



INDEPENDENT
MARKET
OPERATOR



MARKET PROCEDURE: RESERVE CAPACITY SECURITY

Version 3

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

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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	24 July 2009	Market Procedure for Reserve Capacity Security
2	2 April 2012	Amendments to Market Procedure resulting from PC_2012_01
3	DD Month 2013	Amendments to Market Procedure resulting from PC_2013_05

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TABLE OF CONTENTS

1 PROCEDURE OVERVIEW 5

1.1 *Relationship with the Market Rules*..... 5

1.2 *Purpose of this Procedure*..... 5

1.3 *Application of this Procedure* 5

1.4 *Associated Market Procedures and Market Documents*..... 5

1.5 *Conventions Used*..... 6

1.6 *Terminologies and Definitions*..... 6

1.7 *Amendments to Proforma Documents*..... 7

2 REQUIREMENT FOR RESERVE CAPACITY SECURITY 7

2.1 *Conditions under which a Market Participant is Required to Provide Reserve Capacity Security*..... 7

2.2 *Conditions under which a Market Participant is Not Required to Provide Reserve Capacity Security*..... 8

3 THE IMO'S NOTIFICATION OF THE REQUIREMENT FOR RESERVE CAPACITY SECURITY 9

3.1 *Certified Reserve Capacity* 9

3.2 *Conditional Certified Reserve Capacity* 9

3.3 *Early Certified Reserve Capacity* 10

4 RECALCULATION OF THE AMOUNT OF RESERVE CAPACITY SECURITY TO BE PROVIDED..... 11

4.1 *Timeline for the Recalculation of the Amount of Reserve Capacity Security to be Provided* 12

4.2 *The IMO's Process for Recalculation of the Amount of Reserve Capacity Security* 12

5 PROVISION OF RESERVE CAPACITY SECURITY 14

5.1 *Reserve Capacity Security Arrangements*..... 14

5.2 *Failure to Provide Reserve Capacity Security* 15

5.3 *Submitting Guarantees or Bank Undertakings*..... 15

5.4 *Submitting Security Deposits* 16

5.5 *Completing the Acceptable Credit Criteria Form* 17

5.6 *The IMO's Process of Reviewing Reserve Capacity Security Arrangements* 17

5.7 *Further Steps by the IMO with respect to Reserve Capacity Security Arrangements*..... 17

5.8 *Holding Security Deposits and Associated Costs*..... 18

6 MAINTENANCE OF RESERVE CAPACITY SECURITY 18

6.1 *Requirement to Maintain Reserve Capacity Security with the IMO*..... 18

7 REPLACEMENT OF RESERVE CAPACITY SECURITY 20

7.1 *A Market Participant's Notification of Replacing its Reserve Capacity Security when the IMO Holds Excess*..... 20

7.2 *A Market Participant's Notification of Replacing a Reserve Capacity Security Arrangement*..... 21

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7.3 *The Process for Replacing Reserve Capacity Security* 21

8 RETURN OF RESERVE CAPACITY SECURITY 22

8.1 *Ninety Percent Test for Return of Reserve Capacity Security* 22

8.2 *One Hundred Percent Test for Return of Reserve Capacity Security* 23

8.3 *Determining Required Level* 23

8.4 *Determining Commercial Operation Status* 24

8.5 *Other Conditions for Return of Reserve Capacity Security* 24

8.6 *The IMO's Obligation to Return Reserve Capacity Security after Ninety Percent Test* 25

8.7 *The IMO's Obligation to Return Reserve Capacity Security after One Hundred Percent Test* 25

8.8 *The IMO's Process of Returning Reserve Capacity Security to Eligible Market Participants* 25

9 DRAWING UPON RESERVE CAPACITY SECURITY 26

9.1 *Conditions in which the IMO May Draw Upon Reserve Capacity Security* 26

9.2 *Application of Monies Drawn Upon* 26

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Table of Figures

Figure 1: *The Process for Recalculation of Reserve Capacity Security* 11

Figure 2: *Reserve Capacity Security Delivery Process* 14

Figure 3: *Replacing and Exchanging Reserve Capacity Security* 20

Figure 4: *Return of Reserve Capacity Security after Meeting Tests* 22

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Reserve Capacity Security V3 . Page 4 of 26

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1 PROCEDURE OVERVIEW

1.1 Relationship with the Market Rules

- 1.1.1 This Market Procedure: Reserve Capacity Security (Procedure) is made in accordance with clause 4.13.8 of the Wholesale Electricity Market (WEM) Rules (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 of **DD Month 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 section 4.1 of the Market Rules (except the dates and times set by clauses 4.1.18, 4.1.26, 4.1.29 and 4.1.30) in accordance with the requirements outlined in clause 4.1.32 of the Market Rules.

1.2 Purpose of this Procedure

- 1.2.1 This Procedure outlines the processes for dealing with:
- (a) determining the initial and ongoing requirement for and the value of Reserve Capacity Security for a Facility;
 - (b) assessing persons against the Acceptable Credit Criteria;
 - (c) Reserve Capacity Security arrangements, including:
 - i. the form of acceptable guarantees and bank undertakings;
 - ii. where and how the IMO will hold cash deposits and how the costs and fees for holding cash deposits will be met; and
 - iii. the application of monies drawn upon from Reserve Capacity Security in respect to amounts payable by the relevant Market Participant to the IMO under clause 4.13.11A of the Market Rules; and
 - (d) other matters relating to clause 4.13 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) Certification of Reserve Capacity;
 - (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, available on the Market Web Site, are associated with this Procedure:
- (a) Proforma deeds for:
 - i. bank undertaking for Reserve Capacity Security;
 - ii. guarantee for Reserve Capacity Security;
 - iii. Security Deposit for Reserve Capacity Security; and

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Reserve Capacity Security V3 . Page 4 of 26

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- iv. Security Deposit for Reserve Capacity Security (provided by third party);
- (b) change of contact details form;
- (c) contact details of guarantee/bank undertakings form;
- (d) Security Deposit instructions;
- (e) Acceptable Credit Criteria form;
- (f) list of entities meeting the Acceptable Credit Criteria; and
- (e) progress report required under clause 4.27.10 of the Market Rules.

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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, if any, 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 Act), the Electricity Industry (Wholesale Electricity Market) Regulations (Regulations) or the Market Rules has the same meaning when used in this Procedure. In addition, the following defined terms have the meanings detailed below.

Table 1 – Defined Terms

Term	Definition
Compliance Date	The date by which the Market Participant must comply with its obligations under clause 4.13.11 of the Market Rules, being 30 November of Year 4 of the relevant Reserve Capacity Cycle.
Commercial Operation	The status determined by the IMO for a Facility under clause 4.13.10B of the Market Rules <u>that a Facility is operating in the WEM.</u>
Due Date	The date specified by the IMO in respect of a step in this Procedure.
Ninety Percent Test	A set of conditions that a Market Participant must meet to be eligible for the return of its Reserve Capacity Security, as defined in step 8.1 of this Procedure.
NMI	Means the unique identifier assigned to a connection point, as defined in section 1.3 of the Electricity Industry (Metering) Code 2012.
Nominated Exchange Date	The date agreed upon by a Market Participant and the IMO on which the IMO will return any excess Reserve Capacity Security in exchange for a duly effective replacement Reserve Capacity Security provided by the Market Participant.
One Hundred Percent Test	A set of conditions that a Market Participant must meet to be eligible for the return of its Reserve Capacity Security, as defined in step 8.2 of this Procedure.

