

MARKET PROCEDURE: RESERVE CAPACITY SECURITY

VERSION 2

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

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

VERSION HISTORY

VERSION	EFFECTIVE DATE	NOTES
1	24 July 2009	Market Procedure for Reserve Capacity Security
2	Xx - Xxx - 2011 <u>2 April 2012</u>	Amendments to Market Procedure resulting from PC_2012_01

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1 PROCEDURE OVERVIEW

1.1 Relationship with the Market Rules

1.1.1 This Reserve Capacity Security Market Procedure (Procedure) should be read in conjunction with section 4.13 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 **[MR-~~Clause~~ XX]** are current as of 1 January 2012. These references are included for convenience only and are not part of this Procedure.

1.2 Purpose of this Procedure

1.2.1 This Procedure outlines the process for the determination, provision and return of Reserve Capacity Security for Facilities that are yet to enter service or that have undergone an upgrade or significant maintenance.

1.2.2 This Procedure provides the processes for dealing with:

- (a) determining Reserve Capacity Security;
- (b) assessing entities 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 from Reserve Capacity Security in respect to amounts payable by the relevant Market Participant to the IMO under clause 4.13.11A; and
- (d) other matters relating to clause 4.13.

1.3 Application of this Procedure

1.3.1 This Procedure applies to:

- (a) a Market Participant that has a Facility that has been assigned Certified Reserve Capacity by the IMO; and
- (b) the IMO, whenever it is determining the requirement for a Reserve Capacity Security, assessing and processing Reserve Capacity Security and assessing and facilitating the return or drawdown of Reserve Capacity Security.

1.3.2 The obligation under clause 4.13.1 to provide a Reserve Capacity Security does not apply where the Market Participant has provided a Reserve Capacity Security in relation to the same Facility for a previous Reserve Capacity Cycle, unless the Facility is an existing Facility undergoing significant maintenance or being upgraded.- **[~~Clause~~MR 4.13.1B]**

1.4 Associated Market Procedures.

1.4.1 The following IMO Market Procedures are associated with this Procedure:

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

1.5 Conventions Used

1.5.1 In this Procedure the conventions specified in clauses 1.4 and 1.5 of the Market Rules apply.

1.6 Terminologies and Definitions

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

Term	Definition
Authorised	An 'Authorised' person, being a Director or Officer as defined by the <i>Corporations Act 2001</i> .
Bank	A bank under the prudential supervision of the Australian Prudential Regulation Authority.
Bank Undertaking	A bank undertaking in the form approved from time to time by the IMO.
Compliance Date	The last day by which the Market Participant must comply with its obligations in clause 4.13.11 of the Market Rules.
Commercial Operation	The status determined by the IMO for any Facility. [Clause MR 4.13.10B]
Guarantee	A guarantee in the form approved from time to time by the IMO.
Nominated Exchange Date	The date agreed upon by the Market Participant and the IMO on which there will be an exchange of one form of Reserve Capacity Security for another.
Proforma	Where used in conjunction with the Bank Undertaking,

Term	Definition
	Security Deposit Deed or Guarantee, refers to the standard, non-customised versions of those documents, available from time to time on the IMO website.
Security Deposit Deed	A security deposit deed in the form approved from time to time by the IMO.
Security Deposit Instructions	Any instructions approved from time to time by the IMO in relation to the s Security de Deposit.
Security Due Date	The date and time specified in clause 4.1.13 of the Market Rules, unless amended.
Temperature Dependence Curve	<p>Refers to the information provided by a Market Participant under clause 4.10.1(e)(i) of the Market Rules, or as amended to reflect a new Temperature Dependence Curve supplied by the Market Participant which has been determined by an independent engineering firm.</p> <p>The Temperature Dependence Curve will be scaled to reflect a new Capacity Credit level (at 41°C) if a change in Capacity Credits occurs for a Facility. over a Reserve Capacity Year, the Temperature Dependence Curve will be:</p> <p>(a) scaled to reflect the change in Capacity Credits at 41°C; or</p> <p>(b) changed to reflect a new Temperature Dependence Curve supplied by the Market Participant which has been determined by an independent engineering firm.</p>
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.

