

# REALLOCATION PROCEDURE: SWAP AND OPTION OFFSET REALLOCATIONS

PREPARED BY: AEMO Markets/Market Management  
DOCUMENT REF: 500-0105  
VERSION: [3.0]  
EFFECTIVE DATE: To be determined  
STATUS: DRAFT

**Approved for distribution and use by:**

APPROVED BY: PETER GEERS  
TITLE: Executive General Manager Markets

SIGNED:

DATE: / / 20

## VERSION RELEASE HISTORY

Version	Effective Date	Summary of Changes
1.0 Draft	22 Jul 2008	<del>Draft procedure published for Rules consultation</del>
1.1 Draft	23 Sep 2008	<del>Draft updated for Draft Determination based on responses from first stage of consultation</del>
1.2 Final	19 Nov 2007	<del>Initial version</del> Updated based on responses from second stage of consultation and published with final determination
1.2A	16 Nov 2009	Update to AEMO format
2.10 Draft	15-4 May Feb 2011	<del>Procedure updated to: Draft procedure amended and published for Rules consultation:</del> <ul style="list-style-type: none"> <li>• <del>to</del> implement AEMC recommendation that confirmation of an underlying contract for <i>ex ante reallocations</i> be included</li> <li>• <del>to</del> correct “validation rules” descriptions within Table 1 and Table 2</li> <li>• <del>to</del> change the title of Credit Limit Methodology</li> <li>• <del>to</del> remove unused terms within the Glossary</li> </ul>
2.1 Draft	6 Apr 2011	<del>Draft updated for draft determination based on responses from first stage of consultation</del>
2.1 Final	4 May 2011	<del>Procedure published with final determination</del>
[3.0]	[TBA]	<del>[Procedure updated to new format and amended to:</del> <ul style="list-style-type: none"> <li>• <del>reflect conditions of AEMO clearing and settlement facility exemption granted 23 February 2016;</del></li> <li>• <del>reduce replication of rules clauses other than as required to provide necessary context;</del></li> <li>• <del>remove reallocation timetable (to be published as a separate document)</del></li> <li>• <del>make minor drafting changes.]</del> </li></ul>

## CONTENTS

<b>1. INTRODUCTION</b>	<b>4</b>
1.1. Purpose and Scope	4
1.2. Definitions and Interpretation	4
1.3. Related Documents	5
1.4. Amendment	5
<b>2. OVERVIEW OF REALLOCATIONS</b>	<b>5</b>
<b>3. REALLOCATION REQUEST SERVICE</b>	<b>6</b>
<b>4. LETTER OF AGREEMENT</b>	<b>6</b>
<b>5. LODGEMENT PROCESS</b>	<b>7</b>
5.1. Submission	7
5.2. Authorisation	8
5.3. Registration	10
5.4. Expiry and Cancellation	10
<b>6. REALLOCATION TIMETABLE</b>	<b>10</b>
6.1. Ex Ante Reallocations	10
6.2. Ex Post Reallocations	10
6.3. Registration Timetable	11
<b>7. REVERSAL AND DEREGISTRATION</b>	<b>11</b>
7.1. Reversal	11
7.2. Deregistration	11
<b>8. REALLOCATION TRANSACTIONS</b>	<b>12</b>
<b>9. INDEMNIFICATION ARRANGEMENTS</b>	<b>13</b>
<b>APPENDIX A. LETTER OF AGREEMENT – SWAP AND OPTION REALLOCATIONS</b>	<b>14</b>
<b>APPENDIX B. SUGGESTED COVER LETTER</b>	<b>18</b>

## TABLES

Table 1	Data required for submission of a <i>reallocation request</i> .....	8
Table 2	Data required for authorisation of a <i>reallocation request</i> .....	9
Table 3	Rules for determining applicable <i>trading intervals</i> .....	13

## 1. INTRODUCTION

*[Drafting note (to be deleted on final version): Changes to the introductory section have been made to reflect AEMO's revised format for rules procedures, including removal of unnecessary provisions, and the inclusion of the definitions (previously in schedule 1) and related documents. For ease of reading amendments to this section 1 have not been change-marked unless they are substantive changes to text in the existing Procedures. Formatting changes (such as italicisation) are also not change-marked]*

### 1.1. Purpose and Scope

This Reallocation Procedure: Swap and Option Offset Reallocations is made under clause 3.15.11A of the National Electricity Rules (**Procedure**).

This Procedure has effect only for the purposes set out in the National Electricity Rules (**NER**). The NER and the National Electricity Law prevail over this Procedure to the extent of any inconsistency.

The purpose of this **Procedure** is to set out ~~how a procedure to enable reallocation requests are~~ to be ~~created and recorded~~ ~~lodged and registered for~~ ~~reallocation transactions that are swap offsets, cap offsets or floor offsets~~ ~~reallocations based on an offset calculated as a swap, cap or floor.~~ AEMO has made separate reallocation procedures for energy and dollar offset transactions.

### 1.2. Definitions and Interpretation

#### 1.2.1. Glossary

The words, phrases and abbreviations set out in the table below have the meanings set out opposite them when used in this Procedure.

Terms defined in the National Electricity Law or the NER have the same meanings in this Procedure unless otherwise specified in this clause.