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Reserve Capacity Security V3 . Page 4 of 26

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Term	Definition
Reserve Capacity Security Due Date	The date and time specified in clause 4.1.13 of the Market Rules for Certified Reserve Capacity and clause 4.28C.8 for Early Certified Reserve Capacity and reproduced in Table 2 of this Procedure.
Temperature Dependence Curve	The information provided by a Market Participant under clause 4.10.1(e)(i) of the Market Rules, as detailed in the manufacturer's technical specifications or as determined by an independent engineering firm.
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.

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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 of this Procedure.
- 1.7.2 A Market Participant wishing to use any market document listed in step 1.4.2 of this Procedure must ensure that it downloads the current version from the Market Web Site.
- 1.7.3 If the IMO amends and publishes a market document prior to a Market Participant's provision of Reserve Capacity Security under this Procedure, the IMO must apply the amended and published version of that market document to assess compliance of the Reserve Capacity Security.

2 REQUIREMENT FOR RESERVE CAPACITY SECURITY

2.1 Conditions under which a Market Participant is Required to Provide Reserve Capacity Security

2.1.1 Where the IMO assigns Certified Reserve Capacity to a Facility in a Reserve Capacity Cycle, the relevant Market Participant for that Facility must provide Reserve Capacity Security if any of the following apply:

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- (a) the Facility is yet to enter service;
- (b) subject to step 2.1.2 of this Procedure, the Facility is an existing Facility that has undergone significant maintenance or has been upgraded **[Clause 4.13.1]**; or
- (c) the IMO cancelled the Capacity Credits assigned to the Facility for the previous Reserve Capacity Cycle in accordance with clause 4.20.14 of the Market Rules **[Clause 4.13.1B(b)]**.

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2.1.2 For the purpose of step 2.1.1(b) of this Procedure, where the Facility is an existing Facility that has undergone significant maintenance or has been upgraded, the requirement to provide Reserve Capacity Security applies only to the part of the Facility that was significantly maintained or upgraded **[Clause 4.13.1A]**.

2.1.3 For the purpose of clause 4.13.1 of the Market Rules and step 2.1.2 of this Procedure, the IMO will deem a Facility to be undergoing 'significant maintenance' if, in the IMO's opinion, the scope and duration of works represent a risk for the late or failed return to service of the Facility, similar to that for a new Facility.

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2.1.4 For the purpose of clause 4.13.1 of the Market Rules and step 2.1.2 of this Procedure, the IMO will deem a Facility to be undergoing an 'upgrade' if it has been assigned a higher level of Certified Reserve Capacity than during the previous Reserve Capacity Cycle as a direct result of works to be undertaken or already undertaken on the Facility,

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where the higher level of Certified Reserve Capacity has not been demonstrated by the Facility in the current Capacity Year.

2.2 Conditions under which a Market Participant is Not Required to Provide Reserve Capacity Security

2.2.1 Where a Market Participant has provided Reserve Capacity Security for the same Facility in a previous Reserve Capacity Cycle and the following conditions are met:

- (a) the Facility has not undergone significant maintenance or upgrade; and
- (b) the IMO has not cancelled the Facility's Capacity Credits in the previous Reserve Capacity Cycle,

then the Market Participant is not required to provide Reserve Capacity Security for that Facility [Clause 4.13.1B].

Table 2 – Summary of the Requirement for Reserve Capacity Security

Scenarios under which Market Participant is required to provide Reserve Capacity Security	The amount of Reserve Capacity Security to be provided	Reserve Capacity Security Due Date	How to provide Reserve Capacity Security
The Facility was assigned Certified Reserve Capacity under clause 4.11 of the Market Rules and the conditions under step 2.1 of this Procedure are met	As calculated under clause 4.13.2(a) of the Market Rules	As specified in clause 4.1.13(b) of the Market Rules and step 3.1.1(c) of this Procedure	
The Facility was assigned Conditional Certified Reserve Capacity under clause 4.9.5 of the Market Rules and the conditions under step 2.1 of this Procedure are met	As calculated under clause 4.13.2(a) followed by confirmation under clause 4.9.5(c) of the Market Rules	As specified in clause 4.1.13(b) of the Market Rules and step 3.2.1(c) of this Procedure	As outlined in section 5 of this Procedure
The Facility was assigned Early Certified Reserve Capacity under clause 4.28C of the Market Rules and the conditions under step 2.1 of this Procedure are met	As calculated under clause 4.28C.9 of the Market Rules	In accordance with clause 4.28C.8 of the Market Rules, 30 Business Days from the date the Market Participant receives the IMO's notification under step 3.3.1 of this Procedure	

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3 THE IMO'S NOTIFICATION OF THE REQUIREMENT FOR RESERVE CAPACITY SECURITY

3.1 Certified Reserve Capacity

3.1.1 Where the IMO assigns Certified Reserve Capacity to a Facility under clause 4.11 of the Market Rules for a Reserve Capacity Cycle, the IMO must notify the relevant Market Participant in writing by 5:00 PM on the last Business Day on or before 19 August of Year 1 of the Reserve Capacity Cycle **[Clause 4.1.12(b)]**, of:

- (a) whether any Reserve Capacity Security is required as a condition of the Market Participant holding the Certified Reserve Capacity, as determined under section 2 of this Procedure;
- (b) the amount of Reserve Capacity Security calculated in accordance with clause 4.13.2(a) of the Market Rules, if applicable **[Clause 4.9.9(c)]**; and
- (c) the Reserve Capacity Security Due Date by which the Market Participant must provide duly effective Reserve Capacity Security. The Reserve Capacity Due Date is no later than 5:00 PM of the last Business Day which falls on or before **[Clause 4.1.13(b)]**:
 - i. 2 September of Year 1 of the relevant Reserve Capacity Cycle, if any of the Facility's Certified Reserve Capacity is to be traded bilaterally in accordance with clause 4.14.1(c) of the Market Rules or if the Facility is subject to a Network Control Service Contract; or
 - ii. 14 September of Year 1 of the relevant Reserve Capacity Cycle, if any of the Facility's Certified Reserve Capacity is specified to be offered into the Reserve Capacity Auction in accordance with clause 4.14.1(a) of the Market Rules and where none of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c) of the Market Rules.

3.2 Conditional Certified Reserve Capacity

3.2.1 Where the IMO assigns Conditional Certified Reserve Capacity to a Facility under clause 4.9.5 of the Market Rules for a future Reserve Capacity Cycle, the IMO must notify the relevant Market Participant in writing within 90 days of receiving the application **[Clause 4.9.8(b)]**, of:

- (a) whether any Reserve Capacity Security is required as a condition of the Market Participant holding the Conditional Certified Reserve Capacity, as determined under section 2 of this Procedure;
- (b) the amount of Reserve Capacity Security determined in accordance with clause 4.13.2(a) and confirmed in accordance with clause 4.9.5(c) of the Market Rules, if applicable **[Clause 4.9.9(c)]**; and
- (c) the Reserve Capacity Security Due Date by which the Market Participant must provide duly effective Reserve Capacity Security. The Reserve Capacity Due Date is no later than 5:00 PM of the last Business Day which falls on or before **[Clause 4.1.13(b)]**:
 - i. 2 September of Year 1 of the relevant Reserve Capacity Cycle, if any of the Facility's Certified Reserve Capacity is to be traded bilaterally in accordance with clause 4.14.1(c) of the Market Rules or if the Facility is subject to a Network Control Service Contract; or
 - ii. 14 September of Year 1 of the relevant Reserve Capacity Cycle, if any of the Facility's Certified Reserve Capacity is specified to be offered into the

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Reserve Capacity Auction in accordance with clause 4.14.1(a) of the Market Rules and where none of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c) of the Market Rules.

