

MARKET PROCEDURE: RESERVE CAPACITY SECURITY

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CONTENTS

| | | |
|------|--|----|
| 1. | INTRODUCTION | 4 |
| 1.1. | Purpose and scope | 4 |
| 1.2. | Definitions and interpretation | 4 |
| 1.3. | Related documents | 6 |
| 2. | MODIFICATION OF TIMEFRAMES | 7 |
| 3. | PROVIDING AND PROCESSING SECURITY | 7 |
| 3.1. | Obligation to provide Reserve Capacity Security | 7 |
| 3.2. | AEMO's notification requirements | 7 |
| 3.3. | Types of Security | 9 |
| 3.4. | Submitting a guarantee or bank undertaking | 9 |
| 3.5. | Submitting a Security Deposit | 10 |
| 3.6. | AEMO's assessment of the Security | 11 |
| 3.7. | Failure to provide Security | 12 |
| 4. | HOLDING AND REPLACING SECURITY | 12 |
| 4.1. | Holding Security Deposits and associated costs | 12 |
| 4.2. | Replacing Security | 13 |
| 4.3. | Recalculation of the amount of Security | 14 |
| 5. | RETURNING SECURITY | 15 |
| 5.1. | Eligibility and timing for returning Reserve Capacity Security | 15 |
| 5.2. | Required Level | 16 |
| 5.3. | Determining Commercial Operation status | 17 |
| 6. | DSM RESERVE CAPACITY SECURITY | 18 |
| 6.1. | Obligation to provide DSM Reserve Capacity Security | 18 |
| 6.2. | Waiving the requirement for DSM Reserve Capacity Security | 19 |
| 6.3. | Returning DSM Reserve Capacity Security | 20 |
| 6.4. | Requirement to provide DSM Reserve Capacity Security after waiver or release | 21 |
| 7. | DRAWING UPON SECURITY | 22 |

TABLES

| | | |
|---------|---------------------|---|
| Table 1 | Defined terms | 4 |
|---------|---------------------|---|

1. INTRODUCTION

1.1. Purpose and scope

- 1.1.1. This Market Procedure: Reserve Capacity Security (Procedure) is made in accordance with AEMO's functions under clause 2.1A.2(h) of the Wholesale Electricity Market Rules (**WEM Rules**). This Procedure is also made under clauses 4.13.8 and 4.13A.23 of the WEM Rules.
- 1.1.2. The purpose of this Procedure is to outline:
- (a) the processes that Market Participants must follow when providing and requesting the return of Reserve Capacity Security;
 - (b) the processes that Market Participants must follow when providing and requesting the return or waiver of DSM Reserve Capacity Security;
 - (c) the processes AEMO must follow in:
 - (i) checking compliance of any Reserve Capacity Security or DSM Reserve Capacity Security, provided by a Market Participant, with the WEM Rules and this Procedure;
 - (ii) holding and returning Reserve Capacity Security;
 - (iii) holding, returning, and waiving DSM Reserve Capacity Security
 - (iv) drawing upon Reserve Capacity Security or DSM Reserve Capacity Security;
 - (d) standard form documents for Reserve Capacity Security and DSM Reserve Capacity Security, including bank undertakings, guarantees, and Security Deposit deeds; and
 - (e) other matters relating to sections 4.13 and 4.13A of the WEM Rules.
- 1.1.3. In this Procedure, where obligations are conferred on a Rule Participant, that Rule Participant must comply with the relevant obligations in accordance with clauses 2.9.7, 2.9.7A, and 2.9.8 of the WEM Rules, as applicable.
- 1.1.4. References to particular WEM Rules within the Procedure in bold and square brackets [**clause XX**] are included for convenience only, and are not part of this Procedure.

1.2. Definitions and interpretation

- 1.2.1. Terms defined in the WEM Rules have the same meanings in this Procedure, unless otherwise specified in this clause. The words, phrases, and abbreviations in the table below have the meanings set out opposite them when used in this Procedure.

Table 1 Defined terms

| Term | Definition |
|----------------------------|--|
| Completed Facility Upgrade | Where a Market Participant has completed works that previously formed a Planned Facility Upgrade. |
| Due Date | The date specified by AEMO in respect of a step in this Procedure. |
| Planned Facility Upgrade | Where a Market Participant is seeking a higher level of Certified Reserve Capacity than its existing Facility has demonstrated through normal market operation or a Reserve Capacity Test, due to works yet to be completed (known as an upgrade in WEMS). |

| Term | Definition |
|---|---|
| Security | Refers to either: <ul style="list-style-type: none"> • DSM Reserve Capacity Security; or • Reserve Capacity Security. |
| Significant Maintenance | Includes: <ul style="list-style-type: none"> a) major refurbishment of a Facility; b) circumstances where, in AEMO's reasonable view, major repairs or reconstruction are required; and c) any other maintenance deemed significant by AEMO in its sole discretion. |
| Temperature Dependence Curve | A dataset showing how a generation system's (other than an Intermittent Generator) sent out output in MW varies with temperature, measured in increments of 0.1 degrees Celsius, and provided for temperatures between 0 and 45 degrees Celsius. The data must be accompanied by a report from the original equipment manufacturer or independent engineering firm. |
| Wholesale Electricity Market System or WEMS | An interface software that AEMO uses to administer and operate the Wholesale Electricity Market. |

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

- (a) references to time are references to Australian Western Standard Time;
- (b) terms that are capitalised, but not defined in this Procedure, have the meaning given in the WEM Rules;
- (c) to the extent that this Procedure is inconsistent with the WEM Rules, the WEM Rules prevail to the extent of the inconsistency;
- (d) a reference to the WEM Rules or Market Procedures includes any associated forms required or contemplated by the WEM Rules or Market Procedures;
- (e) words expressed in the singular include the plural and vice versa; and
- (f) conventions specified in clauses 1.3 to 1.5 of the WEM Rules apply.