Terms defined in the National Electricity Law, the NER or this Procedure are intended to be identified in this Procedure by italicising them, but failure to italicise a defined term does not affect its meaning.

Defined Term	Definition
<i>agreement type</i>	Specifies whether <del>at</del> <i>the reallocation request</i> is based on <i>Swap Offset</i> ("SWAP"), <i>Cap Offset</i> ("CAP") or <i>Floor Offset</i> ("FLOOR").
<i>day type</i>	Specifies <del>which the</del> <i>trading intervals to which</i> a <i>reallocation request</i> is to apply, either FLAT, BUSINESS or NON_BUSINESS.
<i>cap offset</i>	The meaning ascribed in Section 2 of this <del>P</del> procedure.
<u><i>CS Facility Exemption</i></u>	<u>The Corporations (Australian Energy Market Operator Limited) CS Facility Exemption Notice 2016, made under section 820C of the Corporations Act 2001 (Cth) on 23 February 2016, as amended or replaced from time to time.</u>
<i>ex ante reallocation</i>	<u>A reallocation transaction that occurs in or after the earliest trading interval for which it may be processed as an 'ex ante reallocation' based on the time of registration of the applicable reallocation request in accordance with the reallocation timetable.</u> Refer to Rules definition of <i>prospective reallocation</i> .
<i>ex ante timetable</i>	<u>The reallocation timetable that is applicable to the lodgement of requests for ex ante reallocations</u>
<i>ex post reallocation</i>	<u>A reallocation transaction that occurs before the earliest trading interval for which it may be processed as an 'ex ante reallocation' based on the time of registration of the applicable reallocation request in accordance with the reallocation timetable.</u> A reallocation transaction that occurs in a trading interval that takes place at a time before the reallocation request is made.
	<u>The reallocation timetable that is applicable to the lodgement of requests for ex post reallocations</u>
<i>floor offset</i>	The meaning ascribed in Section 2 of this Procedure.
<i>Letter of Agreement</i>	An executed agreement between a <i>Market Participant</i> and AEMO allowing the <i>Reallocation Request Service</i> to be used to facilitate <i>reallocation requests for swap offsets, cap offsets or floor offsets, in the form of Schedule 1.</i>

Defined Term	Definition
Participant ID	A <u>unique Registered Participant</u> identifier used by AEMO's Electricity Market Management System to represent a Registered Participant to calculate and process all settlement activities. Where a Registered Participant has multiple Participant IDs, the Registered Participant must designate the Participant ID that will be used for reallocations.
Reallocation Request Service	The web-based interface provided by AEMO to allow Market Participants to submit, authorise and view their reallocation requests.
reallocation timetable	The timetable referred to in <u>Rule clause 3.15.11(d)(2) of the NER</u> .
Region ID	An identifier used by AEMO's Market Management System to represent a market region.
strike price	A price value for each period that is used along with the regional reference price in determining the trading amount.
swap offset	The meaning ascribed in Section 2 of this Procedure.

### 1.2.2. Interpretation

The following principles of interpretation apply to this Procedure unless otherwise expressly indicated:

- (a) This Procedure is subject to the principles of interpretation set out in Schedule 2 of the National Electricity Law.
- (b) References to time are references to Australian Eastern Standard Time.

### 1.3. Related Documents

Title	Location
<u>Reallocation Procedures: Energy and Dollar Offset Reallocations</u>	AEMO website: <a href="http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Settlements-and-payments/Prudentials-and-payments/Clearing-procedures-and-guides">http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Settlements-and-payments/Prudentials-and-payments/Clearing-procedures-and-guides</a> <a href="http://www.aemo.com.au/Electricity/Policies-and-Procedures/-/media/Files/Other/electricityops/0500-0025%20pdf.ashx">http://www.aemo.com.au/Electricity/Policies-and-Procedures/-/media/Files/Other/electricityops/0500-0025%20pdf.ashx</a>
<u>Corporations (Australian Energy Market Operator Limited) CS Facility Exemption Notice</u>	Australian Securities and Investments Commission website: <a href="http://asic.gov.au/regulatory-resources/markets/exempt-clearing-and-settlement-facilities-operating-in-australia/">http://asic.gov.au/regulatory-resources/markets/exempt-clearing-and-settlement-facilities-operating-in-australia/</a>
<u>Reallocation Timetable</u>	AEMO website: <a href="http://www.aemo.com.au">http://www.aemo.com.au</a>
<u>Credit Limit Procedures</u>	AEMO website: <a href="http://www.aemo.com.au">http://www.aemo.com.au</a>

### 1.4. Amendment

While the CS Facility Exemption applies in respect of reallocation transactions under this Procedure, any amendment to this Procedure has no effect unless and until AEMO has complied with the conditions of the CS Facility Exemption in respect of that amendment.

## 2. OVERVIEW OF REALLOCATIONS

- (a) A reallocation is a Rules-supported financial arrangement under which between two Market Participants request and AEMO to make matching debits and credits to the position of those Market Participants. The reallocation normally represents an off-market financial commitment, such as a hedge contract.
- ~~(b) The Rules define a reallocation as:  
A process under which two Market Participants request AEMO to make matching debits and credits to the position of those Market Participants with AEMO.~~
- ~~(c)~~(b) A reallocation request is a request instruction lodged with AEMO to initiate a reallocation transaction, and according to clause Rule-3.15.11(d) of the NER must:
  - (i) contain the information required by the reallocation procedures; and

- (ii) be lodged with AEMO in accordance with the *reallocation procedures* and the timetable for *reallocation requests* as published by AEMO from time to time (the *reallocation timetable*).

