

MARKET PROCEDURE: RESERVE CAPACITY SECURITY

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VERSION RELEASE HISTORY

Version	Effective date	Summary of changes
1.0	24 July 2009	Market Procedure for Reserve Capacity Security
2.0	2 April 2012	Amendments to Market Procedure resulting from PC_2012_01
3.0	19 January 2015	Amendments to Market Procedure resulting from PC_2013_05
4.0	30 November 2015	Changes resulting from the transfer of functions from the IMO to AEMO
5.0	8 November 2017	Amendments to Market Procedure resulting from AEPC_2017_12

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1. PROCEDURE OVERVIEW

1.1. Relationship with the Wholesale Electricity Market Rules

This Market Procedure for Reserve Capacity Security (Procedure) is made in accordance with clause 4.13.8 of the Wholesale Electricity Market Rules (WEM Rules).

References to particular WEM Rules within the Procedure, which are in bold and square brackets **[Clause XX]** or **[Section XX]** are current as at 1 October 2017.

1.1.1.

1.2. Interpretation

1.1.2.

In this Procedure:

(a) terms that are capitalised but not defined in this Procedure have the meaning given in the WEM Rules;

1.2.1.

(b) to the extent that this Procedure is inconsistent with the WEM Rules, the WEM Rules prevail to the extent of the inconsistency;

(c) a reference to the WEM Rules or Market Procedures includes any associated forms required or contemplated by the WEM Rules or Market Procedures; and

(d) words expressed in the singular include the plural or vice versa.

1.2.2.

In addition, the following defined terms have the meaning given.

Table 1: Defined terms

Term	Definition
Adjusted Required Level	The Required Level for a Facility, adjusted to 100 percent of the level of Capacity Credits assigned to that Facility under clause 4.20.5A of the WEM Rules, as determined under clause 4.13.13(a) of the WEM Rules.
Compliance Date	The date by which the Market Participant must comply with its obligations under clause 4.13.11 of the WEM Rules, being 30 November of Year 4 of the relevant Reserve Capacity Cycle.
Due Date	The date specified by AEMO in respect of a step in this Procedure.
Nominated Exchange Date	The date agreed upon by a Market Participant and AEMO on which AEMO will return any excess Reserve Capacity Security in exchange for a duly effective replacement Reserve Capacity Security provided by the Market Participant.
Temperature Dependence Curve	The information provided by a Market Participant under clause 4.10.1(e)(i) of the WEM Rules, as detailed in the manufacturer's technical specifications or as determined by an independent engineering firm.

1.3.1.

1.3. Purpose and application of this Procedure

The Procedure describes the processes that:

(a) Market Participants must follow when providing and requesting the return of Reserve Capacity Security; and

(b) AEMO must follow in:

(i) developing proforma templates for Reserve Capacity Security, including bank undertakings, guarantees, and Security Deposit deeds;

- (ii) checking compliance of any Reserve Capacity Security provided by a Market Participant against the WEM Rules and this Procedure;
- (iii) holding and returning Reserve Capacity Security; and
- (iv) drawing upon Reserve Capacity Security.

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, 2.9.7A and 2.9.8 of the WEM Rules, as applicable.

1.4. Associated documents

1.3.2.

The following Market Procedures (available on the Market Web Site¹) provide background information to this Procedure:

- (a) Certification of Reserve Capacity;
- 1.4.1. (b) Declaration of Bilateral Trades and the Reserve Capacity Auction;
- (c) Reserve Capacity Testing;
- (d) Reserve Capacity Performance Monitoring; and
- (e) Prudential Requirements.

1.4.2.

The following market documents, forms, and proforma templates are referred to in this Procedure²:

- (a) proforma deeds for Reserve Capacity Security:
 - (i) bank undertaking;
 - (ii) guarantee;
 - (iii) Security Deposit;
 - (iv) Security Deposit (provided by third party);
- (b) forms and instructions:
 - (i) change of contact details form;
 - (ii) contact details of guarantee or bank undertaking form;
 - (iii) Security Deposit instructions;
 - (iv) Acceptable Credit Criteria application form; and
 - (v) list of entities meeting the Acceptable Credit Criteria.

¹ Available at <http://aemo.com.au/Electricity/Wholesale-Electricity-Market-WEM/Procedures>.