3.3 Early Certified Reserve Capacity

3.3.1 Where the IMO assigns Early Certified Reserve Capacity to a Facility under clause 4.28C of the Market Rules for a future Reserve Capacity Cycle, the IMO must notify the relevant Market Participant in writing within 90 days of receiving the application **[Clause 4.28C.7]**, of:

- (a) whether any Reserve Capacity Security is required as a condition of the Market Participant holding the Early Certified Reserve Capacity, as determined under section 2 of this Procedure;
- (b) the amount of Reserve Capacity Security determined in accordance with clause 4.28C.9 of the Market Rules, if applicable; and
- (c) the Reserve Capacity Security Due Date by which the Market Participant must provide duly effective Reserve Capacity Security. The Reserve Capacity Security Due Date is 30 Business Days from the date the Market Participant receives the IMO's notification under this step 3.3.1 **[Clause 4.28C.8]**.

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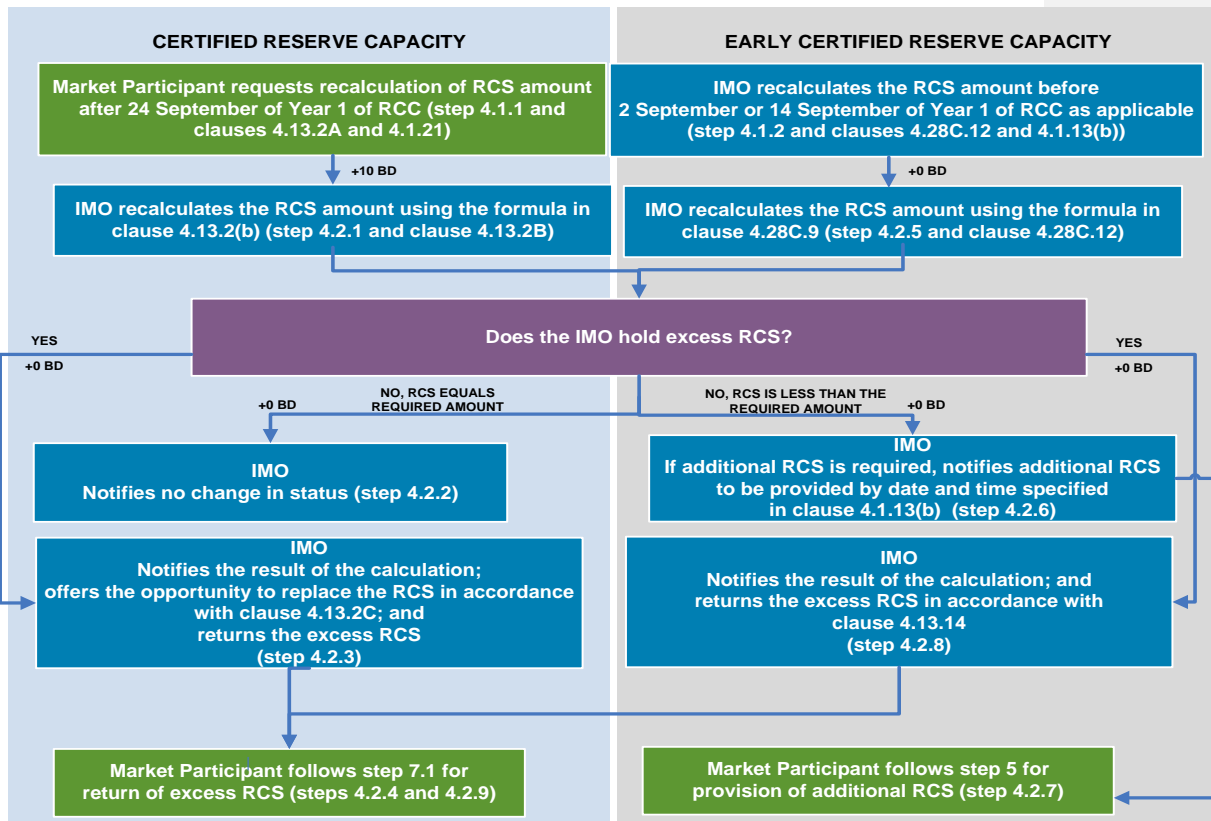
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4 RECALCULATION OF THE AMOUNT OF RESERVE CAPACITY SECURITY TO BE PROVIDED

Figure 1: The Process for Recalculation of Reserve Capacity Security



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4.1 Timeline for the Recalculation of the Amount of Reserve Capacity Security to be Provided

4.1.1 A Market Participant may apply to the IMO for the recalculation¹ of the amount of Reserve Capacity Security required to be held by the IMO for a Facility **[Clause 4.13.2A]** after 5:00 PM on the last Business Day falling on or before 24 September of Year 1 of the Reserve Capacity Cycle **[Clause 4.1.21]**.

4.1.2 Where a Market Participant applied for Early Certified Reserve Capacity, the IMO must recalculate the amount of Reserve Capacity Security to be provided for its Facility **[Clause 4.28C.12]** before 5:00 PM on the last Business Day falling on or before:

(a) 2 September of Year 1 of the Reserve Capacity Cycle in which the Facility will enter service (as advised under clause 4.10.1(b) of the Market Rules), if any of the Facility's Early Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c) or if the Facility is subject to a Network Control Service Contract; or

(b) 14 September of Year 1 of the Reserve Capacity Cycle in which the Facility will enter service (as advised under clause 4.10.1(b) of the Market Rules), if any of the Facility's Early Certified Reserve Capacity is specified to be offered into the Reserve Capacity Auction in accordance with clause 4.14.1(a) and none of its Early Certified Reserve Capacity will be traded bilaterally **[Clause 4.1.13(b)]**.

4.2 The IMO's Process for Recalculation of the Amount of Reserve Capacity Security

4.2.1 Within 10 Business Days of receiving a request from a Market Participant under step 4.1.1 of this Procedure, the IMO must recalculate the amount of the Reserve Capacity Security required to be held for a Facility using the formula in clause 4.13.2(b) of the Market Rules **[Clause 4.13.2B]**.

4.2.2 If the recalculated amount under step 4.2.1 of this Procedure is the same as the original amount of Reserve Capacity Security determined using the formula in clause 4.13.2(a) of the Market Rules, then the IMO must notify the Market Participant in writing of no change in status within 10 Business Days of receiving the request under step 4.1.1 of this Procedure.

4.2.3 If the recalculated amount under step 4.2.1 of this Procedure is less than the original amount of Reserve Capacity Security determined using the formula in clause 4.13.2(a) of the Market Rules, then the IMO must, within 10 Business Days of receiving the request under step 4.1.1 of this Procedure:

(a) notify the Market Participant in writing of the result of the calculation **[Clause 4.13.2B(a)]**;

(b) offer the Market Participant in writing the opportunity to replace the Reserve Capacity Security arrangement in accordance with clause 4.13.2C of the Market Rules and step 7.1 of this Procedure **[Clause 4.13.2B(b)]**; and

(c) return the excess Reserve Capacity Security if the Market Participant provides a replacement Reserve Capacity Security arrangement under step 4.2.3(b) of this Procedure **[Clause 4.13.2B(c)]**.

