4(b) of the Market Rules.
- 3.5.3 A Market Participant must ensure that the contact details it submits for its Credit Support arrangements are current at all times. This includes contact details for persons at the bank or Treasury Corporation. The Market Participant can access a Change of Contact Details form available on the Market Web Site. The Market Participant must update these contact details by emailing the form to accounts@imowa.com.au.
- 3.5.4 Where a Market Participant provides credit support in the form of a:
 - (a) guarantee or bank undertaking, the steps in section 3.6 must be followed; or
 - (b) Security Deposit, the steps in section 3.7 must be followed.

3.6 Submitting guarantees or bank undertakings

- 3.6.1 On receiving a notification to submit Credit Support in step 2.7.1 requesting the submission of Credit Support, a Market Participant must download a copy of the following documents, available from the Market Web Site:
 - (a) Proforma deed for a guarantee or bank undertaking, as applicable; and
 - (b) Acceptable Credit Criteria form⁶ (this is required if the bank or Treasury Corporation is not on the list of entities meeting Acceptable Credit Criteria, as published on the Market Web Site).
- 3.6.2 At least 30 Business Days before the Due Date for Credit Support as specified in Table 3, a Market Participant must submit to the IMO two signed, original, hard copies of:
 - (a) the proforma deed for guarantee or bank undertaking for an amount not less than the most recently determined Credit Limit for the Market Participant; and
 - (b) the Acceptable Credit Criteria form for the Credit Support provider (where applicable).
- 3.6.3 A completed guarantee or bank undertaking must meet the following criteria:
 - (a) It is in the form approved by the IMO and published on the Market Web Site; and

⁶ Refer to step 4.1 of the Procedure to complete the Acceptable Credit Criteria form.

- (b) It has been executed by a Treasury Corporation (in the case of a guarantee) or a bank (in the case of a bank undertaking), that meets the Acceptable Credit Criteria.
- 3.6.4 A Market Participant must ensure that the guarantee or bank undertaking is consistent with the most recent proforma available on the Market Web Site and is only modified to the extent contemplated in the proforma. The IMO must not accept any variations from the proforma provided on the Market Web Site.
- 3.6.5 At the same time as providing the guarantee or bank undertaking to the IMO, a Market Participant must also provide to the IMO:
 - (a) A completed Contact Details of Bank Undertakings form available on the Market Web Site, which provides the contact details of at least two individuals representing the Market Participant and two individuals representing the bank or Treasury Corporation whom the IMO can contact in regard to making a call on the Credit Support; and
 - (b) any special procedure that the bank or Treasury Corporation requires the IMO to follow when calling on the Credit Support.
- 3.6.6 When providing hard copies of the guarantee or bank undertaking to the IMO, the Market Participant must agree on a place of delivery with the IMO and hand over the documents to the IMO in person. If the Market Participant is not able to hand over the documents in person, it must be provided to the IMO by courier or registered mail, requiring a signature on receipt.
- 3.6.7 The IMO must provide a written receipt to the Market Participant at the time of receiving the guarantee or bank undertaking. The IMO must sign the two original copies of the guarantee or bank undertaking deed and return one signed original to the Market Participant.
- 3.6.8 The IMO requires that the Treasury Corporation issuing the guarantee or the bank issuing the bank undertaking must be able to provide cleared funds up to the amount of the Credit Support within 90 minutes of the IMO making a call on the Credit Support. The Market Participant must ensure that processes are in place for the bank or Treasury Corporation to release funds within 90 minutes of the IMO making a call on the Credit Support. Failure by the bank or Treasury Corporation to do so constitutes a breach of clause 2.38.4(a) and a Suspension Event in respect of that Market Participant under clause 9.23.1 of the Market Rules.
- 3.7 Submitting Security Deposits**
- 3.7.1 On receiving a notification to submit Credit Support in step 2.7.1, a Market Participant must download a copy of the following documents from the Market Web Site:
 - (a) Proforma deed for Security Deposit; and
 - (b) Security Deposit instructions.
- 3.7.2 At least 30 Business Days before the Due Date for Credit Support as specified in Table 3, a Market Participant must submit two signed original hard copies of a completed Security Deposit deed to the IMO.