² Available at: <http://aemo.com.au/Electricity/Wholesale-Electricity-Market-WEM/Settlements-and-prudential-monitoring/Credit-support-and-reserve-capacity-security>.

AEMO may, in its absolute discretion, amend and re-publish any document listed in step 1.4.2 of this Procedure on the Market Web Site.

A Market Participant wishing to use any document listed under step 1.4.2 must ensure that it downloads the most recent published version from the Market Web Site.

1.4.3. AEMO must use the most recent published version of the documents listed under step 1.4.2 when assessing compliance of any Reserve Capacity Security submitted.

1.4.4.

2. MODIFICATION OF TIMEFRAMES

1.4.5.

AEMO may modify or extend the dates or times specified in this Procedure. If AEMO extends a date or time, then it must publish a notice of the modified or extended time or date on the Market Web Site, which must include when the modified or extended date or time takes effect

2.1.1.

[Clause 4.1.32]

3. PROVIDING AND PROCESSING RESERVE CAPACITY SECURITY

3.1. Obligation to provide Reserve Capacity Security

3.1.1. Where AEMO assigns Certified Reserve Capacity to a Facility for a Reserve Capacity Cycle, the relevant Market Participant must provide Reserve Capacity Security if:

- (a) the Facility is yet to enter service;
- (b) the Facility is an existing Facility that has undergone significant maintenance or has been upgraded **[Clause 4.13.1]**; or
- (c) AEMO cancelled the Capacity Credits assigned to the Facility for the previous Reserve Capacity Cycle in accordance with clause 4.20.14 of the WEM Rules **[Clause 4.13.1B(b)]**.

For a Facility that is undergoing significant maintenance or is being upgraded, the relevant Market Participant must provide Reserve Capacity Security only for the part of the Facility affected by the maintenance or upgrade **[Clause 4.13.1A]**.

3.1.2. AEMO will determine a Facility to be undergoing significant maintenance for the purpose of step 3.1.1(b) if the scope and duration of the works present a risk to the Facility's return to service, similar to that for a new Facility.

3.1.3. AEMO will determine a Facility to be upgraded for the purpose of step 3.1.1(b) if the relevant Market Participant is seeking a higher level of Certified Reserve Capacity than the Facility has demonstrated through normal operations as a direct result of works completed or due to be completed.

3.1.4. A Market Participant is not required to provide Reserve Capacity Security for a Facility if it has provided Reserve Capacity Security for a Facility in a previous Reserve Capacity Cycle and none of the conditions in step 3.1.1 apply.

3.1.5. The provisions of clause 4.13 of the WEM Rules apply equally to Facilities assigned Early Certified Reserve Capacity from the time and date specified in clause 4.1.13 of the WEM Rules **[Clause 4.28C.12A]**.

3.1.6.

3.2. AEMO's notification requirements

3.2.1. For Certified Reserve Capacity assigned under clause 4.11 of the WEM Rules, and by the time and date specified in clause 4.1.12(b) of the WEM Rules (as modified or extended), AEMO must notify Market Participants of:

- (a) the amount of any Reserve Capacity Security required under step 3.1, calculated in accordance with clause 4.13.2(a) of the WEM Rules **[Clause 4.9.9(c)]**; and
- (b) the Reserve Capacity Security Due Date specified in clause 4.1.13(b) of the WEM Rules (as modified or extended).

3.2.2.

For Conditional Certified Reserve Capacity assigned under clause 4.9.5 of the WEM Rules, and within 90 days of receiving the application, AEMO must notify the relevant Market Participant of:

- (a) the amount of Reserve Capacity Security under step 3.1, calculated in accordance with clause 4.13.2(a) of the WEM Rules **[Clause 4.9.9(c)]**; and
- (b) the Reserve Capacity Security Due Date specified in clause 4.1.13(b) of the WEM Rules (as modified or extended).

3.2.3.

For Early Certified Reserve Capacity assigned under clause 4.28C of the WEM Rules, and within 90 days of receiving the application, AEMO must notify the relevant Market Participant of:

- (a) the amount of any Reserve Capacity Security required under step 3.1, calculated in accordance with clause 4.28C.9 of the WEM Rules;
- (b) the Reserve Capacity Security Due Date, which is 30 Business Days following the notification date **[Clause 4.28C.8]**.