1.2.3. For the purposes of this Procedure, the Due Date in respect of a step in this Procedure is as outlined in Table 2.

Table 2 Due Dates

| Step reference | Due Date |
|---|--|
| 3.2.1(c) 3.2.2(c) 3.7.1 3.7.3 4.3.6 | The time and date specified in clause 4.1.13(b) of the WEM Rules. |
| 3.2.3(b) 3.7.2 | 30 Business Days following the date on which AEMO notifies the relevant Market Participant in accordance with step 3.2.3(a) of this Procedure. |

| Step reference | Due Date |
|----------------|---|
| 3.5.1 | Either: a) for Security associated with Certified Reserve Capacity, the time and date specified in clause 4.1.13(b) of the WEM Rules. b) for Reserve Capacity Security associated with Early Certified Reserve Capacity, 30 Business Days following the date on which AEMO notifies the relevant Market Participant in accordance with step 3.2.3(a) of this Procedure. |
| 3.5.5 | |
| 3.5.6 | |
| 3.6.6 | |
| 3.6.7 | |

- 1.2.4. AEMO may, in its absolute discretion and following any relevant requirements for amendments outlined in the WEM Rules, amend and publish on the Market Web Site any documents listed in step 1.3.1 of this Procedure.
- 1.2.5. A Market Participant wishing to use any document listed in step 1.3.1 of this Procedure must ensure that it downloads the current version from the Market Web Site.
- 1.2.6. If AEMO amends and publishes a market document listed in step 1.3.1 of this Procedure prior to a Market Participant's provision of Security under this Procedure, AEMO must apply the latest amended and published version of that market document to assess compliance of the Security.

1.3. Related documents

- 1.3.1. The following Market Procedures and documents (available on the Market Web Site) are associated with this Procedure:
- (a) Market Procedure: Certification of Reserve Capacity;
 - (b) Market Procedure: Declaration of Bilateral Trades and the Reserve Capacity Auction;
 - (c) Market Procedure: Reserve Capacity Testing;
 - (d) Market Procedure: Reserve Capacity Performance Monitoring;
 - (e) Market Procedure: Prudential Requirements;
 - (f) proforma deeds for:
 - (i) bank guarantees (also used for bank undertaking);
 - (ii) Security Deposits; and
 - (g) change of contact details for guarantee or bank undertaking form;
 - (h) contact details of guarantee or bank undertakings form;
 - (i) Acceptable Credit Criteria form; and
 - (j) list of WEM Acceptable Credit Providers.

2. MODIFICATION OF TIMEFRAMES

- 2.1.1. AEMO may modify or extend a date or time set under section 4.1 of the WEM Rules. If AEMO extends a date or time under clause 4.1.1C of the WEM Rules, then it must publish notice of the modified or extended date or time on the Market Web Site and the modified or extended date or time takes effect for the purposes of the WEM Rules [clause 4.1.1C].

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 (except a Demand Side Programme¹) for a Reserve Capacity Cycle, the relevant Market Participant must, in accordance with clause 4.13.1 of the WEM Rules, provide Reserve Capacity Security to AEMO for:
- (a) a new Facility that is yet to enter service;
 - (b) an existing Facility that is yet to re-enter service after Significant Maintenance; or
 - (c) a Planned Facility Upgrade.
- 3.1.2. Under clause 4.13.1B of the WEM Rules, a Market Participant is not required to provide Reserve Capacity Security for a Facility if it has provided Reserve Capacity Security in relation to the same Facility in a previous Reserve Capacity Cycle, unless:
- (a) the Facility is an existing Facility undergoing Significant Maintenance or has an associated Planned Facility Upgrade; or
 - (b) AEMO cancelled the Capacity Credits assigned to the Facility for that previous Reserve Capacity Cycle in accordance with clause 4.20.14 of the WEM Rules.
- 3.1.3. For an existing Facility that is undergoing Significant Maintenance or has a Planned Facility Upgrade, the requirement to provide Reserve Capacity Security applies only to the Planned Facility Upgrade or the part of the Facility undergoing Significant Maintenance under clause 4.13.1A of the WEM Rules.
- 3.1.4. From the time and date specified in clause 4.1.13 of the WEM Rules in Year 1 of the first Reserve Capacity Cycle in which the Facility will enter service, all of the provisions of clause 4.13 of the WEM Rules apply equally to the Reserve Capacity Security of Facilities with Early Certified Reserve Capacity [clause 4.28C.12A].

3.2. AEMO's notification requirements

- 3.2.1. For Certified Reserve Capacity assigned under section 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) in accordance with clause 4.9.9(c) of the WEM Rules, the amount of any Reserve Capacity Security required under section 3.1 of this Procedure, calculated in accordance with clause 4.13.2 of the WEM Rules; and

¹ Demand Side Programmes must provide DSM Reserve Capacity Security, which has different requirements to Reserve Capacity Security. For specific requirements for DSM Reserve Capacity Security, see section 6 of this Procedure.

- (b) in accordance with clause 4.9.9(c) of the WEM Rules, the amount of any DSM Reserve Capacity Security required under section 6.1 of this Procedure, calculated in accordance with clause 4.13A.2 or clause 4.13A.4 of the WEM Rules (as applicable); and
 - (c) the relevant 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, AEMO must notify the relevant Market Participant within 90 days of receiving the application of:
 - (a) the amount of any Reserve Capacity Security required under section 3.1 of this Procedure, as a condition of a Market Participant holding Certified Reserve Capacity, as determined in accordance with clause 4.13.2(a) of the WEM Rules [**clause 4.9.9(c)**]; and
 - (b) the amount of any DSM Reserve Capacity Security required under section 6.1 of this Procedure, calculated in accordance with clause 4.13A.2 or clause 4.13A.4 of the WEM Rules [**clause 4.9.9(c)**]; and
 - (c) the Due Date, which is the 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 section 4.28C of the WEM Rules, AEMO must notify the relevant Market Participant within 90 days of receiving the application of:
 - (a) the amount of any Reserve Capacity Security required under section 3.1 of this Procedure, calculated in accordance with clause 4.28C.9 of the WEM Rules; and
 - (b) the Due Date for the Reserve Capacity Security, which is 30 Business Days following the date on which AEMO notifies the relevant Market Participant in accordance with this step of the Procedure [**clause 4.28C.8**].