- 3.7.3 A completed Security Deposit deed must meet the following criteria:
- (a) It is in the form approved by the IMO and published on the Market Web Site; and
 - (b) It has been executed by or on behalf of the Market Participant.
- 3.7.4 A Market Participant must ensure that the Security Deposit deed is consistent with the most recent proforma available on the Market Web Site and is only modified to the extent contemplated in the proforma. The IMO must not accept any variations from the proforma provided on the Market Web Site.
- 3.7.5 When providing hard copies of the Security Deposit deed to the IMO, the Market Participant must agree on a place of delivery with the IMO and hand over the documents to the IMO in person. If the Market Participant is not able to hand over the documents in person, it must be provided to the IMO by courier or registered mail, requiring a signature on receipt.
- 3.7.6 The IMO must provide a written receipt to the Market Participant at the time of receiving the Security Deposit deed. The IMO must sign the two original copies of the Security Deposit deed and return one signed original to the Market Participant.
- 3.7.7 The Market Participant must provide the amount of Credit Support in cleared funds by 5:00 PM on the Due Date for Credit Support (as specified in Table 3), in accordance with Security Deposit instructions. Failure by a Market Participant to provide both the completed Security Deposit deed and cleared funds constitutes a breach of clause 2.38.4 of the Market Rules and a Suspension Event in respect of that Market Participant under clause 9.23.1 of the Market Rules.
- 3.8 The IMO's process of reviewing Credit Support arrangements**
- 3.8.1 On receiving completed documentation from a Market Participant for Credit Support, the IMO must review the Credit Support arrangement to:
- (a) determine whether it is compliant with clause 2.38.4(a) of the Market Rules and section 3.6 of this Procedure, if the Credit Support is in the form of a guarantee or bank undertaking; or
 - (b) determine whether it is compliant with clause 2.38.4(b) of the Market Rules and section 3.7 of this Procedure, if the Credit Support is in the form of a Security Deposit.
- 3.8.2 The IMO may, at its discretion, request more information by a Due Date from the Market Participant to support its Credit Support arrangement. The Market Participant must provide the relevant information by the Due Date.
- 3.8.3 Within five Business Days of the later of the dates on which the IMO receives completed documents under step 3.8.1 and 3.8.2, the IMO must, via email or letter:
- (a) notify the Market Participant that the Credit Support is either:
 - i. compliant with the Market Rules and this Procedure; or
 - ii. not compliant with the Market Rules and this Procedure and provide reasons as to why the Credit Support is not compliant; and
 - (b) where further arrangements have to be made such as to provide cleared funds as a Security Deposit or issue instructions to the bank or Treasury Corporation to release funds within 90 minutes of the IMO making a claim,

require the Market Participant to complete these steps before 5:00 PM on the date the Credit Support is due (as specified in Table 3).

- 3.8.4 If a Market Participant receives a notification of non-compliance under step 3.8.3(a)ii), the Market Participant must re-submit a Credit Support arrangement in accordance with clause 2.38.4 of the Market Rules and step 3.5 of this Procedure.

3.9 Further steps by the IMO on Credit Support arrangements

- 3.9.1 Where the Credit Support is a guarantee or bank undertaking, then at the same time as the IMO issues notice of compliance to the Market Participant in step 3.8.3(a)i), the IMO must notify the Treasury Corporation or the bank in writing via email or letter, that the Credit Support has been provided in accordance with clause 2.38.4(a) of the Market Rules and this Procedure.
- 3.9.2 After the IMO notifies the Market Participant and the Treasury Corporation or the bank, as applicable, in step 3.9.1, the IMO must place the completed guarantee or bank undertaking in a bank safe box, as soon as practicable.
- 3.9.3 Where the Credit Support is provided as a Security Deposit, then within 10 Business Days after cleared funds have been received by the IMO, the IMO must initiate the process for registration of the security interest on the Personal Property Securities Register in accordance with the *Personal Property Securities Act 2009 (Cth) (PPSA)*⁷. As part of this process the IMO must deduct any fees incurred in registering the security interests from the balance of the Security Deposit, and the IMO must send a notice of the verification statement containing the details of the registration to the Credit Support provider and the Market Participant, as soon as practicable.
- 3.9.4 Upon completion of step 3.9.3, the IMO must place the completed Security Deposit deed in a bank safe box, as soon as practicable.