~~(d)(c)~~ *Reallocation requests* may be submitted either before **or after** a specified *trading interval* has occurred, **subject to the *reallocation timetable* (referred to as a “prospective reallocation” or “ex ante reallocation”) or after the specified *trading interval* has occurred (referred to as “ex post reallocation”).**

~~(e)(d)~~ *Ex ante Prospective reallocations that are submitted according to the ex ante timetable* are **considered included** in the determination of a *Market Participant’s prudential settings maximum credit limit and prudential margin*. This enables *reallocations* to be used to reduce a *Market Participant’s credit support* requirements under the **NER Rules**.

~~(f)~~ **A reallocation transaction is defined in Rule 3.15.11(a) as:**

~~A reallocation transaction is a transaction undertaken with the consent of two Market Participants and AEMO under which AEMO credits one Market Participant with a positive trading amount in respect of a trading interval, in consideration of a matching negative trading amount debited to the other Market Participant in respect of the same trading interval.~~

~~(g)(e)~~ **Clause Rule 3.15.11(c) of the NER** permits AEMO to specify the permitted types of *reallocation transactions*. **It states:**

~~Reallocation transactions may be of any type permitted in the reallocation procedures.~~

~~(h)(f)~~ This Procedure permits three types of *reallocation transactions*:

- (i) **Swap Offset**  
This *reallocation* specifies a half-hourly energy profile and a *strike price*, and uses the half-hourly *regional reference price* for the nominated *region* to determine a *trading amount* for each *trading interval*. This allows a hedge contract based on a swap to be represented as a *reallocation*.
- (ii) **Cap Offset**  
This *reallocation* specifies a half-hourly energy profile and a *strike price*, and calculates a non-zero *trading amount* when the half-hourly *regional reference price* for the nominated *region* exceeds the *strike price*. This allows a hedge contract based on a cap to be represented as a *reallocation*.
- (iii) **Floor Offset**  
This *reallocation* specifies a half-hourly energy profile and a *strike price*, and calculates a non-zero *trading amount* when the half-hourly *regional reference price* for the nominated *region* is less than the *strike price*. This allows a hedge contract based on a floor to be represented as a *reallocation*.

### 3. REALLOCATION REQUEST SERVICE

AEMO provides a web-based self-service facility to enable *Market Participants* to manage their *reallocations* (referred to as the “*Reallocation Request Service*”).

- (a) All *reallocation requests* must be submitted and authorised through the *Reallocation Request Service*.
- (b) A *Market Participant* can only view *reallocation requests* for which they are a related party.

### 4. LETTER OF AGREEMENT

Prior to a *Market Participant* being able to use the *Reallocation Request Service* for *swap offsets*, *cap offsets* or *floor offsets*, a **valid Letter of Agreement** must be **in place executed** between the *Market Participant* and AEMO. As a *reallocation* involves two *Market Participants*, **both Market Participants must have executed a valid Letter of Agreement under this Procedure**

~~must be in place for (between each of those Market Participants themselves and AEMO)~~ before the reallocation request can be submitted.

- (a) Consistent with the conditions of the CS Facility Exemption, a Market Participant is only permitted to execute and remain a party to a Letter of Agreement if it is both:
- (i) registered by AEMO as either a Market Customer, a Market Generator or a Market Network Service Provider, and
  - (ii) a wholesale client within the meaning of section 761A of the Corporations Act 2001 (Cth).
- ~~(a)(b)~~ A Market Participant must execute a Letter of Agreement with AEMO before ~~they can~~ submitting a reallocation request.
- ~~(b)(c)~~ The execution of a Letter of Agreement with AEMO is only required once. All subsequent reallocation requests for swap offsets, cap offsets or floor offsets with any counter-party are covered by ~~the~~ Letter of Agreement while it remains in effect.
- ~~(e)(d)~~ An executed Letter of Agreement is required for both Market Participants (i.e. credit and debit party) involved in a reallocation request.
- ~~(d)(e)~~ The Market Participant must complete and execute two copies of the Letter of Agreement, and forward them to AEMO. A template of the Letter of Agreement is provided in Appendix A, and a suggested cover letter is also supplied in Appendix B.
- ~~(e)(f)~~ Upon receipt of the Letter of Agreement, AEMO will execute both copies. One copy will be retained by AEMO, and the other returned to the Market Participant.
- ~~(f)(g)~~ Once the Letter of Agreement has been executed, AEMO will configure the Reallocation Request Service to enable the Market Participant to submit reallocation requests.