4.2.4 Where a Market Participant receives the IMO's notification under step 4.2.3 of this Procedure that excess Reserve Capacity Security is held by the IMO and elects to

¹ For example, in situations where the number of Capacity Credits is less than the quantity of Certified Reserve Capacity.

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replace its Reserve Capacity Security, the Market Participant must do so in accordance with step 7.1 of this Procedure.

4.2.5 Where under step 4.1.2 of this Procedure, the IMO is recalculating the Reserve Capacity Security for a Facility that holds Early Certified Reserve Capacity, the IMO must recalculate the amount of Reserve Capacity Security required to be held for that Facility using the formula in clause 4.28C.9 of the Market Rules **[Clause 4.28C.12]**.

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4.2.6 If the recalculated amount under step 4.2.5 of this Procedure is more than the original amount of Reserve Capacity Security determined using the formula in clause 4.28C.9 of the Market Rules, then the IMO must notify the Market Participant in writing that additional Reserve Capacity Security is required to be provided by the date and time specified in clause 4.1.13 of the Market Rules **[Clause 4.28C.12(a)]**.

4.2.7 Where a Market Participant receives the IMO's notification under step 4.2.6 of this Procedure that additional Reserve Capacity Security is required, the Market Participant must provide the additional Reserve Capacity Security in accordance with section 5 of this Procedure.

4.2.8 If the recalculated amount under step 4.2.5 of this Procedure is less than the original amount of Reserve Capacity Security determined using the formula in clause 4.28C.9 of the Market Rules, then the IMO must, by the date and time outlined in step 4.1.2 of this Procedure:

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- (a) notify the Market Participant in writing of the result of the calculation; and
- (b) offer to return the excess Reserve Capacity Security in accordance with clause 4.13.14 of the Market Rules **[Clause 4.28C.12(b)]**.

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4.2.9 Where a Market Participant receives the IMO's notification under step 4.2.8 of this Procedure that excess Reserve Capacity Security is held by the IMO, **and elects to replace its** Reserve Capacity Security, **the Market Participant must do so in accordance with** step 7.1 of this Procedure, **[Clause 4.28C.12(b)]**.

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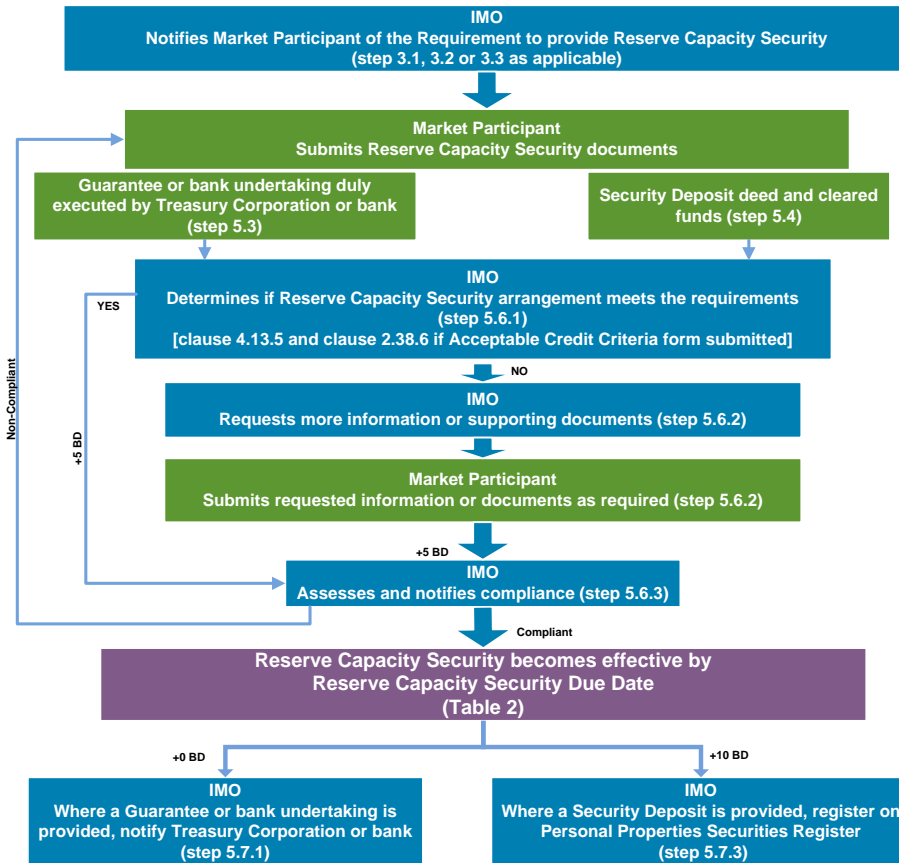
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5 PROVISION OF RESERVE CAPACITY SECURITY

Figure 2: Reserve Capacity Security Delivery Process



5.1 Reserve Capacity Security Arrangements

5.1.1 A Market Participant that is required to provide Reserve Capacity Security must ensure that its Reserve Capacity Security arrangement meets the requirements of clause 4.13.5 of the Market Rules [**Clause 4.13.1(a)**].

5.1.2 A Market Participant must provide Reserve Capacity Security in the form of either a:

- (a) guarantee or bank undertaking, in accordance with the process detailed in step 5.3 of this Procedure and in accordance with clause 4.13.5(a) of the Market Rules; or
- (b) Security Deposit in accordance with the process detailed in step 5.4 of this Procedure and clause 4.13.5(b) of the Market Rules, if the IMO in its discretion has agreed to accept a Security Deposit and the Security Deposit is made on terms acceptable to the IMO.

5.1.3 A Market Participant must ensure that the contact details it submits for its Reserve Capacity Security arrangements are current at all times. This includes contact details for persons at the Treasury Corporation or the bank to be provided in the contact details of guarantee/bank undertakings form. The Market Participant must update these

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contact details by completing the change of contact details form and emailing it to accounts@imowa.com.au.

- 5.1.4 A Market Participant must ensure that the Reserve Capacity Security arrangement provided under step 5.1.2 of this Procedure does not have a specified end date which is prior to the Compliance Date.

5.2 Failure to Provide Reserve Capacity Security

- 5.2.1 For a Facility that was assigned Certified Reserve Capacity (conditional or otherwise) under clauses 4.11 or 4.9.5 of the Market Rules and the conditions to provide Reserve Capacity Security under step 2.1 of this Procedure were met, if the Market Participant in respect of that Facility fails to provide the required amount of Reserve Capacity Security by the Reserve Capacity Due Date (as applicable), the Certified Reserve Capacity assigned to that Facility will lapse **[Clause 4.13.9]**.

- 5.2.2 For a Facility that was assigned Early Certified Reserve Capacity under clause 4.28C of the Market Rules and the conditions to provide Reserve Capacity Security under step 2.1 of this Procedure were met, if the Market Participant in respect of that Facility fails to provide the required amount of Reserve Capacity Security by the Reserve Capacity Due Date (as applicable), the Early Certified Reserve Capacity assigned to that Facility will lapse **[Clause 4.28C.8A]**.