3.3. Types of Security

- 3.3.1. A Market Participant must, under clauses 4.13.1(a) or 4.13A.1(b) of the WEM Rules, ensure that its Security documents comply with clause 4.13.5 or 4.13A.6 of the WEM Rules, as relevant.
- 3.3.2. A Market Participant must provide Security in the form of a guarantee, bank undertaking, or Security Deposit.
- 3.3.3. A Market Participant must provide current contact details for the Security Provider.
- 3.3.4. A Market Participant must update the contact details provided under step 3.3.3 of this Procedure, if required, by completing the change of contact details form on the Market Web Site and emailing it to wa.accounts@aemo.com.au.
- 3.3.5. A Market Participant must ensure and continue to ensure that its Reserve Capacity Security will not cease to have effect earlier than 30 November of Year 4 of the relevant Reserve Capacity Cycle.

3.4. Submitting a guarantee or bank undertaking

- 3.4.1. A Market Participant providing Security in the form of a guarantee or bank undertaking must submit a signed original hard copy to AEMO (in person or by courier, requiring a signature on receipt). The guarantee or bank undertaking must meet the requirements of clause 4.13.5(a) of the WEM Rules and be for the amount determined in accordance with section 3.2 of this Procedure.
- 3.4.2. AEMO must reject a guarantee or bank undertaking that does not meet the criteria in step 3.4.1 of this Procedure or clauses 4.13.5 or 4.13A.6 of the WEM Rules.
- 3.4.3. A Market Participant who wishes to provide Security from a provider who is not on the list of entities meeting the Acceptable Credit Criteria described in step 1.3.1(j) of this Procedure, must follow the process described in section 4.1 of the Market Procedure: Prudential Requirements, reading all references to Credit Support as references to Security, prior to submitting a guarantee or bank undertaking.
- 3.4.4. In addition to the guarantee or bank undertaking required under step 3.4.1 of this Procedure, a Market Participant must provide:
 - (a) a completed contact details form, located on the Market Web Site, which includes the details of at least two representatives for the Market Participant, and two representatives for the Security Provider; and
 - (b) any instructions or procedures that AEMO is required to follow when drawing upon the Security.

3.5. Submitting a Security Deposit

- 3.5.1. A Market Participant who intends to provide Security in the form of a Security Deposit must request, in writing, AEMO's agreement to accept a Security Deposit at least five Business Days before the relevant Due Date.
- 3.5.2. AEMO may accept a Security Deposit if it considers it an acceptable alternative in the circumstances to the obligation under clauses 4.13.5(a) or 4.13A.6(a) of the WEM Rules.
- 3.5.3. AEMO must advise the Market Participant whether a Security Deposit is acceptable and any related terms or conditions on which the Security Deposit will be acceptable to AEMO within one Business Day of the request in step 3.5.1 of this Procedure.
- 3.5.4. If AEMO advises that a Security Deposit is unacceptable under step 3.5.2 of this Procedure, the Market Participant must provide Security in the form of a guarantee or bank undertaking, in accordance with section 3.4 of this Procedure.
- 3.5.5. If AEMO advises that a Security Deposit is acceptable under step 3.5.2 of this Procedure, the Market Participant must submit a signed original hard copy (in person or by courier, requiring a signature on receipt) of a Security Deposit deed to AEMO by the Due Date. The Security Deposit deed must be:
 - (a) for an amount determined in accordance with section 3.2 of this Procedure;
 - (b) in the form prescribed by AEMO and available on the Market Web Site; and
 - (c) duly executed by or on behalf of the Market Participant.

- 3.5.6. A Market Participant providing Security in the form of a Security Deposit must provide the amount of the Security in cleared funds to AEMO's nominated bank account by the Due Date.
- 3.5.7. AEMO must sign the original of the Security Deposit deed and return a copy to the Market Participant, as soon as practicable after confirming that the Security Deposit deed is compliant under step 3.6.1 or 3.6.4 of this Procedure.

3.6. AEMO's assessment of the Security

- 3.6.1. Once AEMO has received the completed documentation from a Market Participant under section 3.4 or section 3.5 of this Procedure, AEMO must, as soon as practicable, review the Security's compliance with either clause 4.13.5 or 4.13A.6 of the WEM Rules, as relevant.
- 3.6.2. AEMO may request more information from the Market Participant to support its Security documentation, specifying a time and date for the information to be provided which must allow sufficient time for AEMO to complete its assessment and notify the Market Participant of the outcome within three Business Days, as required under step 3.6.5 of this Procedure.
- 3.6.3. A Market Participant may, but is not obliged to, provide additional supporting information by the time and date specified by AEMO under step 3.6.2 of this Procedure.
- 3.6.4. If a Market Participant does not provide additional information requested under step 3.6.2 of this Procedure by the time and date specified by AEMO, AEMO must assess the compliance of the Security using the original submission.
- 3.6.5. AEMO must notify the Market Participant of the results of its compliance assessment in relation to the Security under steps 3.6.1 to 3.6.4 of this Procedure, within three Business Days of receiving complete documents under section 3.4 or section 3.5 of this Procedure, or after receiving additional information under step 3.6.3 of this Procedure. If AEMO assesses the Security as non-compliant with either the WEM Rules or this Procedure, AEMO's notification to the Market Participant must include reasons for the non-compliance.
- 3.6.6. If a Market Participant receives a notification, under step 3.6.5 of this Procedure, that a Security, provided under section 3.4 or 3.5 of this Procedure, is non-compliant, it must re-submit a compliant Security before the relevant Due Date.
- 3.6.7. Following a notification of non-compliance under step 3.6.5 of this Procedure, if the Market Participant fails to submit a compliant Security before the Due Date, the Facility's Certified Reserve Capacity will lapse and the provisions of Section 3.7 of this Procedure will apply.
- 3.6.8. Once AEMO has confirmed that the Security is compliant under step 3.6.5 of this Procedure, it must place the guarantee, bank undertaking, or Security Deposit deed in a bank safe deposit box as soon as practicable.
- 3.6.9. If the Security is a Security Deposit, AEMO must register a security interest on the Personal Property Securities Register in accordance with the *Personal Property Securities Act 2009* (Cth) within 10 Business Days of accepting the original Security Deposit deed under step 3.5.5 of this Procedure.