## 5. LODGEMENT PROCESS

### 5.1. Submission

- (a) Reallocation requests are submitted using the Reallocation Request Service.
- (b) A reallocation request can be submitted by either the credit or debit party.
- (c) A reallocation request must be submitted according to the reallocation timetable ~~(refer to Section 6).~~
- (d) Where a reallocation request applies to any trading intervals in the future, the party submitting the request must confirm there is a contractual arrangement between the credit and debit party which underpins the reallocation for the entire period of the reallocation request. If the contractual arrangement is terminated during the period of the reallocation request, the ~~parties who submitted the request~~ must immediately notify AEMO that they require the request to be deregistered in accordance with Rule clause 3.15.11(f) of the NER.
- (e) The Reallocation ~~R~~Request Sservice allows a reallocation request to be submitted either through the entry of data on a web-based interface, or by uploading a CSV file that contains the submission details to a web-based interface.
- (f) Table 1 specifies the data to be submitted with a reallocation request. Data identified as “Mandatory” must always be provided.
- (g) The Reallocation ~~R~~Request Sservice will validate the data provided, and the reallocation request can only be submitted if the data supplied meets the “Validation Rules” defined in Table 1.

**Table 1 Data required for submission of a *reallocation request***

Data item	Type	Description	Validation Rules
Credit <i>Participant ID</i>	Mandatory	The <i>Market Participant</i> who will receive credit (i.e. positive) <i>reallocation</i> amounts for: <ul style="list-style-type: none"> <li>• <i>Cap</i> and <i>Floor Offset</i>,</li> <li>• <i>Swap Offset</i> when the <i>regional reference price</i> is greater than the <i>strike price</i></li> </ul>	Must be a valid <i>Participant ID</i> for which a <i>Letter of Agreement</i> has been executed
Debit <i>Participant ID</i>	Mandatory	The <i>Market Participant</i> who will receive debit (i.e. negative) <i>reallocation</i> amounts for: <ul style="list-style-type: none"> <li>• <i>Cap offset</i> and <i>Floor Offset</i>,</li> <li>• <i>Swap Offset</i> when the <i>regional reference price</i> is greater than the <i>strike price</i></li> </ul>	Must be a valid <i>Participant ID</i> for which a <i>Letter of Agreement</i> has been executed
<i>Region ID</i>	Mandatory	The <del>market</del> <i>region</i> to be used to determine the dollar value of the <i>reallocation</i>	Must be a valid <del>market</del> <i>Region ID</i>
Agreement Type	Mandatory	Specifies the <i>reallocation</i> as either <del>s</del> <i>Swap offset</i> , <del>c</del> <i>Cap offset</i> or <del>f</del> <i>Floor Offset</i>	Must be either "SWAP" ( <del>Swap Offset</del> ), "CAP" ( <del>Cap Offset</del> ), or "FLOOR" ( <del>Floor Offset</del> )
Credit Reference	Optional	Freeform text supplied by the credit participant	None
Debit Reference	Optional	Freeform text supplied by the debit participant	None
Day Type	Mandatory	Specifies which <i>trading intervals</i> the <i>reallocation</i> applies to	Must be either "FLAT", "BUSINESS", or "NON_BUSINESS"
Start Date	Mandatory	The date of the first <i>trading interval</i> (interval starting 00:00) to which the <i>reallocation</i> applies	Must be a valid date in accordance with <i>reallocation timetable</i>
End Date	Mandatory	The date of the last <i>trading interval</i> (interval starting 23:30) to which the <i>reallocation</i> applies	Must be a valid date in accordance with <i>reallocation timetable</i>
Period ID (1-48)	Mandatory	The Period ID (1-48) to which the value applies	Must be 48 periods specified
Values (1-48)	Mandatory	The energy quantity of the <i>reallocation</i> for each Period ID (1-48)	Must be a real number for each of the 48 periods
<i>Strike Price</i> (1-48)	Mandatory	The <i>strike price</i> of the <i>reallocation</i> for each Period ID (1-48)	Must be a <u>positive</u> real number for each of the 48 periods
Contractual Arrangement	Mandatory	Confirms that there is a contractual arrangement between the parties	Must be confirmed if <i>reallocation request</i> applies to any <i>trading intervals</i> in the future

## 5.2. Authorisation

- Reallocation requests* are authorised using the *Reallocation #Request sService*.
- A *reallocation request* can only be authorised by the party ~~to the reallocation request (i.e. the Credit Participant ID or Debit Participant ID)~~ that did not submit ~~other than the party that submitted~~ the *reallocation request*.
- A *reallocation request* must be authorised in accordance with the *reallocation timetable* (refer to Section 6).



- (d) Where a *reallocation request* applies to any *trading intervals* in the future, the party authorising the request must confirm there is a contractual arrangement between the credit and debit party which underpins the *reallocation* for the entire period of the *reallocation request*. If the contractual arrangement is terminated during the period of the *reallocation request*, the party who authorised the request must immediately notify AEMO that ~~they require~~ the request to be deregistered in accordance with [clause Rule 3.15.11\(f\) of the NER](#).
- (e) A *reallocation request* is authorised by the entry of data on a web-based interface. A facility to upload the *reallocation request* details is not available for authorisation.
- (f) Table 2 specifies the data to be submitted with the authorisation of a *reallocation request*. Data identified as “Mandatory” must always be provided.
- (g) The *Reallocation Request Service* will validate the data provided, and the *reallocation request* will only be authorised if the data supplied meets the “Validation Rules” defined in Table 2.