- 5.2.3 Where the Certified Reserve Capacity assigned to a Facility lapses due to the failure to provide Reserve Capacity Security, the IMO must notify the Market Participant in relation to that Facility, in writing as soon as practicable, that for the relevant Reserve Capacity Cycle:

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

5.3 Submitting Guarantees or Bank Undertakings

- 5.3.1 On receiving the IMO's notification that Reserve Capacity Security must be provided in steps 3.1.1, 3.2.1 or 3.3.1 of this Procedure as applicable, a Market Participant must download a copy of the following documents from the Market Web Site:

- (a) proforma deed for a guarantee or bank undertaking, as applicable; and
- (b) Acceptable Credit Criteria form (this is required if the Treasury Corporation or bank is not on the list of entities meeting the Acceptable Credit Criteria, as published on the Market Web Site).

- 5.3.2 A Market Participant must then submit to the IMO a signed original hard copy of:

- (a) the guarantee or bank undertaking, as applicable, which:
 - i. is for the most recently calculated Reserve Capacity Security amount under clauses 4.13.2(a), 4.13.2(b) or 4.28C.9 (for Early Certified Reserve Capacity) as applicable;
 - ii. is in the form approved by the IMO and published on the Market Web Site; and
 - iii. 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; and
- (b) the Acceptable Credit Criteria form for the Reserve Capacity Security provider (if applicable), completed in accordance with step 5.5 of this Procedure.

- 5.3.3 The IMO must not accept a proforma deed that does not meet the criteria in step 5.3.2(a) of this Procedure.

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5.3.4 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 guarantee/bank undertakings form which provides the contact details of at least two individuals representing the Market Participant and two individuals representing the Treasury Corporation or bank for the IMO to contact when drawing upon its Reserve Capacity Security; and
- (b) any procedure that the Treasury Corporation or bank requires the IMO to follow when drawing upon the Reserve Capacity Security.

5.3.5 The Market Participant must provide a hard copy of the guarantee or bank undertaking to the IMO either in person or by courier or registered mail, requiring a signature on receipt.

5.4 Submitting Security Deposits

5.4.1 On receiving the IMO's notification to provide Reserve Capacity Security in steps 3.1.1, 3.2.1 or 3.3.1 of this Procedure, a Market Participant providing a Security Deposit as a Reserve Capacity Security arrangement must request the IMO's agreement to accept the Security Deposit in writing.

5.4.2 Upon receiving the request under step 5.4.1 of this Procedure, the IMO must notify the Market Participant in writing whether a Security Deposit is an acceptable alternative and the terms under which the Security Deposit deed will be acceptable to the IMO.

5.4.3 If the IMO has notified the Market Participant under step 5.4.2 that a Security Deposit is not acceptable, then the Market Participant must provide Reserve Capacity Security in the form of a guarantee or bank undertaking, in accordance with step 5.3 of this Procedure.

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5.4.4 If the IMO has notified the Market Participant under step 5.4.2 that a Security Deposit is acceptable, then the Market Participant must download a copy of the following documents from the Market Web Site:

- (a) proforma deed for Security Deposit for Reserve Capacity Security or proforma deed for Security Deposit for Reserve Capacity Security (provided by third party) as applicable; and
- (b) Security Deposit instructions.

5.4.5 A Market Participant must then submit a signed original hard copy of the completed Security Deposit deed to the IMO which:

- (a) is in the form approved by the IMO and published on the Market Web Site; and
- (b) has been executed by or on behalf of the Market Participant.

5.4.6 The IMO must not accept a proforma deed that does not meet the criteria in step 5.4.5 of this Procedure.

5.4.7 A Market Participant providing Reserve Capacity Security in the form of a Security Deposit must provide the amount of the Reserve Capacity Security in cleared funds by 5:00 PM on the date on which the accompanying Security Deposit deed is made, in accordance with the Security Deposit instructions.

5.4.8 The Market Participant must provide a hard copy of the Security Deposit deed to the IMO either in person or by courier or registered mail, requiring a signature on receipt.

5.4.9 The IMO must sign the original of the Security Deposit deed and return a copy of the signed original to the Market Participant.

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5.5 Completing the Acceptable Credit Criteria Form

5.5.1 Where a Market Participant provides a Reserve Capacity Security in the form of a guarantee or bank undertaking and the Reserve Capacity Security provider is not included on the current list of entities meeting the Acceptable Credit Criteria, the Market Participant must arrange for the completion of an Acceptable Credit Criteria form, providing evidence that the entity providing the Reserve Capacity Security meets the Acceptable Credit Criteria outlined in clause 2.38.6 of the Market Rules.

5.5.2 A Market Participant required to complete the Acceptable Credit Criteria form under step 5.5.1 of this Procedure must do so in accordance with step 4.1 of the Market Procedure: Prudential Requirements.

5.5.3 For the purposes of this Procedure, all occurrences of Credit Support in step 4.1 of the Market Procedure: Prudential Requirements must be read as Reserve Capacity Security.

5.5.4 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 meeting the Acceptable Credit Criteria.

5.5.5 The IMO must fulfil its obligations under step 5.5.4 by following step 4.2 of the Market Procedure: Prudential Requirements.

5.6 The IMO's Process of Reviewing Reserve Capacity Security Arrangements

5.6.1 On receiving completed documentation for Reserve Capacity Security from a Market Participant, the IMO must review the Reserve Capacity Security arrangement to:

- (a) determine whether it is compliant with clause 4.13.5(a) of the Market Rules and step 5.3 of this Procedure, if the arrangement is in the form of a guarantee or bank undertaking; or
- (b) determine whether it is compliant with the terms determined by the IMO under clause 4.13.5(b) of the Market Rules and step 5.4 of this Procedure, if the arrangement is in the form of a Security Deposit.

5.6.2 The IMO may at its discretion, request more information from the Market Participant to support its Reserve Capacity Security arrangement, by a Due Date determined and notified by the IMO. The Market Participant must provide the relevant information by that Due Date.

5.6.3 Within five Business Days of the later of the dates on which the IMO receives completed documents under steps 5.6.1 and 5.6.2 of this Procedure, the IMO must notify the Market Participant in writing that the Reserve Capacity Security arrangement is either:

- (a) compliant with the Market Rules and this Procedure; or
- (b) not compliant with the Market Rules and/or this Procedure and provide reasons as to why the Reserve Capacity Security is not compliant.

5.6.4 If a Market Participant receives a notification of non-compliance under step 5.6.3(b) of this Procedure, the Market Participant must re-submit a Reserve Capacity Security arrangement that is compliant with clause 4.13.5 of the Market Rules and step 5.1 of this Procedure.

5.7 Further Steps by the IMO with respect to Reserve Capacity Security Arrangements

5.7.1 Where the Reserve Capacity Security arrangement is a guarantee or bank undertaking, then at the same time as the IMO issues a notice of compliance to the Market

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Participant in step 5.6.3(a) of this Procedure, the IMO must also notify the Treasury Corporation or the bank, as applicable, in writing, that the arrangement has been provided in accordance with clause 4.13.5(a) of the Market Rules and this Procedure.