- 3.6.10. AEMO must deduct any fees incurred in registering its security interest under step 3.6.9 of this Procedure from the balance of the Security Deposit.

3.7. Failure to provide Security

- 3.7.1. If a Market Participant does not comply with clause 4.13.1 of the WEM Rules in full by the applicable Due Date, then for the Reserve Capacity Cycle to which the certification relates, the Certified Reserve Capacity assigned to that Facility will lapse for the purposes of the WEM Rules (including for the purposes of setting the Reserve Capacity Obligations Quantity) **[clause 4.13.9]**.
- 3.7.2. If a Market Participant does not comply with clause 4.28C.8 of the WEM Rules in full by the applicable Due Date, which is the date specified in clause 4.28C.8 of the WEM Rules, the Early Certified Reserve Capacity assigned to that Facility will lapse **[clause 4.28C.8A]**.
- 3.7.3. If a Market Participant does not comply with clause 4.13A.1 of the WEM Rules in full by the applicable Due Date, which is the date specified in clause 4.13A.14 of the WEM Rules, then for the Reserve Capacity Cycle to which the certification relates, the Certified Reserve Capacity assigned to that Demand Side Programme will lapse for the purposes of the WEM Rules (including for the purposes of setting the Reserve Capacity Obligations Quantity) **[clause 4.13A.14]**.
- 3.7.4. Where Certified Reserve Capacity or Early Certified Reserve Capacity lapses under steps 3.7.1, 3.7.2 or 3.7.3 of this Procedure, 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 SECURITY

4.1. Holding Security Deposits and associated costs

- 4.1.1. If AEMO receives a Security Deposit in accordance with section 3.5 of this Procedure, it must:
- (a) invest the amount of the Security Deposit less any fees associated with registration on the Personal Property Securities Register on behalf of the relevant Market Participant; and
 - (b) maintain individual accounts for each Market Participant's Security Deposits, which are separate from any accounts held by AEMO in relation to its operating funds.

- 4.1.2. Where AEMO receives a Security Deposit in accordance with section 3.5 of this Procedure, it will accrue interest daily at the AEMO Deposit Rate, and AEMO must pay the Market Participant the interest accumulated at the end of each calendar month, less any liabilities and expenses incurred by AEMO, including bank fees and charges **[clause 4.13.6 and clause 4.13A.13]**.
- 4.1.3. AEMO may provide a monthly statement to a Market Participant of the interest earned at the AEMO Deposit Rate and the deduction of any accrued costs and fees.

4.2. Replacing Security

- 4.2.1. For the purposes of clauses 4.13.3, 4.13.4, 4.13A.11, and 4.13A.12 of the WEM Rules, circumstances that may require replacement Security include, but are not limited to:
- (a) existing Security is due to expire;
 - (b) existing Security is no longer current or valid;
 - (c) the person who was the Security Provider for the Security no longer meets any one of the Acceptable Credit Criteria;
 - (d) the Security Provider ceases to, or threatens to cease to, continue to provide Security for the Market Participant; or
 - (e) the Security Provider becomes insolvent or is dissolved.
- 4.2.2. Where a Market Participant's Security is affected by any of the circumstances specified in step 4.2.1 of this Procedure, then that Market Participant must ensure that AEMO holds the benefit of replacement Security that is **[clause 4.13.4 and clause 4.13A.12]**:
- (a) in the form specified in clause 4.13.5 or 4.13A.6 of the WEM Rules, as relevant;
 - (b) for an amount not less than the level or amount required under clause 4.13.2, 4.13A.1 or 4.13A.4 of the WEM Rules, as applicable; and
 - (c) effective before the end of the next Business Day or within any longer period approved in writing by AEMO after the Market Participant first becomes aware of the relevant change in circumstances (whether by reason of the Market Participant's own knowledge or a notification by AEMO).
- 4.2.3. A Market Participant requiring an extension to the deadline in step 4.2.2(c) of this Procedure must request the extension from AEMO in writing.
- 4.2.4. AEMO may, in its absolute discretion, approve or reject a Market Participant's request under step 4.2.3 of this Procedure, and must notify the Market Participant of its decision as soon as practicable.
- 4.2.5. In addition to the circumstances requiring replacement Security under step 4.2.1 of this Procedure, a Market Participant may replace its Security (for example, from a Security Deposit to a bank undertaking) by notifying AEMO in writing of its intention prior to the replacement.
- 4.2.6. A Market Participant must include in its notification provided in step 4.2.5 of this Procedure:
- (a) the type of replacement Security to be provided;
 - (b) evidence that the replacement Security will comply with clause 4.13.5 or clause 4.13A.6 of the WEM Rules, as relevant; and

- (c) the date on which the replacement Security arrangement will be provided to AEMO.