**Table 2 Data required for authorisation of a *reallocation request***

Data item	Type	Description	Validation Rules
Credit <i>Participant ID</i>	Mandatory	The <i>Market Participant</i> who will receive credit (i.e. positive) <i>reallocation amounts</i> for: <ul style="list-style-type: none"> <li>• <i>Cap offset</i> and <del><i>Floor Offset</i></del></li> <li>• <del><i>Swap Offset</i></del> when the regional reference price is greater than the <i>strike price</i></li> </ul>	Must be identical to submitted <i>reallocation request</i>
Debit <i>Participant ID</i>	Mandatory	The <i>Market Participant</i> who will receive debit (i.e. negative) <i>reallocation amounts</i> for: <ul style="list-style-type: none"> <li>• <i>Cap offset</i> and <del><i>Floor Offset</i></del>,</li> <li>• <del><i>Swap Offset</i></del> when the regional reference price is greater than the <i>strike price</i></li> </ul>	Must be identical to submitted <i>reallocation request</i>
<i>Region ID</i>	Mandatory	The <del>market</del> <i>region</i> to be used to determine the dollar value of the <i>reallocation</i>	Must be identical to submitted <i>reallocation request</i>
Agreement Type	Mandatory	Specifies the <i>reallocation</i> as either <del><i>Swap offset</i></del> , <del><i>Cap offset</i></del> or <del><i>Floor Offset</i></del>	Must be identical to submitted <i>reallocation request</i>
Debit Reference	Optional	Freeform text supplied by the debit participant	None
Day Type	Mandatory	Specifies which <i>trading interval</i> dates the <i>reallocation</i> applies to	Must be identical to submitted <i>reallocation request</i>
Start Date	Mandatory	The date of the first <i>trading interval</i> (interval starting 00:00) to which the <i>reallocation</i> applies	Must be identical to submitted <i>reallocation request</i>
End Date	Mandatory	The date of the last <i>trading interval</i> (interval starting 23:30) to which the <i>reallocation</i> applies	Must be identical to submitted <i>reallocation request</i>
<i>Reallocation Total</i>	Mandatory	The total of the period values of the <i>reallocation</i> plus the total of the period <i>strike prices</i> of the <i>reallocation</i> .	Must be equal to the sum of the values and <i>strike prices</i> for Period ID 1-48 in the submitted <i>reallocation request</i>
Contractual Arrangement	Mandatory	Confirms that there is a contractual arrangement between the parties	Must be confirmed if <i>reallocation request</i> applies to any trading intervals in the future

### 5.3. Registration

- (a) For the purposes of ~~clause Rule 3.15.11(e) of the NER~~, a *reallocation request* that has been authorised in accordance with Section 5.2 will be automatically registered by the *Reallocation Request Service*.
- (b) AEMO may not register a *reallocation request* that has been authorised as an *ex post reallocation* where as a consequence of the *reallocation* transaction either the credit or debit party would have an outstandings greater than their *trading limit*. Where a *reallocation request* has not been registered, the *Reallocation Request Service* will advise the party performing the authorisation, and the *reallocation request* will be marked as cancelled.

### 5.4. Expiry and Cancellation

- (a) A *reallocation request* that has been submitted but not authorised may be cancelled by the initiating *Market Participant*.
- (b) A *reallocation request* that has been submitted but not authorised, and which is no longer in accordance with the *reallocation timetable*, will be automatically expired by the *Reallocation Request Service*.
- (c) A cancelled or expired *reallocation request* cannot be registered, and therefore cannot form the basis of a *reallocation transaction*.
- (d) A registered *reallocation request* cannot be cancelled. If the affected *Market Participants* no longer require *reallocation transactions* relating to that *reallocation request*, the reversal process must be used (refer to Section 7.1)

## 6. ~~PRUDENTIALS~~REALLOCATION TIMETABLE

### 6.1. ~~Introduction~~

- ~~(a) This section sets out the details that constitute the *reallocation timetable* AEMO is required to publish in accordance with Rule 3.15.11(d)(2).~~
- ~~(b) A *reallocation request* must be lodged according to either the *ex ante timetable* or *ex post timetable*.~~

### 6.2. ~~Ex Ante Timetable~~

- ~~(a) The *ex ante timetable* is used for prospective *reallocation requests*.~~
- ~~(b) A prospective *reallocation request* must be registered (i.e. submitted and authorised) before the close of business on the 7<sup>th</sup> business day prior to the earliest trading interval specified in the *reallocation request*.~~

~~Subject to and in accordance with the *credit limit procedures*, an *ex ante reallocation* may be considered by AEMO in any determination of the *prudential settings* applicable to a *Market Participant* A *reallocation request* that is registered in accordance with the *ex ante timetable* may be considered by AEMO in any determination of maximum credit limit or prudential margin with respect to the period of the applicable *reallocation request*<sup>1</sup>.~~

### 6.3. ~~Ex Post Timetable~~

- ~~(a) The *ex post timetable* is used for *ex post reallocation requests*.~~

<sup>1</sup> The way in which the *reallocation request* is used in this context is specified in AEMO's "~~Credit Limits Methodology~~Credit Limit Procedures" document located on the AEMO website at: <http://www.aemo.com.au/electricityops/prudentials.html>

- (b) ~~An ex post *reallocation request* must be registered (i.e. submitted and authorised) before the close of business on the 16th business day after the earliest trading interval specified in the *reallocation request*.~~
- (c) ~~A *reallocation request* that has been submitted but not authorised as a prospective *reallocation request* according to the ex ante timetable, may be authorised (and registered) according to the ex post timetable. The *reallocation request* is then considered to be an ex post reallocation.~~