2 PROVISION AND RETURN OF RESERVE CAPACITY SECURITY

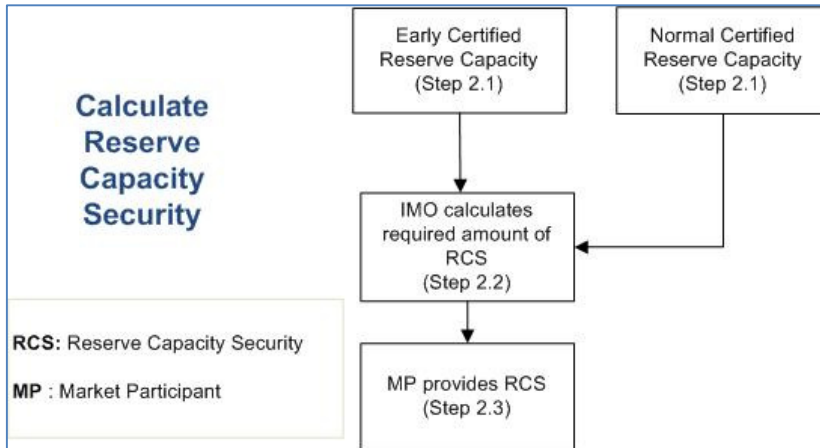


Figure 1 – Calculation of the amount of Reserve Capacity Security Amount required