4.3. Recalculation of the amount of Security

- 4.3.1. A Market Participant may apply to AEMO for a recalculation² of the amount of a Reserve Capacity Security required to be held for a Facility using the formula in clause 4.13.2(b) of the WEM Rules 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. In respect of a Reserve Capacity Cycle, after the time and date referred to in clause 4.1.21 of the WEM Rules, a Market Participant may apply to AEMO for a recalculation of the amount of DSM Reserve Capacity Security required to be held for a Demand Side Programme under clauses 4.13A.1 or 4.13A.4, as applicable **[clause 4.13A.8]**.³
- 4.3.3. Within 10 Business Days after receipt of a request from a Market Participant under step 4.3.1 or 4.3.2 of this Procedure, AEMO must recalculate the amount of Reserve Capacity Security or DSM Reserve Capacity Security required to be held by a Facility using the formula in clause 4.13.2(b) of the WEM Rules, or in accordance with clauses 4.13A.1 or 4.13A.4, as relevant **[clause 4.13.2B and clause 4.13A.9]**.
- 4.3.4. If the recalculated amount of Security, determined under step 4.3.3 of this Procedure, 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 or 4.3.2 of this Procedure.
- 4.3.5. If the amount recalculated by AEMO under step 4.3.3 of this Procedure is less than that previously calculated under section 3.1 or section 3.2 of this Procedure, then within 10 Business Days of receiving the request under step 4.3.1 or 4.3.2 of this Procedure, then AEMO must:
- (a) notify the Market Participant of the result of the calculation **[clause 4.13.2B(a) and clause 4.13A.9(a)]**;
 - (b) offer the Market Participant the opportunity to replace the Security in accordance with clause 4.13.2C or clause 4.13A.10 of the WEM Rules, as relevant **[clause 4.13.2B(b) and clause 4.13A.9(b)]**; and
 - (c) if the Market Participant provides a replacement Security in accordance with clause 4.13.2C or clause 4.13A.10 of the WEM Rules, as relevant, return any excess Security **[clause 4.13.2B(c) and clause 4.13A.9(c)]**.
- 4.3.6. Prior to the time and date specified in clause 4.1.13 of the WEM Rules, in Year 1 of the Reserve Capacity Cycle specified in clause 4.10.1(b) of the WEM Rules in which the Facility will enter service, AEMO must recalculate the amount of Reserve Capacity Security to be provided by each Market Participant in accordance with clause 4.28C.9 of the WEM Rules and **[clause 4.28C.12]**:
- (a) if an additional amount of Reserve Capacity Security is required, the Market Participant must ensure that AEMO holds the benefit of the additional Reserve Capacity Security by the Due Date, which is specified in clause 4.1.13(a) of the WEM Rules; and

² For example, in situations where the number of Capacity Credits is less than the quantity of Certified Reserve Capacity.

³ Clause 4.13A.8 of the WEM Rules references clause 4.1.23 of the WEM Rules. This is a clear manifest error. The intended reference (clause 4.1.21 of the WEM Rules) is used in this Procedure.

- (b) if a reduced amount of Reserve Capacity Security is required, the Market Participant may request AEMO to return any additional Reserve Capacity Security, in accordance with clause 4.13.14 of the WEM Rules, provided that at all times AEMO holds a Reserve Capacity Security to the level determined in accordance with clause 4.28C.12 of the WEM Rules.

5. RETURNING RESERVE CAPACITY SECURITY

5.1. Eligibility and timing for returning Reserve Capacity Security

- 5.1.1. A Market Participant may apply to AEMO for the release of any Reserve Capacity Security held by AEMO, at any time prior to the end of the relevant Capacity Year, if the Reserve Capacity Security relates to a Facility (except a Demand Side Programme) that **[clause 4.13.13]**:
 - (a) has operated at a level equivalent to its Required Level, adjusted to 100% of the level of Capacity Credits specified in clause 4.20.5A of the WEM Rules, in at least two Trading Intervals prior to the end of the relevant Capacity Year; and
 - (b) is considered by AEMO to be in Commercial Operation.
- 5.1.2. For the purposes of step 5.1.1(a) of this Procedure, the adjusted Required Level is calculated in accordance with step 5.2.1 of this Procedure.
- 5.1.3. AEMO must use Meter Data Submissions in determining whether a Facility has operated at a level equivalent to its Required Level, adjusted to 100% of the level of Capacity Credits specified in clause 4.20.5A of the WEM Rules under step 5.1.1(a) of this Procedure.
- 5.1.4. Where AEMO receives an application made under step 5.1.1 of this Procedure, it must, within 10 Business Days **[clause 4.13.14]**:
 - (a) determine whether the need to maintain Reserve Capacity Security has ceased;
 - (b) notify the Market Participant of its determination;
 - (c) if the Reserve Capacity Security is a Security Deposit that is no longer required to be held, return the Security Deposit (plus interest earned); and
 - (d) if the Reserve Capacity Security is not a Security Deposit and is no longer required to be held, notify the Security Provider that AEMO relinquishes any rights to draw on the Reserve Capacity Security.
- 5.1.5. If a Market Participant that provides Reserve Capacity Security in respect of a Facility (except for a Demand Side Programme) **[clause 4.13.10]**:
 - (a) either:
 - (i) operates the Facility at a level which is at least equivalent to its Required Level, adjusted to 90% of the level of Capacity Credits specified in clause 4.20.5A of the WEM Rules, in at least two Trading Intervals before the end of the relevant Capacity Year; or
 - (ii) provides AEMO with a report under clause 4.13.10C of the WEM Rules, which specifies that the Facility can operate at a level which is at least equivalent to its Required Level, adjusted to 90% of the Capacity Credits specified in clause 4.20.5A of the WEM Rules; and
 - (b) is considered by AEMO to be in Commercial Operation,

then AEMO will return the Reserve Capacity Security to the Market Participant as soon as practicable after the end of the relevant Capacity Year and in any event by 30 November of the Year 4 of the relevant Reserve Capacity Cycle.