3.10 Replacing a Credit Support arrangement

- 3.10.1 A Market Participant may replace the form of Credit Support provided (for example from a Security Deposit to a bank undertaking) by notifying the IMO via email or letter.
- 3.10.2 A Market Participant must include in its notification provided in step 3.10.1:
- (a) The form of replacement Credit Support to be provided;
 - (b) Demonstration that the replacement Credit Support will meet the requirements of clause 2.38.4 of the Market Rules; and
 - (c) The date on which documents regarding the replacement will be provided to the IMO, where the date must be at least 10 Business Days before the expiry date of the existing Credit Support held by the IMO, where applicable.

⁷ The Personal Property Securities Act 2009 (Cth) enables any person to register its security interests on the Personal Property Securities Register (PPSR). The PPSR is a real-time electronic notice board which allows individuals and organisations to search and register security interests in personal property (see www.ppsr.gov.au for more information). For the purposes of the PPSA, any cash in a bank account (Security Deposit) under the control of the IMO pursuant to a Security Deposit deed that is provided to the IMO for the purposes of Credit Support (Clause 2.38.4(b)) or Reserve Capacity Security (Clause 4.13), is a form of "personal property". The IMO's interest in the Security Deposit is a "security interest", and the Security Deposit deed secures payment and performance obligations by a Market Participant.

- 3.10.3 The IMO must assess the replacement Credit Support arrangement in accordance with step 3.8.

3.11 Holding Security Deposits and associated costs

- 3.11.1 Where the IMO receives Credit Support in the form of a Security Deposit, it must:
- (a) invest any Security Deposit payments on behalf of the relevant Market Participant; and
 - (b) maintain individual cash deposit accounts for Security Deposits separate from any IMO operating funds accounts.
- 3.11.2 The IMO must credit the interest earned daily at the Bank Bill Rate on the balance of the Security Deposit to the relevant Market Participant's bank account on a monthly basis and deduct any costs and fees associated with holding the Security Deposit from the balance of the Security Deposit, including bank fees and charges **[Clause 2.38.5]**.
- 3.11.3 The IMO may provide written advice to a Market Participant on a monthly basis regarding the interest earned at the Bank Bill Rate and the deduction of any accrued costs and fees.

4 ACCEPTABLE CREDIT CRITERIA

4.1 Completing the Acceptable Credit Criteria Form

4.1.1 Where a Market Participant elects to provide a Credit Support other than a Security Deposit and the Credit Support provider is not included on the current list of entities that meet the Acceptable Credit Criteria (available on the Market Web Site), the Market Participant must arrange for the completion of an Acceptable Credit Criteria form, outlining that the entity providing the Credit Support meets the Acceptable Credit Criteria outlined in clause 2.38.6 of the Market Rules, from either:

- (a) the Market Participant's external solicitors; or
- (b) the entity's external solicitors.

A copy of the Acceptable Credit Criteria form is available on the Market Web Site.

4.1.2 In completing the Acceptable Credit Criteria form under step 4.1.1, a Market Participant is responsible for arranging a firm of solicitors to undertake all necessary investigations to enable a partner of the firm to sign the Acceptable Credit Criteria Form. They may be the solicitors for the Market Participant or the solicitors for the Credit Support provider.

4.1.3 Before submitting an Acceptable Credit Criteria form, a Market Participant may submit a request to the IMO to confirm whether a particular firm of solicitors meets its requirements in step 4.1.5(c).

4.1.4 The IMO must respond via email or letter, to a request received in step 4.1.3 within one Business Day of receiving the request.