3.3. Types of Reserve Capacity Security

A Market Participant must ensure its Reserve Capacity Security arrangements comply with clause 4.13.5 of the WEM Rules **[Clause 4.13.1(a)]**.

A Market Participant must provide Reserve Capacity Security in the form of a guarantee, bank undertaking, or Security Deposit.

3.3.1. A Market Participant must provide current contact details for the Reserve Capacity Security, including at the bank or Treasury Corporation as relevant.

3.3.2. A Market Participant must update the contact details provided under step 3.3.3 if required by completing the change of contact details form and emailing it to wa.accounts@aemo.com.au.

3.3.3.

3.3.4. A Market Participant must ensure that the Reserve Capacity Security does not have a specified end date that is earlier than the Compliance Date.

3.3.5 3.4. Submitting a guarantee or bank undertaking

A Market Participant providing Reserve Capacity Security in the form of a guarantee or bank undertaking must submit a signed original hard copy (in person or by courier, requiring a signature on receipt) of:

3.4.1.

- (a) the guarantee or bank undertaking, which must be:
 - (i) for the amount specified in step 3.2.1(a), 3.2.2(a) or 3.2.3(a);
 - (ii) in the form prescribed by AEMO and available on the Market Web Site; and
 - (iii) executed by a Treasury Corporation (for a guarantee) or a bank that meets the Acceptable Credit Criteria (for a bank undertaking); and
- (b) the Acceptable Credit Criteria form and applicable supporting evidence, if the Reserve Capacity Security provider is not on the list of entities meeting the Acceptable Credit Criteria referred to in step 1.4.2(b)(v).

3.4.2.

3.4.3. AEMO must reject a guarantee or bank undertaking that does not meet the criteria in step 3.4.1.

3.4.4. A Market Participant submitting an Acceptable Credit Criteria form under step 3.4.1(b) must follow step 4.1 of the Market Procedure: Prudential Requirements, reading all references to Credit Support as references to Reserve Capacity Security.

In addition to the guarantee or bank undertaking required under step 3.4.1, a Market Participant must provide:

- (a) a completed contact details form, which includes the details of at least two representatives for the Market Participant, and two representatives for the Treasury Corporation or bank; and
- (b) any instructions or procedures that AEMO is required to follow when drawing upon the Reserve Capacity Security.

3.5. Submitting a Security Deposit

A Market Participant that intends to provide Reserve Capacity Security in the form of a Security Deposit must request AEMO's agreement to accept a Security Deposit at least five Business Days before the relevant Reserve Capacity Security Due Date.

AEMO must advise the Market Participant whether the Security Deposit will be acceptable and any related terms or conditions within one Business Day of the request in step 3.5.1.

3.5.1.

If AEMO advises that a Security Deposit is unacceptable under step 3.5.2, the Market Participant must provide Reserve Capacity Security in the form of a guarantee or bank undertaking under step 3.4.1.

3.5.2.

If AEMO advises that a Security Deposit is acceptable under step 3.5.2, the Market Participant must provide the amount of the Reserve Capacity Security in cleared funds by the Reserve Capacity Security Due Date **[Clause 4.13.5(b)]**.

3.5.3.

No more than 10 Business Days after the Reserve Capacity Security Due Date, the Market Participant must submit a signed original hard copy (in person or by courier, requiring a signature on receipt) of the Security Deposit deed, which must be:

3.5.4.

- (a) for the amount specified in step 3.2.1(a), 3.2.2(a), or 3.2.3(a);
- (b) in the form prescribed by AEMO and available on the Market Web Site; and
- (c) executed by or on behalf of the Market Participant.

3.5.5.

AEMO must sign the original of the Security Deposit deed and return a copy to the Market Participant as soon as practicable after receiving the original copy under step 3.5.5.

3.5.6.

3.6. AEMO's assessment of the Reserve Capacity Security

3.6.1.

Once completed documentation has been received from a Market Participant under step 3.4 or 3.5, AEMO must review the compliance of the Reserve Capacity Security in relation to either clause 4.13.5(a) or clause 4.13.5(b) of the WEM Rules (as applicable).

3.6.2.

AEMO may request more information from the Market Participant to support its Reserve Capacity Security documentation, specifying a time and date for the information to be provided.