#### ~~6.4. Registration Timetable~~

~~As specified in Section 5.3, the *Reallocation Request Service* automatically registers a *reallocation request* upon completion of authorisation. Consequently for the purposes of Rule 3.15.11(e), there is no time required for a *reallocation request* to be registered.~~

## 7. REVERSAL AND DEREGISTRATION

### 7.1. Reversal

~~For the purposes of As specified in Rule clause 3.15.11(i) of the NER, *Market Participants* may reverse the effect of a *reallocation request* by the registration of a new *reallocation request* with identical details and either the credit and debit parties reversed, or the sign of energy quantity (Values item in Table 1) reversed.~~

### 7.2. Deregistration

~~For the purposes of As specified in clause Rule 3.15.11(f)(3) of the NER, the *Market Participants* in respect of a *AEMO* may deregister a *reallocation request* may request AEMO to deregister that *reallocation request* by written notice specifying:~~

- (a) ~~the earliest date and *trading interval* from which the parties wish to terminate the *reallocation request*;~~
- (b) ~~the *Participant ID* of each *Market Participant*;~~
- (c) ~~the identifier for the *reallocation request*;~~
- (d) ~~the reason why this termination cannot be effected by reversal of a reallocation between the two parties via the *Reallocation Request Service*.~~

~~If each *Market Participant* submits a separate notice, the above information must be consistent in each notice.~~

~~in respect of two *Market Participants* in the following circumstances:~~

- (a) ~~the prudential requirements are not satisfied by either of those *Market Participants*;~~
- (b) ~~either of the *Market Participants* fails to comply with any conditions imposed by *AEMO* in respect of the *reallocation request* at the time it was registered;~~  
~~both *Market Participants* notify *AEMO* in accordance with the *reallocation procedures* that they require the *reallocation request* to be terminated~~
- (c) ~~a *default event* occurs in respect of either of the *Market Participants* and *AEMO* exercises its powers under paragraph (l).~~

~~Rule 3.15.11(l) states:~~

~~If a *default event* occurs in relation to a party to a *reallocation request* when one or more of the *trading intervals* specified in the *reallocation request* has not occurred, *AEMO* may deregister the *reallocation request* by notice given at any time whilst the *default event* is subsisting.~~

## 8. REALLOCATION TRANSACTIONS

- (a) For each registered *reallocation request* in respect of a *trading interval*, a *reallocation transaction* is performed. The *trading amount* of the *Market Participant* designated the credit party is equal to the *reallocation amount* calculated in [paragraphs clauses \(b2\) to \(4d\)](#). The *trading amount* of the *Market Participant* designated the debit party is equal to the negative of the *reallocation amount* calculated in [clauses paragraphs \(2b\) to \(4d\)](#).
- (b) For a *swap offset reallocation request* (i.e. where the *agreement type* of a *reallocation request* is specified as “SWAP”), the *reallocation amount* of the *reallocation transaction* is calculated according to:

$$RA_{TI} = V_{PI} \times (RRP_{R, TI} - S_{PI})$$

where:

$RA_{TI}$  is the *reallocation amount* (either positive, negative or zero) with respect of the *trading interval*  $TI$

$V_{PI}$  is the energy value specified in the *reallocation request* for the period  $PI$ , where  $PI$  is the equivalent Period ID (1-48) for the *trading interval*  $TI$

$S_{PI}$  is the *strike price* value specified in the *reallocation request* for the period  $PI$ , where  $PI$  is the equivalent Period ID (1-48) for the *trading interval*  $TI$

$RRP_{R, TI}$  is the *regional reference price* for *trading interval*  $TI$  in respect to the ~~market~~-region  $R$  that was specified in the *reallocation request*

$TI$  is a *trading interval* between the Start Date and End Date of the *reallocation request*, and where the date of the *trading interval* matches the *day type* of the *reallocation request* according to the rules specified in [paragraph clause \(5e\)](#)

- (c) For a *cap offset reallocation request* (i.e. where the *agreement type* of a *reallocation request* is specified as “CAP”), the *reallocation amount* of the *reallocation transaction* is calculated according to:

$$RA_{TI} = V_{PI} \times (RRP_{R, TI} - S_{PI}) \quad \text{if } RRP_{R, TI} > S_{PI}$$

$$RA_{TI} = 0 \quad \text{if } RRP_{R, TI} \leq S_{PI}$$

where:

$RA_{TI}$  is the *reallocation amount* (always positive or zero) with respect of the *trading interval*  $TI$

$V_{PI}$  is the energy value specified in the *reallocation request* for the period  $PI$ , where  $PI$  is the equivalent Period ID (1-48) for the *trading interval*  $TI$

$S_{PI}$  is the *strike price* value specified in the *reallocation request* for the period  $PI$ , where  $PI$  is the equivalent Period ID (1-48) for the *trading interval*  $TI$

$RRP_{R, TI}$  is the *regional reference price* for *trading interval*  $TI$  in respect to the ~~market~~-region  $R$  that was specified in the *reallocation request*

$TI$  is a *trading interval* between the Start Date and End Date of the *reallocation request*, and where the date of the *trading interval* matches the *day type* of the *reallocation request* according to the rules specified in [paragraph clause \(5e\)](#).