4.1.5 A completed Acceptable Credit Criteria form is one that adheres to clause 2.38.6 of the Market Rules, in that the form:

- (a) has an affirmative response to each of the six statements;
- (b) has been completed with the full details of the entity to which it applies; and
- (c) has been signed by a partner from a reputable commercial law firm which is acceptable to the IMO.

4.1.6 A Market Participant submitting a completed Acceptable Credit Criteria form must submit it along with its Credit Support arrangement.

4.2 Maintaining the list of entities that meet the Acceptable Credit Criteria

4.2.1 In accordance with clause 2.38.7 of the Market Rules, the IMO must publish and maintain on the Market Web Site, a list of entities which meet the Acceptable Credit Criteria **[Clause 2.38.7]**.

4.2.2 To determine whether the entities mentioned on the list meet the Acceptable Credit Criteria, the IMO may assess any evidence provided by any Market Participants in the previous 12 months or may make its own judgment **[Clause 2.38.7 (a) or (b)]**.

4.2.3 Where the IMO assesses an Acceptable Credit Criteria form received from a Market Participant in the previous 12 months and deems the entity to meet the Acceptable Credit Criteria, then the IMO must include that entity in the list of entities meeting the Acceptable Credit Criteria published on the Market Web Site.

- 4.2.4 Every quarter, the IMO will review whether the entities included on the list continue to have acceptable credit ratings as specified in clause 2.38.6(f). The IMO must update the date and make any required changes in the list as soon as practicable after it is satisfied that the list contains the most current information **[Clause 2.38.8]**.
- 4.2.5 Where the IMO assesses that an entity no longer meets the Acceptable Credit Criteria, it may at any time remove the entity from the list of entities that meet the Acceptable Credit Criteria published on the Market Web Site **[Clause 2.38.9]**.
- 4.2.6 Where the IMO removes an entity from the list of entities that meet the Acceptable Credit Criteria, it must notify affected Market Participants via email or letter, within one Business Day of that removal. If a Market Participant's Credit Support is affected by the notification, it must provide valid replacement Credit Support in accordance with step 3.4.2.

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5 PRUDENTIAL SECURITY

5.1 Outstanding Amount

- 5.1.1 In accordance with clause 2.40.1 of the Market Rules, the IMO must calculate the Outstanding Amount for a Market Participant as the total of:
- (a) Unpaid invoices representing the sum of all STEM and Non-STEM Invoices that have been issued to the Market Participant but remain unpaid on the current date, after accounting for any voluntary prepayments; and
 - (b) Actual accrued exposure representing all STEM and Non-STEM transactions that have occurred but have not yet been invoiced to the Market Participant.
- 5.1.2 In determining amounts under step 5.1.1, the IMO must use actual amounts for which Settlement Statements have been issued or a reasonable estimate where actual amounts are not available **[Clause 2.40.2]**.
- 5.1.3 The IMO may also reasonably estimate a forecast exposure for a Market Participant to represent its liabilities arising out of expected transactions between the current date and the next STEM or Non-STEM Settlement date.

5.2 Voluntary prepayment

- 5.2.1 A Market Participant may make a voluntary prepayment to the IMO, at any time, in consideration of reducing its Outstanding Amount and increasing its Trading Margin. The Market Participant must complete the deed for submitting voluntary prepayments (provided in Appendix 2) and provide cleared funds to the IMO **[Clause 2.40.1(c)]**.
- 5.2.2 The IMO must hold a Market Participant's voluntary prepayment in a bank account in the Market Participant's name, that is separate from IMO operating accounts and ensure that any interest earned on that amount is credited back to the Market Participant's account.
- 5.2.3 When the voluntary prepayment has been received as cleared funds, the IMO must apply it as a reduction on that Market Participant's Outstanding Amount, (calculated in step 5.1.1(a)) by offsetting it in the most recent Invoice issued to that Market Participant.