- 5.7.2 After the IMO notifies the Market Participant and the Treasury Corporation or the bank, as applicable, in step 5.7.1 of this Procedure, the IMO must place the completed guarantee or bank undertaking in a bank safe box, as soon as practicable.
- 5.7.3 Where the Reserve Capacity Security arrangement is provided as a Security Deposit, then within 10 Business Days of the required amount of cleared funds having been received by the IMO, the IMO must complete the process for registration of the security interest on the Personal Property Securities Register in accordance with the *Personal Property Securities Act 2009* (Cth)². 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 send a notice of the verification statement containing the details of the registration to the Reserve Capacity Security provider and the Market Participant, as soon as practicable.
- 5.7.4 Upon completion of step 5.7.3 of this Procedure, the IMO must place the completed Security Deposit deed in a bank safe box, as soon as practicable.

5.8 Holding Security Deposits and Associated Costs

- 5.8.1 Where the IMO receives Reserve Capacity Security 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 accounts for each Market Participant's Security Deposits separate from any IMO operating funds accounts.
- 5.8.2 The IMO must credit the interest earned daily at the IMO Deposit 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 4.13.6]**.
- 5.8.3 The IMO may provide written advice to a Market Participant on a monthly basis regarding the interest earned at the IMO Deposit Rate and the deduction of any accrued costs and fees.

6 MAINTENANCE OF RESERVE CAPACITY SECURITY

6.1 Requirement to Maintain Reserve Capacity Security with the IMO

- 6.1.1 Where a Market Participant's Reserve Capacity Security is due to expire or cease to have effect for any reason and the Market Participant will continue to have an obligation to ensure the IMO holds Reserve Capacity Security, then the Market Participant must provide replacement Reserve Capacity Security that becomes

² The *Personal Property Securities Act 2009* (Cth) enables any person to register its security interests on the Personal Property Securities Register (Register). The Register is a real-time electronic notice board which allows individuals and organisations to search and register security interests in personal property (see <http://www.ppsr.gov.au/Pages/pps.asp> for more information). For the purposes of the Act, 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) of the Market Rules) or Reserve Capacity Security (clause 4.13.5(b) of the Market Rules), 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 of a Market Participant.

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effective at or prior to the expiry of the existing Reserve Capacity Security, **[Clause 4.13.3]**.

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- 6.1.2 Where a Market Participant becomes aware that its Reserve Capacity Security is affected by any of the circumstances as outlined in step 6.1.4 of the Procedure, it must:
- (a) notify the IMO in writing immediately; and
 - (b) provide duly effective replacement Reserve Capacity Security in an amount not less than its most recently calculated amount under clause 4.13.2 of the Market Rules, before the end of the next Business Day or within any longer period that the IMO has approved in writing under step 6.1.6 **[Clause 4.13.4]**.
- 6.1.3 Where the IMO becomes aware of any circumstance (as outlined in step 6.1.4 of this Procedure) in relation to a Market Participant, it must:
- (a) notify the Market Participant in writing immediately; and
 - (b) require the Market Participant to provide duly effective replacement Reserve Capacity Security in an amount not less than its most recently calculated amount under clause 4.13.2, before the end of the next Business Day or within any longer period that the IMO has approved in writing under step 6.1.6 **[Clause 4.13.4]**.
- 6.1.4 For the purposes of clause 4.13.4 of the Market Rules, circumstances that may require replacement Reserve Capacity Security in step 6.1.2 or 6.1.3 include, but are not limited to where:
- (a) existing Reserve Capacity Security is no longer current or valid;
 - (b) the Reserve Capacity Security provider no longer meets any one of the Acceptable Credit Criteria;
 - (c) the Reserve Capacity Security provider ceases to or threatens to cease to carry on providing Reserve Capacity Security in relation to the Market Participant; or
 - (d) the Reserve Capacity Security provider in relation to the Market Participant becomes insolvent or is dissolved.
- 6.1.5 A Market Participant requesting the IMO to provide the replacement Reserve Capacity Security after the end of the next Business Day under steps 6.1.2(b) or 6.1.3(b), must request an extension of the Due Date for providing replacement Reserve Capacity Security in writing.
- 6.1.6 The IMO may, in its absolute discretion, approve or reject a Market Participant's request for an extension in step 6.1.5. The IMO must provide its decision in writing to the Market Participant as soon as practicable **[Clause 4.13.4(c)]**.

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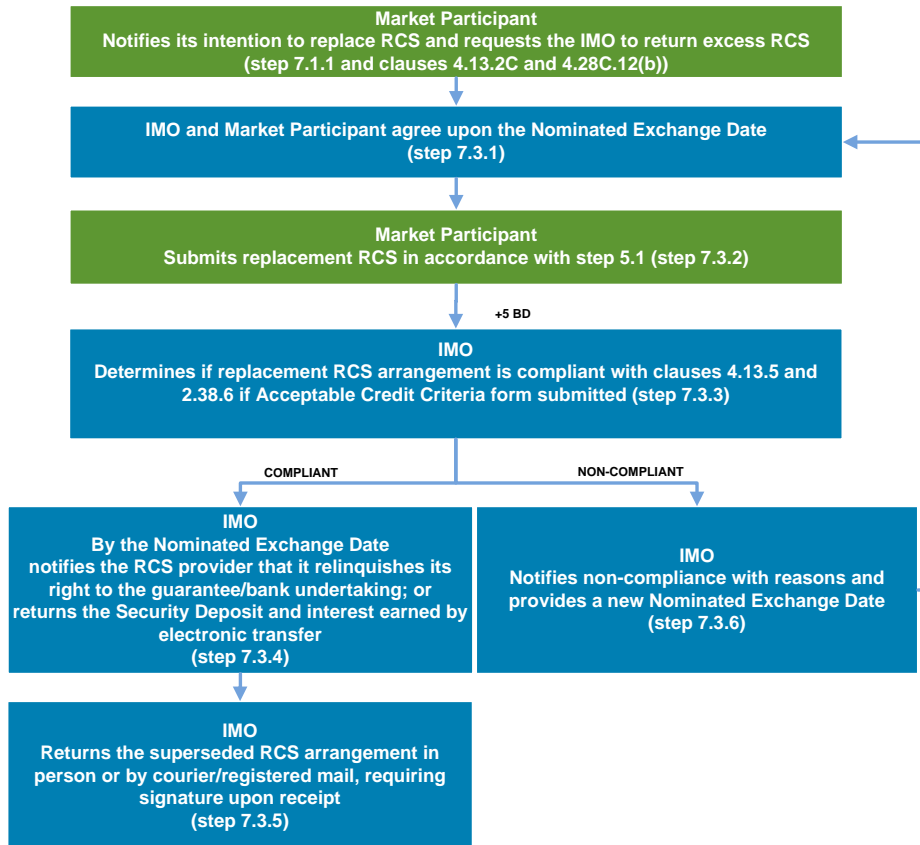
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7 REPLACEMENT OF RESERVE CAPACITY SECURITY

Figure 3: Replacing and Exchanging Reserve Capacity Security



7.1 A Market Participant's Notification of Replacing its Reserve Capacity Security when the IMO Holds Excess

7.1.1 Where a Market Participant receives the IMO's notification under step 4.2.4 (for Certified Reserve Capacity) or step 4.2.9 (for Early Certified Reserve Capacity) that excess Reserve Capacity Security is held by the IMO, then the Market Participant may:

- (a) notify the IMO in writing of its intention to replace its Reserve Capacity Security;
- and
- (b) request the IMO in writing to return the excess Reserve Capacity Security [Clauses 4.13.2C and 4.28C.12(b)].