3.6.3.

A Market Participant may, but is not obliged to, provide information in response to a request under step 3.6.2.

3.6.4.

If a Market Participant does not provide additional information in response to a request under step 3.6.2, AEMO must assess the compliance of the Reserve Capacity Security using the original submission.

AEMO must notify the Market Participant of the compliance of the Reserve Capacity Security within three Business Days of receiving complete documents under step 3.4 or 3.5, or additional information under step 3.6.3. If AEMO assesses the Reserve Capacity Security as non-compliant with either the WEM Rules or this Procedure, the notification must include reasons for the non-compliance.

3.6.5. If a Market Participant receives a notification under step 3.6.5 that the Reserve Capacity Security provided under step 3.4 is non-compliant, it must re-submit a compliant Reserve Capacity Security before the Reserve Capacity Security Due Date.

3.6.6. If a Market Participant receives a notification under step 3.6.5 that the Security Deposit deed provided under step 3.5 is non-compliant, it must re-submit a compliant Security Deposit deed no more than 10 Business Days after the Reserve Capacity Security Due Date.

3.6.7. Once AEMO has confirmed that the Reserve Capacity Security is compliant, it must place the guarantee, bank undertaking, or Security Deposit deed in a bank safe box as soon as practical.

3.6.8. If the Reserve Capacity Security is a Security Deposit, AEMO must register an interest on the Personal Property Securities Register in accordance with the *Personal Property Securities Act 2009 (Cth)* within 10 Business Days of receiving the original deed under step 3.5.5.

3.6.9.

3.6.10. AEMO must deduct any fees incurred in registering its security interest under step 3.6.8 from the balance of the Security Deposit.

3.7. Failure to provide Reserve Capacity Security

3.7.1. If a Market Participant fails to provide the required amount of Reserve Capacity Security, calculated under step 3.2.1(a), 3.2.2(a), or 3.2.3(a), by the applicable Reserve Capacity Security Due Date, the Certified Reserve Capacity or Early Certified Reserve Capacity of the relevant Facility will lapse [**Clause 4.13.9 and Clause 4.28C.8A**].

3.7.2.

Where Certified Reserve Capacity or Early Certified Reserve Capacity lapses under step 3.7.1, AEMO must notify the Market Participant within two Business Days that:

- (a) the Certified Reserve Capacity or Early Certified Reserve Capacity has lapsed; and
- (b) the Facility will not be assigned any Capacity Credits.

4. HOLDING AND REPLACING RESERVE CAPACITY SECURITY

4.1.1.

4.1. Holding Security Deposits and associated costs

If AEMO receives a Security Deposit as Reserve Capacity Security, it must:

- (a) invest any Security Deposit amount on behalf of the relevant Market Participant; and
- (b) maintain individual accounts for each Market Participant's Security Deposits, separate from any AEMO operating funds accounts.

AEMO must credit the relevant Market Participant's bank account with the interest (calculated daily at the AEMO Deposit Rate) earned on the balance of the Security Deposit on a monthly basis, and deduct any costs or fees (including bank fees or charges) associated with holding the Security Deposit from the balance **[Clause 4.13.6]**.

AEMO may advise a Market Participant of the interest earned at the AEMO Deposit Rate and the deduction of any accrued costs and fees on a monthly basis.

4.1.2.

4.2. Replacing Reserve Capacity Security

4.1.3. Circumstances that may require replacement Reserve Capacity Security include, but are not limited to:

- (a) existing Reserve Capacity Security is no longer current or valid;
- 4.2.1. (b) the provider no longer meets any one of the Acceptable Credit Criteria;
- (c) the provider ceases to or threatens to cease to continue to provide Reserve Capacity Security for the Market Participant; or
- (d) the provider becomes insolvent or is dissolved.

If a Market Participant becomes aware that any of the circumstances listed in step 4.2.1 apply to its Reserve Capacity Security, it must:

4.2.2.

- (a) notify AEMO accordingly; and
- (b) replace its Reserve Capacity Security within one Business Day **[Clause 4.13.4]**.

4.2.3. If AEMO becomes aware that any of the circumstances listed in step 4.2.1 apply to a Market Participant's Reserve Capacity Security, it must:

- (a) notify the Market Participant accordingly; and
- (b) request the Market Participant to replace its Reserve Capacity Security within one Business Day **[Clause 4.13.4]**.