5.3 Trading Margin

- 5.3.1 The IMO must calculate the Trading Margin for a Market Participant as the difference between its Trading Limit and its Outstanding Amount **[Clause 2.41.1]**.
- 5.3.2 Notwithstanding any other factors and analyses, a Market Participant wishing to make a submission in the market that would result in a transaction, may take into account the factors set out in Appendix 1 of this Procedure to determine whether that transaction could result in the Market Participant's Trading Margin becoming zero or negative.
- 5.3.3 If a Market Participant determines that the assessment conducted in step 5.3.2 could result in its Trading Margin becoming zero or negative, the Market Participant must not make such a submission in the market **[Clause 2.41.2]**.
- 5.3.4 The IMO may reject a submission from a Market Participant if the IMO's assessment, taking into account the factors listed in Appendix 1 of this Procedure, indicates that the transaction could result in the Market Participant's Trading Margin becoming zero or negative **[Clause 2.41.3]**.

5.4 Margin Call

- 5.4.1 On any day that a Market Participant's Trading Margin is zero or below, the IMO may decide to make a Margin Call by issuing a Margin Call Notice **[Clause 2.42.1]**.
- 5.4.2 The IMO must issue a Margin Call Notice via email or letter, in which the IMO must specify the Margin Call amount and include a deadline of 24 hours for the Market Participant to provide the Margin Call amount.
- 5.4.3 The IMO must determine the Margin Call amount as that amount which will increase the Market Participant's Trading Margin to zero, at the time the Margin Call Notice is issued **[Clause 2.42.3]**.
- 5.4.4 A Market Participant must, within 24 hours from the date of issue of the Margin Call Notice, respond to the Margin Call by either:
- (a) providing a Security Deposit in cleared funds to the IMO, equivalent to the amount of the Margin Call. The Security Deposit must be made in accordance with step 3.7 of this Procedure and clause 2.38.4(b) of the Market Rules; or
 - (b) providing additional Credit Support in the form of a guarantee or bank undertaking equivalent to the amount of the Margin Call. The guarantee or bank undertaking must be made in accordance with step 3.6 of this Procedure and clause 2.38.4(a) of the Market Rules **[Clause 2.42.4]**.
- 5.4.5 If a Market Participant fails to comply with clause 2.42.4, then the IMO must apply a Suspension Event in respect of that Market Participant, in accordance with clause 9.23.1 **[Clause 2.42.6]**.
- 5.4.6 The IMO may cancel a Margin Call Notice at any time, by notifying the Market Participant via email or letter. The IMO reserves the right to issue a further Margin Call Notice for the same reasons that gave rise to the cancelled Margin Call Notice **[Clause 2.42.5]**.
- 5.4.7 Where the IMO issues a Margin Call Notice, it must review the Credit Limit of the Market Participant within 30 Business Days from the date on which the Margin Call Notice was issued **[Clause 2.42.7]**. The IMO must review the Credit Limit using step 2.2 or step 2.3 of this Procedure, as applicable.

5.5 Prudential security report

- 5.5.1 The IMO must ensure that the prudential security report for each Market Participant is updated daily on the Market Participant Interface in WEMS. The prudential security report must have updated values for:
- (a) Unpaid invoices, taking into account any cleared voluntary prepayments;
 - (b) Outstanding Amount; and
 - (c) Trading Margin.
- 5.5.2 The IMO may also provide updated values for the Margin Call amount (calculated in step 5.4.3) and forecast exposure (calculated in step 5.1.3) on the Market Participant Interface in WEMS.

6 APPLICATION OF MONIES DRAWN DOWN

6.1 Drawing upon Credit Support

- 6.1.1 Where a Suspension Event has occurred in relation to a Market Participant, the IMO must act in accordance with clause 9.23.4 of the Market Rules.
- 6.1.2 The IMO may Draw Upon the Credit Support it holds, for the benefit of:
- (a) applying it to satisfy amounts owing by the relevant Market Participant, in relation to a Security Deposit; or
 - (b) exercising the IMO's rights under the Market Rules, which include drawing or claiming an amount to satisfy amounts owing by the relevant Market Participant, in relation to guarantees and bank undertakings.
- 6.1.3 The IMO may apply the monies drawn from Security Deposits, guarantees or bank undertakings in respect of any of the following:
- (a) in the case of a Suspension Event, as defined in clause 9.23.1 of the Market Rules, for the amount which the IMO determines is actually or contingently owed by the Market Participant to the IMO under the Market Rules **[Clause 9.23.4]**;
 - (b) in the case when a Market Participant fails to make a payment under the Market Rules to the IMO before it is due, for an amount to meet the payment **[Clause 9.24.1]**; and
 - (c) in the event that insolvency laws require the IMO to disgorge or repay an amount, or pay an amount equivalent to an amount paid by a Market Participant, for the amount disgorged, paid or repaid **[Clause 9.24.2]**.