7.1.2 A Market Participant must include in its notification provided in step 7.1.1 of this Procedure:

- (a) the form of replacement Reserve Capacity Security arrangement to be provided and evidence that it will meet the requirements of clause 4.13.5 of the Market Rules [Clause 4.13.2C(a)];

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- (b) the amount of the Reserve Capacity Security which must not be less than the recalculated amount under clause 4.13.2(b) or clause 4.28C.12 as applicable [Clause 4.13.2C(b)]; and
- (c) a Nominated Exchange Date on which the IMO is requested to return the current Reserve Capacity Security to the Market Participant, where this date must be at least 10 Business Days after the date the Market Participant will provide its replacement Reserve Capacity Security arrangement to the IMO.

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7.2 A Market Participant's Notification of Replacing a Reserve Capacity Security Arrangement

7.2.1 A Market Participant may replace the Reserve Capacity Security arrangement provided (for example from a Security Deposit to a bank undertaking) by notifying the IMO in writing of its intention prior to the replacement.

7.2.2 A Market Participant must include in its notification provided in step 7.2.1 of this Procedure:

- (a) the form of replacement Reserve Capacity Security arrangement to be provided;
- (b) evidence that the replacement Reserve Capacity Security arrangement will meet the requirements of clause 4.13.5 of the Market Rules; and
- (c) a Nominated Exchange Date on which the IMO is requested to return the current Reserve Capacity Security to the Market Participant, where this date must be at least 10 Business Days after the date the Market Participant will provide its replacement Reserve Capacity Security arrangement to the IMO.

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7.3 The Process for Replacing Reserve Capacity Security

7.3.1 The IMO and the Market Participant must agree upon the Nominated Exchange Date notified by the Market Participant under step 7.1.2(c) or 7.2.2(c) of this Procedure.

7.3.2 The Market Participant must then submit to the IMO the replacement Reserve Capacity Security arrangement:

- (a) in accordance with step 5.1 of this Procedure;
- (b) at least 10 Business Days before the agreed Nominated Exchange Date; and
- (c) with a duly effective date that falls no less than five Business Days before the Nominated Exchange Date **[Clause 4.13.2C(c)]**.

7.3.3 Within five Business Days of receiving the completed replacement Reserve Capacity arrangement, the IMO must assess whether the arrangement is compliant with clauses 4.13.5 and 2.38.6 (if Acceptable Credit Criteria form was submitted) of the Market Rules.

7.3.4 If the IMO assesses the replacement Reserve Capacity Security arrangement as compliant under step 7.3.3, the IMO must by the Nominated Exchange Date, either:

- (a) notify the Reserve Capacity Security provider and the relevant Market Participant in writing that it relinquishes any rights to Draw Upon the superseded Reserve Capacity Security, where it is a guarantee or bank undertaking [Clause 4.13.14(d)]; or
- (b) return the cash deposit plus any interest earned by electronic cash transfer to the Market Participant's nominated bank account, where the superseded Reserve Capacity Security is a Security Deposit [Clause 4.13.14(c)].

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7.3.5 As soon as practicable after step 7.3.4, the IMO must return the superseded Reserve Capacity Security;

(a) either, in person to the Market Participant's Authorised Officer; or

(b) by courier or registered mail requiring signature on receipt.

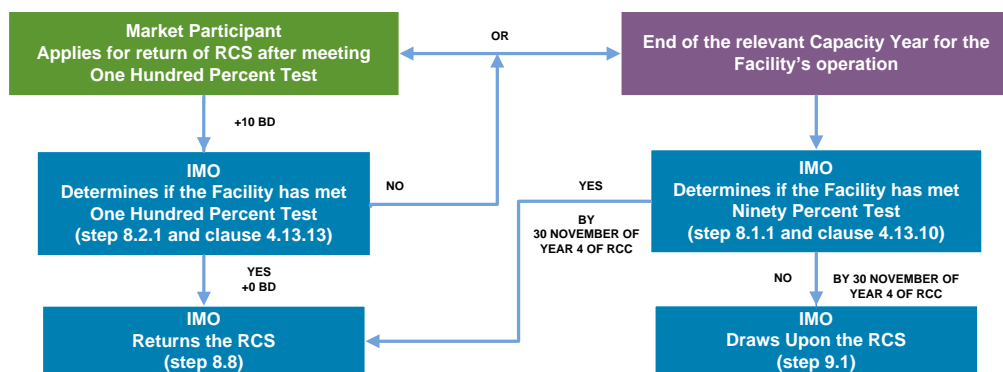
7.3.6 If the IMO assesses the replacement Reserve Capacity Security arrangement as non-compliant under step 7.3.3, the IMO must:

(a) notify the Market Participant of the decision in writing with reasons; and

(b) provide a new Nominated Exchange Date to allow the Market Participant to resubmit its replacement Reserve Capacity Security arrangement in accordance with step 7.1 of this Procedure.

8 RETURN OF RESERVE CAPACITY SECURITY

Figure 4: Return of Reserve Capacity Security after Meeting Tests



8.1 Ninety Percent Test for Return of Reserve Capacity Security

8.1.1 A Market Participant that has provided Reserve Capacity Security must meet the following conditions for the return of its Reserve Capacity Security after the end of the relevant Capacity Year:

(a) either:

i. the Facility has operated to a level which is at least equivalent to its Required Level, adjusted to 90 percent of the level of Capacity Credits specified in clause 4.20.5A of the Market Rules, in at least two Trading Intervals before the end of the relevant Capacity Year; or

ii. the Market Participant for that Facility has provided the IMO a report under clause 4.13.10C of the Market Rules, which specifies that the Facility can operate at a level which is at least equivalent to its Required Level, adjusted to 90 percent of the level of Capacity Credits specified in clause 4.20.5A of the Market Rules; and

(b) the Facility must be in Commercial Operation as determined by the IMO under step 8.4 and clause 4.13.10B of the Market Rules [Clause 4.13.10].

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8.2 One Hundred Percent Test for Return of Reserve Capacity Security

8.2.1 A Market Participant that has provided Reserve Capacity Security must meet the following conditions to apply to the IMO for the return of its Reserve Capacity Security at any time before the end of the relevant Capacity Year:

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- (a) the Facility must have operated at a level equivalent to its Required Level, adjusted to 100 percent of the level of Capacity Credits specified in clause 4.20.5A of the Market Rules, in at least two Trading Intervals before the end of the relevant Capacity Year; and
- (b) the Facility must be in Commercial Operation as determined by the IMO under step 8.4 and clause 4.13.10B of the Market Rules [Clause 4.13.13].

8.3 Determining Required Level

8.3.1 For the purposes of clause 4.13.10(a) or 4.13.13(a) of the Market Rules and step 8.1.1(a) or 8.2.1(a) of this Procedure, the IMO must determine the Required Level (which for an upgraded Facility is calculated for the Facility as a whole) for each Facility in accordance with the following:

- (a) for Certified Reserve Capacity assigned to Scheduled Generators under clause 4.11.1(a) of the Market Rules, the Required Level in Trading Interval t is:

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

Where:

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

$TDC(Temp(t))$ is the Facility output indicated in the Temperature Dependence Curve at temperature $Temp(t)$;

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$Temp(t)$ is the temperature during Trading Interval t measured according to the method specified in the Standing Data for the Facility; $TDC(Temp)$ and

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

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- (b) for Certified Reserve Capacity assigned to a Scheduled Generator or a Non-Scheduled Generator under clause 4.11.2(b), the Required Level in Trading Interval t is:

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

Where:

RL_{CRC} is the Required Level for the Facility provided under clause 4.11.3B of the Market Rules and determined on the same basis as the Certified Reserve Capacity for that Facility;

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

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CRC is the Certified Reserve Capacity assigned to the Facility (which was used as the basis for determining the Facility's Required Level).