4.2.4.

4.2.5. A Market Participant requiring an extension to the deadline in step 4.2.2(b) must request the extension from AEMO in writing.

4.2.6. AEMO may, in its absolute discretion, approve or reject a request from a Market Participant under step 4.2.4 and must notify the Market Participant accordingly as soon as possible **[Clause 4.13.4(c)]**.

A Market Participant may replace its Reserve Capacity Security (for example, from a Security Deposit to a bank undertaking) by notifying AEMO of:

- 4.2.7. (a) the type of Reserve Capacity Security to be provided;
- (b) evidence that the Reserve Capacity Security will comply with clause 4.13.5 of the WEM Rules; and
- (c) a Nominated Exchange Date.

AEMO and the Market Participant must agree on the Nominated Exchange Date notified under step 4.2.6(c).

Following agreement of the Nominated Exchange Date, the Market Participant must submit the replacement Reserve Capacity Security arrangement in accordance with step 3.4 or 3.5 at least 10 Business Days before the Nominated Exchange Date. The Reserve Capacity Security must be effective no less than five Business Days before the Nominated Exchange Date [**Clause 4.13.2C(c)**].

4.2.8. Within five Business Days of receiving the replacement Reserve Capacity Security, AEMO must assess its compliance by following the process in step 3.6.

If the Reserve Capacity Security is compliant, and before the Nominated Exchange Date, AEMO must follow the return process in step 5.4.

4.2.9.

As soon as practical after step 4.2.10, AEMO must return the replaced Reserve Capacity Security either in person to the Market Participant's Authorised Officer or by courier or registered mail (requiring a signature on receipt).

4.2.10.

4.2.11.

If AEMO assesses that the replacement Reserve Capacity Security is non-compliant under step 4.2.9, AEMO must notify the Market Participant accordingly (including reasons) and provide a new Nominated Exchange Date for the Market Participant to re-submit.

4.2.12.

4.3. Recalculation of the amount of Reserve Capacity Security

4.3.1. A Market Participant may apply to AEMO for the amount of Reserve Capacity Security held for a Facility to be recalculated⁵ after the time and date specified in clause 4.1.21 of the WEM Rules (as modified or extended) [**Clause 4.13.2A**].

4.3.2. AEMO must recalculate the amount of Reserve Capacity Security for a Facility using the formula in clause 4.13.2(b) of the WEM Rules within 10 Business Days of receiving an application under step 4.3.1 [**Clause 4.13.2B**].

4.3.3.

If the recalculated amount of Reserve Capacity Security, determined under step 4.3.2, is the same as the original amount, AEMO must notify the Market Participant accordingly within 10 Business Days of receiving the application under step 4.3.1.

4.3.4.

If the recalculated amount of Reserve Capacity Security, determined under step 4.3.2, is less than the original amount, then within 10 Business Days of receiving the application under step 4.3.1, AEMO must:

- 4.3.5.
- (a) notify the Market Participant accordingly [**Clause 4.13.2B(a)**];
 - (b) offer the Market Participant the opportunity to replace the Reserve Capacity Security [**Clause 4.13.2B(b)**]; and
 - (c) return the excess Reserve Capacity Security if the Market Participant chooses to replace its Reserve Capacity Security [**Clause 4.13.2B(c)**].

AEMO must recalculate the amount of Reserve Capacity Security for a Facility that was assigned Early Certified Reserve Capacity using the formula in clause 4.28C.9 of the WEM Rule by the date and time specified in clause 4.1.13(b)(i) of the WEM Rules (as modified or extended) [**Clause 4.28C.12**].

⁵ For example, recalculation may be required if the quantity of Capacity Credits assigned to a Facility is less than the Certified Reserve Capacity used to calculate the original amount of Reserve Capacity Security.

If the recalculated amount of Reserve Capacity Security, determined under step 4.3.5, is greater than the original amount, then AEMO must request additional Reserve Capacity Security from the relevant Market Participant by the date and time specified in clause 4.1.13(b)(i) of the WEM Rules **[Clause 4.28C.12(a)]**.