APPENDIX 1: FACTORS TO BE TAKEN INTO ACCOUNT IN DETERMINING THE EXPECTED VALUE OF A TRANSACTION [Clause 2.41.5]

These factors are intended to provide guidance that would enable a Market Participant or the IMO to determine the expected value of a transaction that would, were the transaction to be assessed taking into account the expected value factors:

- (1) enable a Market Participant to ascertain that a contemplated transaction could result in the Market Participant's Trading Margin being exceeded and therefore that the submission must not be made **[Clause 2.41.2]**; or
- (2) enable the IMO to ascertain that a contemplated transaction could result in the Market Participant's Trading Margin being exceeded and therefore that the submission may be rejected **[Clause 2.41.3]**.

Where a Market Participant or the IMO is assessing whether a transaction contemplated by a submission could result in a Market Participant's Trading Margin being exceeded, Market Participants and the IMO must:

- (a) Take into account all information that is readily available, making reasonable assumptions and estimations where necessary, taking into account the Market Participant's normal commercial position and trading activities and any unusual circumstances that may exist at the time; and
- (b) Arrive at a value using reasonable estimates of the Market Participant's current and forecast STEM and Non-STEM exposure, taking into account relevant prevailing, recent and/or anticipated:
 - i. Outstanding Amounts;
 - ii. Unpaid invoices;
 - iii. STEM and Non-STEM trading activities and invoiced amounts;
 - iv. STEM, Balancing and Reserve Capacity prices;
 - v. Ancillary Services charges;
 - vi. Reconciliation charges;
 - vii. Forced Outages and the refund factor; and
 - viii. Material changes in market conditions.

In terms of assessing whether a proposed transaction contemplated by a submission could result in a Market Participant's Trading Margin being exceeded, the IMO would consider it reasonable if, for example:

- A Market Participant used actual Outstanding Amounts and unpaid invoices when considering the contemplated submission to assess current and expected liabilities arising from trading activities;
- A Market Participant used recent actual or average daily, weekly or monthly prices over the preceding three month period when considering the contemplated submission to assess current and expected liabilities arising from STEM, Balancing and Reserve Capacity prices;

- A Market Participant used recent actual or average Ancillary Services and Reconciliation charges over the preceding three month period when considering the contemplated submission to assess current and expected Ancillary Services and Reconciliation charges;
- A Market Participant used prevailing Forced Outage refund rates and actual time on Forced Outage when considering the contemplated submission to assess current and expected Forced Outage refunds; and
- A Market Participant took reasonable account of changes in market conditions, including but not limited to fuel availability, system demand, market prices, or any circumstance that was having or could reasonably be expected to have a material effect on market conditions.

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APPENDIX 2: PROFORMA FOR MAKING VOLUNTARY PREPAYMENTS

VERSION 1.0

PROFORMA FOR VOLUNTARY PREPAYMENTS UNDER CLAUSE 2.40.1(c)

THIS FORM is made the day of 20 .

BETWEEN

[Insert name and ABN of Market Participant] of *[insert address]* (“**Depositor**”)

AND

INDEPENDENT MARKET OPERATOR (ABN 95 221 850 093) of Level 17, 197 St Georges Terrace, Perth, Western Australia 6000 (“**IMO**”)

PURSUANT to clause 2.40.1(c) of the Wholesale Electricity Market Rules, a cash sum of *[insert amount in words]* Australian Dollars is deposited or paid by the Market Participant for the purpose of reducing its Outstanding Amount and increasing its Trading Margin.

EXECUTED by

[insert name and signature of authorised signatory]

On behalf of *[insert name and ABN of Market Participant]*