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(c) for Demand Side Programmes, by the following formula:

$$RD - CC_{int}$$

Where:

RD is the Relevant Demand as determined in clause 4.26.2CA of the Market Rules; and

CC_{int} is the number of Capacity Credits initially assigned under clause 4.20.5A of the Market Rules.

8.4 Determining Commercial Operation Status

8.4.1 For the purposes of clause 4.13.10(b) or 4.13.13(b) of the Market Rules and steps 8.1.1(b) or 8.2.1(b) of this Procedure, a Market Participant may request the IMO in writing to make a determination whether its Facility is in Commercial Operation **[Clause 4.13.10A]**.

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8.4.2 To decide whether a Facility is in Commercial Operation, the IMO must have regard to the information described in clause 4.13.10B(a) of the Market Rules and may consider any other relevant information submitted by the Market Participant under clause 4.13.10B(b) of the Market Rules including, but not limited to:

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- (a) a signed statement from the Market Participant that the Facility is in Commercial Operation;
- (b) technical documents that indicate the Facility is in Commercial Operation, such as evidence of trading, transactional documentation or financial statements; and
- (c) for a Demand Side Programme, copies of executed agreements to engage in a Demand Side Programme from companies which are being supplied with electricity from the nominated NMIs associated with that Facility.

8.4.3 Within 20 Business Days of receipt of a request under step 8.4.1, the IMO must:

- (a) determine whether a Facility is in Commercial Operation in accordance with step 8.4.2; and
- (b) notify the Market Participant in writing of the status assigned to that Facility, with reasons.

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8.5 Other Conditions for Return of Reserve Capacity Security

8.5.1 Where the Reserve Capacity Security for a Facility relates to only a portion of the Facility's total Capacity Credits, that Facility as a whole must pass the Ninety Percent Test or One Hundred Percent Test for the return of its Reserve Capacity Security.

8.5.2 Where the IMO assesses the performance of a Demand Side Programme under the Ninety Percent Test or One Hundred Percent Test for the return of Reserve Capacity Security, the IMO must not take into account the same Non-Dispatchable Load or Interruptible Load more than once during the relevant Capacity Year for the Demand Side Programme.

8.5.3 Where any Non-Dispatchable Load or Interruptible Load was associated with more than one Demand Side Programme during the relevant Capacity Year, the IMO must determine when each of those Demand Side Programmes met the performance requirements under the Ninety Percent Test or One Hundred Percent Test and must take the relevant Load into account for only the first of those Demand Side Programmes that met the performance requirements. For the purposes of determining whether to return Reserve Capacity Security for all other Demand Side Programmes

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that the relevant Load had been associated with during the Capacity Year, the IMO must calculate the Relevant Demand and Demand Side Programme Load for the Demand Side Programme as if that Load was not associated with that Demand Side Programme.

8.5.4 For the purpose of assessing the performance of Demand Side Programmes under the Ninety Percent Test or One Hundred Percent Test, the IMO must exclude any Trading Intervals where the relevant Market Participant has a Reserve Capacity Deficit greater than zero for another Demand Side Programme for which the IMO does not hold the benefit of a Reserve Capacity Security.

8.6 The IMO's Obligation to Return Reserve Capacity Security after Ninety Percent Test

8.6.1 Where the Facility has met the conditions in the Ninety Percent Test before the end of the relevant Capacity Year, the IMO must return any Reserve Capacity Security to the Market Participant:

(a) as soon as practicable after the end of the relevant Capacity Year and before 30 November of Year 4 of the relevant Reserve Capacity Cycle; and

(b) in accordance with step 8.8 of this Procedure [Clause 4.13.10].

8.7 The IMO's Obligation to Return Reserve Capacity Security after One Hundred Percent Test

8.7.1 Where the Facility has met the conditions in the One Hundred Percent Test before the end of the relevant Capacity Year, the Market Participant may apply to the IMO in writing at any time before the end of the relevant Capacity Year for the return of its Reserve Capacity Security [Clause 4.13.13].

8.7.2 Where the IMO receives an application for the return of Reserve Capacity Security under step 8.7.1 of this Procedure, the IMO must within 10 Business Days of receipt of that application:

(a) determine whether the need to maintain the Reserve Capacity Security has ceased by assessing if the conditions in the One Hundred Percent Test have been met;

(b) notify the Market Participant in writing of its determination under step 8.7.2(a); and

(c) if applicable, return the Reserve Capacity Security in accordance with step 8.8 of this Procedure to [Clause 4.13.14].

8.8 The IMO's Process of Returning Reserve Capacity Security to Eligible Market Participants

8.8.1 Where the IMO is required to return Reserve Capacity Security to eligible Market Participants under steps 8.6 and 8.7 of this Procedure, the IMO must either:

(a) notify the Reserve Capacity Security provider and the relevant Market Participant in writing that it relinquishes any rights to Draw Upon the Reserve Capacity Security, where it is a guarantee or bank undertaking [Clause 4.13.14(d)]; or

(b) return the cash deposit plus any interest earned by electronic cash transfer to the Market Participant's nominated bank account, where the superseded Reserve Capacity Security is a Security Deposit [Clause 4.13.14(c)].

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8.8.2 As soon as practicable after step 8.8.1 of this Procedure, the IMO must also arrange for the return of the Reserve Capacity Security arrangement (being the deeds for the guarantee, bank undertaking or Security Deposit, as applicable), either:

- (a) in person to the Authorised Officer of the Market Participant; or
- (b) by courier or registered mail, requiring a signature upon receipt.

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9 DRAWING UPON RESERVE CAPACITY SECURITY

9.1 Conditions in which the IMO May Draw Upon Reserve Capacity Security

9.1.1 If a Market Participant fails to satisfy the conditions in the Ninety Percent Test, then the IMO may Draw Upon the Market Participant's Reserve Capacity Security as soon as practicable after the end of the relevant Capacity Year and before 30 November of Year 4 of the relevant Reserve Capacity Cycle [Clauses 4.13.11 and 4.13.11A].

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9.2 Application of Monies Drawn Upon

9.2.1 As soon as practicable after the end of the relevant Reserve Capacity Cycle, the IMO must apply the monies drawn upon (after meeting the IMO's costs associated with doing so) in step 9.1.1 of this Procedure as following:

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- (a) firstly, to offset the cost of funding any Supplementary Capacity Contracts for any capacity shortage that may stem entirely or in part from the Facility not being available during the relevant Capacity Year; and
- (b) secondly, once all costs of funding Supplementary Capacity Contracts are covered as applicable, make a rebate payment to Market Customers in proportion to their Individual Reserve Capacity Requirements during the Trading Month in accordance with Chapter 9 of the Market Rules [Clause 4.13.11A].

9.2.2 Where the IMO Draws Upon a Market Participant's Reserve Capacity Security, the Market Participant forfeits its rights to the guarantee or bank undertaking or forfeits the entire amount of its Security Deposit, as applicable [Clause 4.13.12].

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