4.3.6. A Market Participant that receives a request under step 4.3.6 must provide additional Reserve Capacity Security within ten Business Days of AEMO's request.

4.3.7. If the recalculated amount of Reserve Capacity Security, determined under step 4.3.5, is less than the original amount, then by the time and date specified in clause 4.1.13(b)(i) of the WEM Rules (as modified or extended), AEMO must:

- 4.3.8. (a) notify the Market Participant accordingly;
- (b) offer the Market Participant the opportunity to replace the Reserve Capacity Security **[Clause 4.13.2B(b)]**; and
- (c) return the excess Reserve Capacity Security if the Market Participants chooses to replace its Reserve Capacity Security **[Clause 4.28C.12(b)]**.

4.3.9. If a Market Participant receives AEMO's notification under step 4.3.4 or 4.3.8 and wishes to replace its Reserve Capacity Security, it must notify AEMO accordingly and request the return of the excess Reserve Capacity Security **[Clause 4.13.2C and Clause 4.28C.12(b)]**.

4.3.10. The Market Participant's notification in step 4.3.9 must include:

- (a) the type of Reserve Capacity Security it will provide and evidence of compliance with clause 4.13.5 of the WEM Rules **[Clause 4.13.2C(a)]**;
- (b) the amount of Reserve Capacity Security calculated in accordance with clause 4.13.2(b) or clause 4.28C.12 (as applicable); and
- (c) the Nominated Exchange Date for AEMO to return the excess Reserve Capacity Security, which must be at least 10 Business Days after the Market Participant provides the replacement Reserve Capacity Security.

5. RETURNING RESERVE CAPACITY SECURITY

5.1.1. Eligibility and timing for returning Reserve Capacity Security

To be eligible for the return of Reserve Capacity Security before the end of the relevant Capacity Year, a Market Participant must meet the following conditions:

- 5.1.2. (a) operate the Facility at the Required Level, adjusted to 100% of the Capacity Credits assigned under clause 4.20.5A of the WEM Rules for at least two Trading Intervals **[Clause 4.13.13(a)]**; and
- 5.1.3. (b) the Facility must be in Commercial Operation status, as determined by AEMO under step 5.3 and clause 4.13.10B of the WEM Rules **[Clause 4.13.13(b)]**.

A Market Participant that meets the criteria in step 5.1.1 for a Facility may request AEMO to return the Reserve Capacity Security at any time before the end of the relevant Capacity Year **[Clause 4.13.13]**.

AEMO must assess the eligibility against the conditions in step 5.1.1 and return Reserve Capacity Security for an eligible Facility within 10 Business Days of receiving a request under step 5.1.2.

To be eligible for the return of Reserve Capacity Security after the end of the relevant Capacity Year, a Market Participant must meet the following conditions:

- (a) either:
- (i) operate the Facility at the Required Level, adjusted to 90% of the Capacity Credits assigned under clause 4.20.5A of the WEM Rules for at least two Trading Intervals; or
 - (ii) provide a report under clause 4.13.10C of the WEM Rules [**Clause 4.13.10(a)**]; and
- (b) the Facility must be in Commercial Operation status, as determined by AEMO under step 5.3 and clause 4.13.10B of the WEM Rules [**Clause 4.13.10(b)**].

5.1.4.

If a Facility has met the conditions under step 5.1.4, AEMO must return the Reserve Capacity Security as soon as practical after the end of the Capacity Year, but no later than 30 November [**Clause 4.13.10**].

5.1.5.

If the Reserve Capacity Security only relates to part of a Facility (for example, as a result of an upgrade), then the Facility as a whole must meet the requirements in either step 5.1.1 or 5.1.4 to be eligible for the Reserve Capacity Security's return.

5.1.6.

If the Facility is a Demand Side Programme, when assessing eligibility for the return of Reserve Capacity Security, AEMO must:

5.1.7.

- (a) account for the requirements of clause 2.29.5E(f) of the WEM Rules; and
- (b) exclude any Trading Intervals where the relevant Market Participant had a Reserve Capacity Deficit greater than zero for another Demand Side Programme for which AEMO does not have Reserve Capacity Security.

5.2. Required Level

5.2.1.

AEMO must calculate the Required Level for a Facility in accordance with clause 4.11.3B of the WEM Rules.

5.2.2.