- 5.1.6. For the purposes of step 5.1.5(a) of this Procedure, the adjusted Required Level is calculated by multiplying the value determined in step 5.2.1(a), 5.2.1(b), or 5.2.1(c) of this Procedure by 90%.
- 5.1.7. AEMO must use Meter Data Submissions in determining whether a Facility has operated at a level equivalent to its Required Level, adjusted to 90% of the Capacity Credits specified in clause 4.20.5A of the WEM Rules under step 5.1.5a(i) of this Procedure.

5.2. Required Level

- 5.2.1. AEMO must determine the adjusted Required Level to be achieved (which, for an Completed Facility Upgrade, is calculated for the Facility as a whole) for each Facility as follows:

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

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

where the variables are defined in the table below:

| Variable | Units | Definition |
|--------------------|-------------|---|
| CC_{int} | MW | The number of Capacity Credits initially assigned under clause 4.20.5A(a) of the WEM Rules. |
| $TDC(Temp(t))$ | MW | The Facility output indicated in the Temperature Dependence Curve at temperature $Temp(t)$. |
| $Temp(t)$ | $^{\circ}C$ | The temperature during Trading Interval t measured according to the method specified in the Standing Data for the Facility. |
| $TDC(41^{\circ}C)$ | MW | The Facility output indicated in the Temperature Dependence Curve at a temperature of $41^{\circ}C$. |

- (b) for Certified Reserve Capacity assigned to a Facility under clause 4.11.2(b) of the WEM Rules, the adjusted Required Level is:

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

where the variables are defined in the table below:

| Variable | Units | Definition |
|------------|-------|---|
| RL_{CRC} | MW | Either: <ul style="list-style-type: none"> the five percent probability of exceedance of expected generation output for the Facility, submitted to AEMO in the report described in clause 4.10.3A(b) of the WEM Rules; or a proposed alternative value provided in the report described in clause 4.10.3A(c) of the WEM Rules (where AEMO has not rejected the proposed alternative value under clause 4.11.2A of the WEM Rules). |
| CC_{int} | MW | The number of Capacity Credits initially assigned under clause 4.20.5A(a) of the WEM Rules. |
| CRC | MW | The Certified Reserve Capacity assigned to the Facility. |

- (c) for a Demand Side Programme, the adjusted Required Level is:

$$RD - CC_{int}$$

where the variables are defined as per the table below:

| Variable | Units | Definition |
|------------------------------|-------|---|
| RD | MW | The Relevant Demand as determined in accordance with clause 4.26.2CA of the WEM Rules. |
| CC_{int} | MW | The number of Capacity Credits initially assigned under clause 4.20.5A(a) of the WEM Rules. |

5.3. Determining Commercial Operation status

- 5.3.1. A Market Participant may request AEMO to determine that a Facility is in Commercial Operation [clause 4.13.10A].
- 5.3.2. A Market Participant may request AEMO to determine that a Completed Facility Upgrade is in Commercial Operation.
- 5.3.3. On receipt of a request under step 5.3.1 of this Procedure, AEMO must determine, within 20 Business Days, whether the Facility is in Commercial Operation. In making each such determination AEMO [clause 4.13.10B]:
- (a) must have regard to the following, if applicable⁴:
 - (i) whether the Facility has completed an approved Commissioning Test under clause 3.21A of the WEM Rules and subsequently produced energy for at least two Trading Intervals; and
 - (ii) any formal advice received from the Market Participant that it has completed an approved Commissioning Test under clause 3.21A of the WEM Rules and is commercially operational; and
 - (b) may have regard to any additional information AEMO considers relevant.
- 5.3.4. For the purposes of the WEM Rules, in determining whether a Demand Side Programme is in Commercial Operation, AEMO may have regard to any information AEMO considers relevant [clause 4.13A.25].
- 5.3.5. Information that AEMO may have regard to under step 5.3.3(b) of this Procedure may include, but is not limited to:
- (c) a statement by an Authorised Officer of the Market Participant;
 - (d) technical documents, such as evidence of trading, transactional documentation, or financial statements;
 - (e) for a Demand Side Programme, signed contracts with loads participating in the Facility; and

⁴ Step 5.3.3(a) of this Procedure is not relevant to a Demand Side Programme and in this case steps 5.3.3(b) and 5.3.4 of this Procedure will apply

- (f) whether the Facility has passed a Reserve Capacity Test under clause 4.25.2 of the WEM Rules or a Verification Test under clause 4.25A.1 of the WEM Rules.
- 5.3.6. Under clause 4.13A.25 of the WEM Rules, in relation to determining whether a Demand Side Programme is in Commercial Operation, AEMO must have regard to the information outlined in steps 5.3.3 and 5.3.4 of this Procedure.
- 5.3.7. On receipt of a request under step 5.3.2 of this Procedure, AEMO must determine, within 20 Business Days, whether the Completed Facility Upgrade is in Commercial Operation. This determination may consider, at AEMO's sole discretion, any of the matters specified in steps 5.3.3, 5.3.4 and 5.3.5 of this Procedure.

6. DSM RESERVE CAPACITY SECURITY

6.1. Obligation to provide DSM Reserve Capacity Security

- 6.1.1. Where AEMO assigns Certified Reserve Capacity to a Demand Side Programme, the relevant Market Participant must ensure that AEMO holds the benefit of DSM Reserve Capacity Security that is **[clause 4.13A.1]**:
 - (a) where:
 - (i) clause 4.1.13 of the WEM Rules applies, for an amount determined under clause 4.13A.2(a) of the WEM Rules by the date and time referred to in clause 4.1.13 of the WEM Rules; or
 - (ii) clause 4.1.21 of the WEM Rules applies, for an amount determined under clause 4.13A.2(b) of the WEM Rules by the date and time referred to in clause 4.1.21 of the WEM Rules; and
 - (b) in the form specified in clause 4.13A.6 of the WEM Rules.
- 6.1.2. Where **[clause 4.13A.3]**:
 - (a) AEMO holds the benefit of a DSM Reserve Capacity Security in accordance with section 4.13A of the WEM Rules in respect of a Demand Side Programme for a Reserve Capacity Cycle; and
 - (b) AEMO assigns Certified Reserve Capacity to the same Demand Side Programme for a subsequent Reserve Capacity Cycle;

then the DSM Reserve Capacity Security for the previous Reserve Capacity Cycle will be deemed to satisfy the requirement in clause 4.13A.1 of the WEM Rules for AEMO to have the benefit of DSM Reserve Capacity Security for the subsequent Reserve Capacity Cycle if:

 - (c) the amount of the DSM Reserve Capacity Security complies with clause 4.13A.4 of the WEM Rules; and
 - (d) the DSM Reserve Capacity Security remains in force at all relevant times for the purposes of section 4.13A of the WEM Rules.
- 6.1.3. A Market Participant must follow the processes in:
 - (a) sections 3.4 and 3.5 of this Procedure when providing DSM Reserve Capacity Security; and

- (b) sections 4.2 and 4.3 of this Procedure in replacing DSM Reserve Capacity Security and requesting AEMO to recalculate the amount of DSM Reserve Capacity Security required to be provided.

6.1.4. AEMO must follow the processes in:

- (a) sections 3.1 and 3.6 of this Procedure in notifying a Market Participant of the requirement for DSM Reserve Capacity Security and assessing compliance of DSM Reserve Capacity Security; and
- (b) sections 4.1 and 4.3 of this Procedure in holding DSM Reserve Capacity Security and recalculating the amount of DSM Reserve Capacity Security required to be provided.

6.2. Waiving the requirement for DSM Reserve Capacity Security

6.2.1. A Market Participant may, where the Market Participant is required to provide DSM Reserve Capacity Security in accordance with section 4.13A of the WEM Rules, request that the requirement for DSM Reserve Capacity Security is waived [**clause 4.13A.18(b)**].

6.2.2. AEMO encourages Market Participants to give preliminary notice to AEMO that they intend to make a request under step 6.2.1 of this Procedure prior to the date and time for assignment of Certified Reserve Capacity specified in clause 4.1.12 of the WEM Rules.⁵

6.2.3. In providing notice under step 6.2.2 of this Procedure, a Market Participant may provide the supporting documentation required under step 6.2.5 of this Procedure.

6.2.4. A Market Participant must make a request under step 6.2.1 of this Procedure no later than two Business Days after the date and time for assignment of Certified Reserve Capacity specified in clause 4.1.12 of the WEM Rules.

6.2.5. A request from a Market Participant under step 6.2.1 of this Procedure must include:

- (a) copies of contracts between the Market Participant and Associated Loads, unless previously provided to AEMO for the relevant Reserve Capacity Cycle as part of an application for certification of Reserve Capacity;
- (b) reasons why the Market Participant considers that AEMO may reasonably decide to waive the requirement for DSM Reserve Capacity Security; and
- (c) any other evidence the Market Participant considers relevant to support its request.

6.2.6. Where AEMO receives a request under step 6.2.1 of this Procedure, and subject to step 6.2.7 of this Procedure, it must, within 10 Business Days⁶:

- (d) determine whether AEMO will waive the requirement for DSM Reserve Capacity Security; and

⁵ The deadline for a Market Participant to provide DSM Reserve Capacity Security to AEMO under clause 4.1.13(b)(i) of the WEM Rules is 10 Business Days after the date for assignment of Certified Reserve Capacity under clause 4.1.12 of the WEM Rules. AEMO requires sufficient time to assess a Market Participant's application for waiver of DSM Reserve Capacity Security, under clause 4.13A.18(b) of the WEM Rules, prior to making a decision. If a Market Participant provides preliminary notice to AEMO of its intention to seek a waiver of its Reserve Capacity Security obligations, this will assist AEMO to provide a prompt response to the Market Participant in relation to its application and, therefore, give the Market Participant additional time to arrange DSM Reserve Capacity Security if its application for waiver is not successful.

⁶ AEMO will make all reasonable endeavours to process requests prior to the time and date specified in clause 4.1.13(b) of the WEM Rules.

- (e) notify the Market Participant of its determination, including reasons for rejection, if relevant.
- 6.2.7. In making a determination under step 6.2.6 of this Procedure, AEMO must reject a request if the Demand Side Programme:
- (a) is not in Commercial Operation;
 - (b) has not previously passed a Reserve Capacity Test; or
 - (c) is failing to comply with its Reserve Capacity Obligations, as specified in section 4.12 of the WEM Rules, for the current Capacity Year.
- 6.2.8. In making a determination under step 6.2.6 of this Procedure, AEMO must have regard to the following matters **[clause 4.13A.20]**:
- (a) the size and type of the Loads associated with the Demand Side Programme;
 - (b) the historical performance of the Demand Side Programme, including the results of any Reserve Capacity Tests or Verification Tests; and
 - (c) any other matters AEMO considers relevant.
- 6.2.9. AEMO may request any information it deems relevant from the Market Participant in making a determination under step 6.2.4 of this Procedure.
- 6.2.10. A Market Participant may provide additional information requested under step 6.2.7 of this Procedure. If the Market Participant does not provide additional information, AEMO's determination in step 6.2.4 of this Procedure will be based on information provided under step 6.2.3 of this Procedure, or any other information available to AEMO at the time of making its determination.

6.3. Returning DSM Reserve Capacity Security

- 6.3.1. A Market Participant may, where AEMO has the benefit of DSM Reserve Capacity Security in accordance with section 4.13A of the WEM Rules, request that the DSM Reserve Capacity Security be released **[clause 4.13A.18(a)]**.
- 6.3.2. Where AEMO receives a request under step 6.3.1 of this Procedure, and subject to step 6.3.3 and having regard to the matters in steps 6.3.4 and 6.3.5 of this Procedure, it must, within 10 Business Days:
- (a) determine whether AEMO will release the DSM Reserve Capacity Security; and
 - (b) notify the Market Participant of its determination, including reasons for rejection, if relevant.
- 6.3.3. In making a determination under step 6.3.2 of this Procedure, AEMO must reject a request if the Demand Side Programme:
- (a) is not in Commercial Operation;
 - (b) has not previously passed a Reserve Capacity Test; or
 - (c) is failing to comply with its Reserve Capacity Obligations, as specified in section 4.12 of the WEM Rules, for the current Capacity Year.