- (d) For a *floor offset reallocation request* (i.e. where the agreement type of a *reallocation request* is specified as “FLOOR”), the *reallocation amount* of the *reallocation transaction* is calculated according to:

$$\text{RATI} = \text{VPI} \times (\text{SPI} - \text{RRPR, TI}) \quad \text{if } \text{RRPR, TI} < \text{SPI}$$

$$\text{RATI} = 0 \quad \text{if } \text{RRPR, TI} \geq \text{SPI}$$

where:

$\text{RA}_{\text{TI}}$  is the *reallocation amount* (always positive or zero) with respect of the *trading interval* TI

$\text{V}_{\text{PI}}$  is the energy value specified in the *reallocation request* for the period PI, where PI is the equivalent Period ID (1-48) for the *trading interval* TI

$\text{S}_{\text{PI}}$  is the *strike price* value specified in the *reallocation request* for the period PI, where PI is the equivalent Period ID (1-48) for the *trading interval* TI

$\text{RRP}_{\text{R, TI}}$  is the *regional reference price* for *trading interval* TI in respect to the ~~market~~ region R that was specified in the *reallocation request*

TI is a *trading interval* between the Start Date and End Date of the *reallocation request*, and where the date of the *trading interval* matches the *day type* of the *reallocation request*

- (e) A *trading interval* is considered to match the *day type* of the *reallocation request* based on the rules defined in Table 3.

**Table 3 Rules for determining applicable *trading intervals***

Date of <i>trading interval</i>	Day types
A <i>business day</i> as defined in the <a href="#">NER Rules</a>	FLAT, BUSINESS
Any day that is not a <i>business day</i> .	FLAT, NON_BUSINESS

## 9. INDEMNIFICATION ARRANGEMENTS

~~Rule-Clause~~ 3.15.11A(a) of the [NER](#) states that AEMO may establish “mutual indemnification arrangements with other operators of markets for electricity-based trading”, either in addition to or in lieu of *reallocation procedures*. With respect to this Procedure, no indemnification arrangements are required or specified.

**APPENDIX A. LETTER OF AGREEMENT – SWAP AND OPTION REALLOCATIONS**

**LETTER OF AGREEMENT**

The Purpose of this Letter of Agreement is to facilitate the processing of *reallocation transactions* under clause 3.15.11 of the National Electricity Rules comprising swap offsets, cap offsets or floor offsets. AEMO processes these types of reallocation transactions under a facility that is exempt from the operation of Part 7.3 of the Corporations Act 2001 (Cth).

AEMO requires that *reallocation requests* be offered for registration under the terms set out below. Consent to these terms is given by completing, signing and forwarding this document to AEMO.

**AEMO DETAILS (“AEMO”)**

Name: Australian Energy Market Operator Limited  
 ABN: 94 072 010 327

**PARTICIPANT DETAILS (“Participant”)**

Participant Name: \_\_\_\_\_

Participant ABN: \_\_\_\_\_

Authorised User ID: \_\_\_\_\_

Your signature on this Letter of Agreement acknowledges that you have all power and authority to enter into this Letter Agreement on behalf of the Participant and the Participant agrees to be bound by the terms and conditions of this Letter of Agreement as set out in the remainder of this document~~overleaf~~

Signed for and on behalf of Participant by:

Signed for and on behalf of AEMO by:

\_\_\_\_\_  
 Authorised Signature

\_\_\_\_\_  
 Authorised Signature

\_\_\_\_\_  
 Name (Please Print)

\_\_\_\_\_  
 Name (Please Print)

\_\_\_\_\_  
 Title

\_\_\_\_\_  
 Title

\_\_\_\_\_  
 Date

\_\_\_\_\_  
 Date

## 1. DEFINITIONS

For the purposes of this Letter of Agreement:

“**Authorised User ID**” means the designated user account nominated by the Participant for the purposes of sending *reallocation requests* under this Letter of Agreement.

“**Wholesale Client**” has the meaning given to that term in section 761A of the *Corporations Act 2001 (Cth)*.

~~“**Reallocation request service**” means the electronic browser-based facility for the creating, submitting and authorising of *reallocation requests* to be sent for validation by AEMO~~ All other terms *in italics* are defined in the National Electricity Rules (“**NER**”) or the Reallocation Procedure: Swap and Option Offset Reallocations (“**Procedure**”) made by AEMO under clause 3.15.11A of the NER.

## 2. PARTICIPANT ELIGIBILITY

- 2.1 It is a condition of this Letter of Agreement that the Participant is registered under the NER as a Market Customer, Market Generator or Market Network Service Provider, and is a Wholesale Client.
- 2.2 Participant represents and warrants to AEMO that it is, and will at all times during the term of this Letter of Agreement remain, a Wholesale Client.
- 2.3 If Participant becomes aware that it will cease or has ceased to be a Wholesale Client, it must promptly notify AEMO in writing.
- 2.4 This Letter of Agreement terminates automatically on the date on which Participant ceases to be either:
  - a) registered as a Market Customer, Market Generator or Market Network Service Provider, or
  - b) a Wholesale Client.