For a Facility assigned Certified Reserve Capacity under clause 4.11.1(a) of the WEM Rules, the Required Level for Trading Interval t is:

$$\frac{CC_{int} \times TDC(Temp(t))}{TDC(41^{\circ}C)}$$

where:

CC_{int} is the Capacity Credits assigned under clause 4.20.5A of the WEM Rules;

$TDC(Temp(t))$ is the Facility's output from a Temperature Dependence Curve at temperature $Temp(t)$;

5.2.3.

$Temp(t)$ is the temperature during Trading Interval t measured as specified in the Facility's Standing Data; and

$TDC(41^{\circ}C)$ is the Facility's output indicated in the Temperature Dependence Curve at a temperature of $41^{\circ}C$.

If the Capacity Credits assigned to a Facility under clause 4.11.2(b) of the WEM Rules are less than the Certified Reserve Capacity, then AEMO must determine the Adjusted Required Level for Trading Interval t as follows:

$$\frac{RL_{CRC} \times CC_{int}}{CRC}$$

where:

RL_{CRC} is the 5% probability of exceedance value provided in the report required under clause 4.10.3A(b) of the WEM Rules, or the alternative value submitted in the report under clause 4.10.3A(c) of the WEM Rules;

CC_{int} is the Capacity Credits assigned under clause 4.20.5A of the WEM Rules; and

CRC is the Certified Reserve Capacity assigned to the Facility and used as the basis for determining the initial Required Level.

5.3. Commercial Operation status

A Market Participant may request AEMO in writing to determine that the relevant Facility is in Commercial Operation **[Clause 4.13.10A]**.

5.3.1. In deciding whether a Facility is in Commercial Operation, AEMO must account for all information described in clause 4.13.10B(a) of the WEM Rules, and may have regard to any other information that AEMO considers relevant **[Clause 4.13.10B]**. This information may include, but is not limited to:

- 5.3.2.
- (a) a statement by an Authorised Officer of the Market Participant;
 - (b) technical documents, such as evidence of trading, transactions, or financial statements;
 - (c) for a Demand Side Programme, signed contracts with loads participating in the Facility; and
 - (d) whether the Facility has passed a Reserve Capacity test under clause 4.25.2 or a Verification Test under clause 4.25A.1.

5.3.3. AEMO must determine whether a Facility is in Commercial Operation and notify the Market Participant accordingly (with reasons) within 20 Business Days of receiving a request under step 5.1.1.

5.4. How AEMO returns Reserve Capacity Security

- 5.4.1. If AEMO is required to return Reserve Capacity Security under this Procedure, it must either:
- (a) notify the relevant Market Participant and provide that it relinquishes any right to Draw Upon the Reserve Capacity Security, in the case of a guarantee or bank undertaking; or
 - (b) return the cash deposit plus any interest earned by electronic transfer, in the case of a Security Deposit.
- 6.1.1.

6. DRAWING UPON RESERVE CAPACITY SECURITY

6.1.2. If a Facility fails to achieve the performance requirements of step 5.1.4, then AEMO may Draw Upon the Reserve Capacity Security held for that Facility as soon as practicable after the end of the relevant Capacity Year and before 30 November **[Clause 4.13.11 and Clause 4.13.11A]**.

As soon as practicable after the end of the relevant Capacity Year, AEMO must apply the Reserve Capacity Security drawn upon (after meeting AEMO's costs) in step 6.1.1 as follows:

- (a) to procure any Supplementary Reserve Capacity required; and
- (b) rebating any remaining amount to Market Customers in proportion to their Individual Reserve Capacity Requirement during the Trading Month in accordance with Chapter 9 of the WEM Rules **[Clause 4.13.11A]**.

In determining when to rebate Reserve Capacity Security to Market Customers, AEMO must be satisfied that:

- (a) any risk of a capacity shortfall as a result of the relevant Facility failing to demonstrate it capability has passed; and
- (b) there is no longer any need to procure Supplementary Reserve Capacity for the relevant Capacity Year.

6.1.3.

Where AEMO Draws Upon a Market Participant's Reserve Capacity Security, the Market Participant forfeits any rights to the guarantee or bank undertaking or the total amount of the Security Deposit (as applicable) [**Clause 4.13.12**].

6.1.4.