- 6.3.4. In making a determination under step 6.3.2 of this Procedure, AEMO must have regard to the following matters **[clause 4.13A.20]**:
- (a) the size and type of the Loads associated with the Demand Side Programme;
 - (b) the historical performance of the Demand Side Programme, including the results of any Reserve Capacity Tests or Verification Tests; and
 - (c) any other matters AEMO considers relevant.
- 6.3.5. In making a determination under step 6.3.2 of this Procedure, AEMO may consider the following matters:
- (a) changes in the level of Capacity Credits assigned in subsequent Reserve Capacity Cycles;
 - (b) changes in the amount of DSM Reserve Capacity Security determined under clause 4.13A.4 of the WEM Rules; and
 - (c) historical changes in the Demand Side Programme's Associated Loads.
- 6.3.6. If AEMO determines that a Market Participant no longer has any Reserve Capacity Obligations with respect to any Capacity Year for which the Market Participant was assigned Capacity Credits, AEMO must return any DSM Reserve Capacity Security to the Market Participant as soon as practicable after the end of the relevant Capacity Year and in any event by 30 November of Year 4 of the relevant Reserve Capacity Cycle **[clause 4.13A.24]**.
- 6.3.7. Where AEMO decides to release DSM Reserve Capacity Security under step 6.3.2(a) of this Procedure, or is required to release DSM Reserve Capacity Security under step 6.3.6 of this Procedure, it must:
- (a) if the DSM Reserve Capacity Security is a Security Deposit that is no longer required to be held, return the Security Deposit (plus interest earned); or
 - (b) if the DSM Reserve Capacity Security is not a Security Deposit and is no longer required to be held, notify the Security Provider that AEMO relinquishes any rights to draw on the DSM Reserve Capacity Security.

6.4. Requirement to provide DSM Reserve Capacity Security if waiver or release no longer applicable

- 6.4.1. If, at any time, AEMO is no longer satisfied that an assessment under step 6.2.6, 6.3.2, or 6.3.6 of this Procedure would result in AEMO determining to release a DSM Reserve Capacity Security or waive the requirement for a Market Participant to provide AEMO with the benefit of DSM Reserve Capacity Security, AEMO must give notice to the Market Participant specifying **[clause 4.13A.21]**:
- (a) that the Market Participant must provide AEMO with the benefit of DSM Reserve Capacity Security;
 - (b) the reasons for its decision;
 - (c) the amount of the DSM Reserve Capacity Security as determined in accordance with clauses 4.13A.1 or 4.13A.4 of the WEM Rules, as applicable; and
 - (d) the date by which the Market Participant must provide AEMO with the benefit of DSM Reserve Capacity Security, which must not be before the date which is five Business Days after the date of the notice.

- 6.4.2. In making an assessment under step 6.4.1 of this Procedure, AEMO may consider changes in the Demand Side Programme's Associated Loads, including reductions in Relevant Demand or other changes in consumption patterns that affect the Demand Side Programme's ability to meet its Reserve Capacity Obligations.
- 6.4.3. Where a Market Participant receives a notice under step 6.4.1 of this Procedure, the Market Participant must provide AEMO with the benefit of DSM Reserve Capacity Security for an amount and by the date specified in the notice **[clause 4.13A.22]**.

7. DRAWING UPON SECURITY

- 7.1.1. If a Facility (other than a Demand Side Programme) fails to achieve the requirements of step 5.1.4 of this Procedure, 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 of that year in accordance with clauses 4.13.11 and 4.13.11A of the WEM Rules.
- 7.1.2. If a Market Participant that provides DSM Reserve Capacity Security in respect of a Demand Side Programme fails to reduce the consumption of the Associated Loads for that Demand Side Programme to a level which is at least equivalent to its Required Level, adjusted to 90% of the level of Capacity Credits specified in clause 4.20.5A of the WEM Rules, in at least two Trading Intervals before the end of the relevant Capacity Year, then the Market Participant must pay to AEMO, as compensation to the market, an amount equal to the DSM Reserve Capacity Security amount for that Demand Side Programme for that Capacity Year as soon as practicable after the end of the relevant Capacity Year and in any event by 30 November of Year 4 of the relevant Reserve Capacity Cycle **[clause 4.13A.15]**.
- 7.1.3. For the purposes of step 7.1.2 of this Procedure, the adjusted Required Level is calculated by multiplying the value determined in 5.2.1(c) of this Procedure by 90%.
- 7.1.4. In accordance with clauses 4.13.11A and 4.13A.16 of the WEM Rules, as soon as practicable after the end of the relevant Reserve Capacity Cycle, AEMO must apply the Security drawn upon (after meeting AEMO's costs) under step 7.1.1 or 7.1.2 of this Procedure as follows:
- (a) to offset the cost of funding any Supplementary Reserve Capacity Contracts for any capacity shortage stemming entirely or in part from the Facility not being available; and
 - (b) making a rebate payment to Market Customers in proportion to their Individual Reserve Capacity Requirement during the Trading Month in accordance with Chapter 9 of the WEM Rules.
- 7.1.5. If the Reserve Capacity Security or DSM Reserve Capacity Security drawn upon under clauses 4.13 or 4.13A.16 of the WEM Rules and 7.1.4 of this Procedure is a Security Deposit, then the Market Participant forfeits the amount of the Security Deposit **[clauses 4.13.12 and 4.13A.17]**.