## 3. REALLOCATION SERVICE

- 3.1 ~~Participant agrees to create, submit and authorise *reallocation requests* using the *Reallocation Request Service* in accordance with the terms of this Letter of Agreement.~~
- 3.2 ~~A *reallocation request* is not valid unless it has been accepted electronically by the *Reallocation Request Service*. If the *Reallocation Request Service* is not functioning then temporary alternative arrangements for lodging and authorising urgent requests may be agreed with AEMO.~~
- 3.3 ~~All *reallocation requests* are to comply with clause 3.15.11 of the *National Electricity Rules* and be in the form as determined by AEMO from time to time,~~
- 3.4 ~~AEMO will act on a Participant's *reallocation request* only if the request has been authorised by another *Market Participant* within the timetable set out in *the Procedure*~~ AEMO's *reallocation request procedures*.
- 3.5 ~~A *reallocation request* submitted to or authorised in the *Reallocation Request Service* under this Letter of Agreement is deemed to comprise execution of the *reallocation request* submitted or authorised by the Participant, for the purposes of clause 3.15.11 of the *National Electricity Rules*.~~
- 3.6 ~~Nothing in this Letter of Agreement fetters AEMO's powers, obligations or discretions under clause 3.15.11 of the *National Electricity Rules*.~~

### 43. AUTHORISED USER

- 43.1 All *reallocation requests* sent to AEMO must be submitted or authorised under the Authorised User's ID only.
- 43.2 Participant is responsible for creating and maintaining user name(s), password(s) and account designation(s) for the ~~a~~ Authorised ~~U~~ser ID. Participant is responsible for maintaining the confidentiality of the user name(s), password(s) and account(s), and is fully responsible for all activities that occur under the Authorised User ID ~~Participant's user name(s), password(s) or account(s)~~. Participant agrees to:
- ~~a)~~ immediately notify AEMO of any unauthorised use of the Authorised User ID ~~Participant's user name(s), password(s) or account designation(s)~~ or any other breach of security; and
  - ~~b)~~ ensure that the Authorised User ID name(s), password(s) and account(s) are only used by persons authorised by Participant.
- 43.3 AEMO cannot and will not be liable for any loss or damage arising from unauthorised use of the ~~A~~uthorised ~~u~~ser ID ~~username(s), password(s) or account(s)~~.

### 5. PARTICIPANT ACKNOWLEDGMENTS

- 5.1 Participant acknowledges that AEMO operates the *Reallocation Request Service* and settles *reallocation transactions* under the Procedure pursuant to the *CS Facility Exemption*.
- 5.2 Participant acknowledges that the *CS Facility Exemption* requires AEMO to notify or report certain matters to the Australian Securities and Investments Commission (ASIC) and consents to AEMO giving ASIC information relating to Participant to the extent required by the *CS Facility Exemption*, including (without limitation) information about:
- the issue of a *default notice* to Participant; or
  - the drawdown of any *credit support* provided in respect of Participant.

### 64. AEMO'S LIABILITY

- 64.1 AEMO provides the *Reallocation ~~R~~request ~~s~~Service* without any warranties or guarantees. The Participant must bear all reasonable risks associated with the use of the *Reallocation ~~R~~request ~~S~~service*
- 64.2 To the extent permitted by law, AEMO excludes liability for all losses, costs, damages and expenses incurred or suffered by the Participant or any third party directly or indirectly from Participant's use of the *Reallocation ~~R~~request ~~S~~service*, whether arising in contract, tort (including without limitation negligence), in equity, under statute, under an indemnity or on any other basis including, without limitation, liability in connection with:
- any errors, inaccuracies or omissions in the material and data communicated via the *Reallocation ~~R~~request ~~s~~Service* and the Participant's reliance on such material or data;
  - loss or disclosure of Participant specific data;
  - any technical problems the Participant may experience with the *Reallocation ~~R~~request ~~S~~service*;
  - incompatibility of the *Reallocation ~~R~~request ~~s~~Service* with any of Participant's equipment, software or telecommunications links;
  - technical problems including errors or interruptions of the *Reallocation ~~R~~request ~~S~~service*;
  - unsuitability, unreliability or inaccuracy of the *Reallocation ~~R~~request ~~S~~service*; and
  - inadequacy of the *Reallocation ~~R~~request ~~s~~Service* to meet Participant's requirements.



**75. GOVERNING LAW**

This Letter of Agreement is governed by and shall be construed in accordance with the laws of Victoria and the parties irrevocably submit to the non-exclusive jurisdiction of the courts of Victoria.

## APPENDIX B. SUGGESTED COVER LETTER

### COMPANY LETTERHEAD

Date: DD Month YYYY

Group Manager Market Management

AEMO Ltd

Level 22,

530 Collins Street

~~Sydney NSW 2000~~ Melbourne Vic 3000

Dear Sir/Madam

#### **Letter of Agreement - Reallocation request**

Please find enclosed two signed Letter of Agreements for <Name of Company> the submission and authorisation of *reallocation requests* to AEMO via the *Reallocation request service*.

<Name of Company> nominates the below staff members as the authorised contact/s for managing security of the *reallocation request service* client user account.

	Staff member	E-mail address
<b>Primary Contact</b>		
<b>Back-up Contact</b>		

<Name of Company> will notify AEMO if the above details change.

It is understood that AEMO will sign both agreements and forward one to:

<Name of Person>

<Title>

<Name of Company>

<Address>

<Address>

<Address>

Yours sincerely

Position title