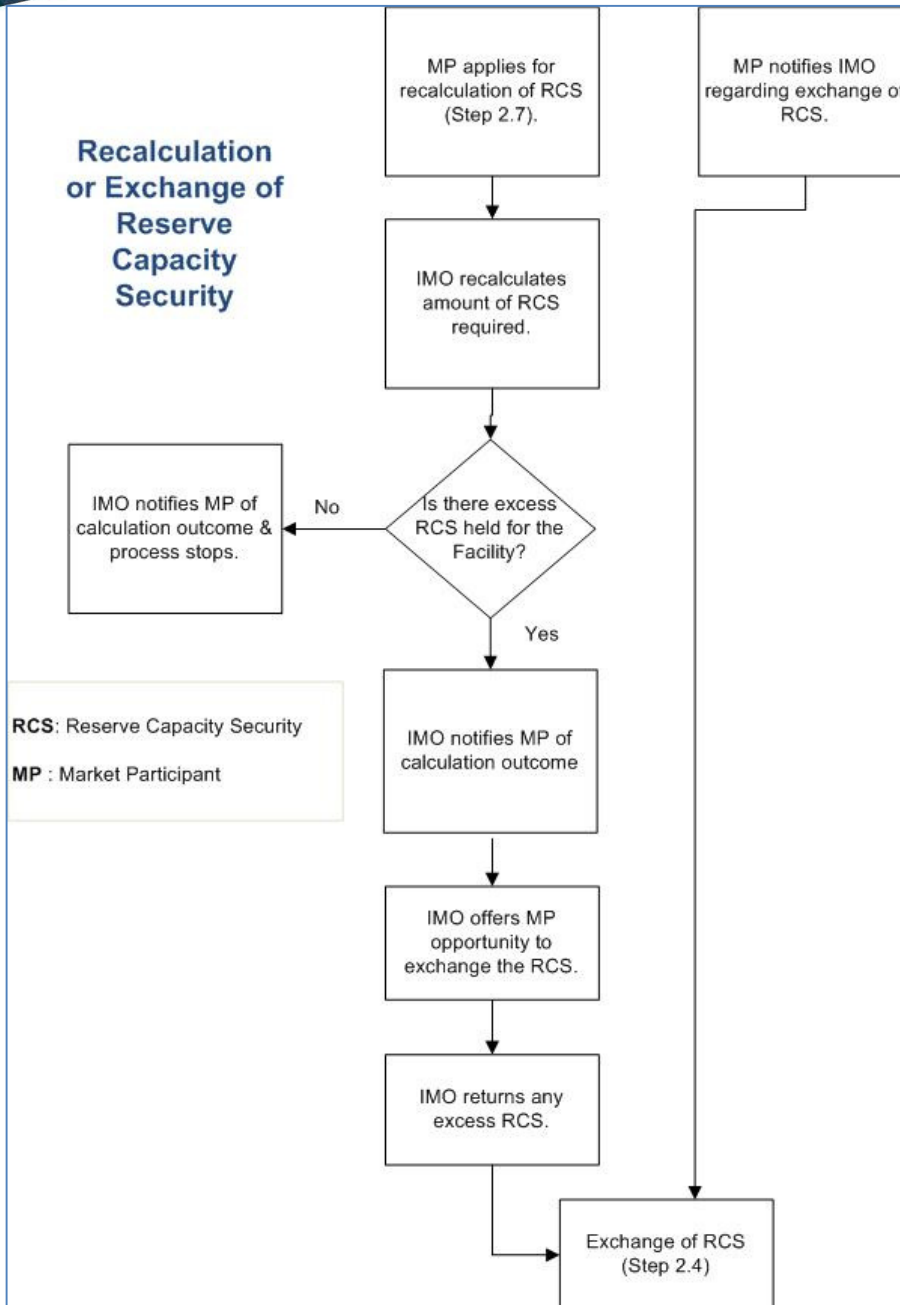


Figure 2: Recalculation or Exchange of Reserve Capacity Security

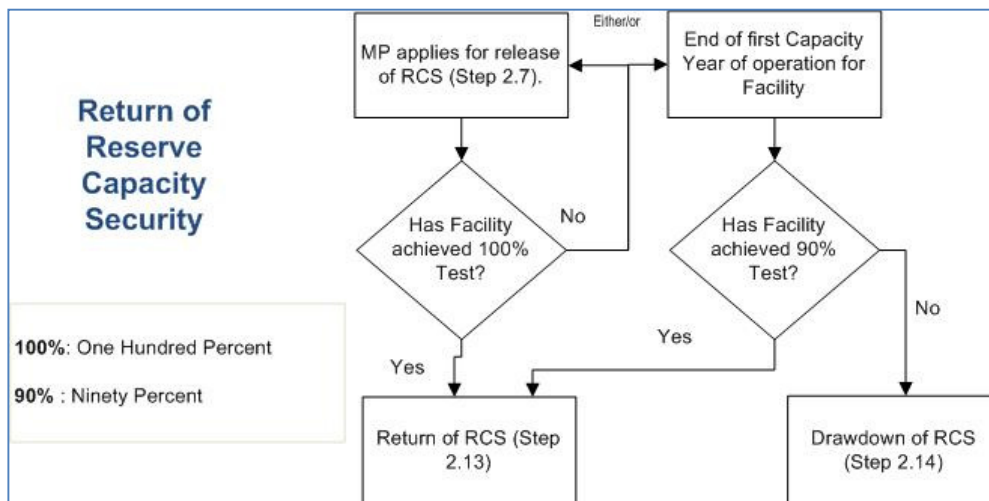


Figure 3: Return of a Reserve Capacity Security f RCS

2.1 Early Certified Reserve Capacity

2.1.1 A Market Participant with a Registered Facility which meets the conditions specified in clause 4.28C.1, may apply at any time between the date the Facility was registered and 1 January of Year 1 of the Reserve Capacity Cycle, for certification of Capacity and Capacity Credits for that Facility ('Early Certified Reserve Capacity'). -[[Clause MR 4.28C.2](#)]

2.1.2 Within 30 Business Days of receiving notification from the IMO of the amount of ~~any~~ Early Certified Reserve Capacity assigned to a Facility, the applicant must ensure that the IMO holds the benefit of a Reserve Capacity Security equal to the amount specified in step 2.2.5.- [[Clause MR 4.28C.8](#)]

2.2 Calculation of the required amount of a Reserve Capacity Security

2.2.1 Where the IMO assigns Certified Reserve Capacity to a Facility under clause 4.11 in respect to a Reserve Capacity Cycle, the IMO must advise the relevant Market Participant of any Reserve Capacity Security required as a condition of the Market Participant holding the Certified Reserve Capacity. -[[Clause MR 4.9.9\(c\)](#)]

2.2.2 After receiving notification from the IMO of the amount of Certified Reserve Capacity assigned to a Facility, either yet to be commissioned or undergoing an upgrade or significant maintenance, the Market Participant must ensure that the IMO holds the benefit of a Reserve Capacity Security, equal to the amount calculated in step 2.2.5 and in accordance with the timeframes detailed in step 2.3.1.

2.2.3 For the purpose of clause 4.13 and this Market Procedure, a Facility will be deemed 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.

- 2.2.4 For the purpose of clause 4.13 and this Market Procedure, a Facility will be deemed 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 result of works to be undertaken, or already undertaken, on the Facility, where the higher level of Certified Reserve Capacity has not been demonstrated by the Facility in the current Capacity Year.
- 2.2.5 The amount of Reserve Capacity Security required to be provided in respect to a Facility is:
- (a) at the time and date referred to in clause 4.1.13, equal to 25% of the Maximum Reserve Capacity Price in the most recent Request for Expressions of Interest, at the time that the Certified Reserve Capacity or Early Certified Reserve Capacity is assigned (whichever is applicable), expressed in \$/MW per year, multiplied by an amount equal to:
 - i. the Certified Reserve Capacity or Early Certified Reserve Capacity assigned to the Facility (whichever is applicable); less
 - ii. the total amount of any Certified Reserve Capacity that is unavailable to the market, as specified in accordance with clauses 4.14.1-(d) and or referred to in clause 4.14.7-(c)-(ii) of the Market Rules; or
 - (b) at the time and date referred to in clause 4.1.21, equal to 25% of the Maximum Reserve Capacity Price in the most recent Request for Expressions of Interest at the time the Certified Reserve Capacity or Early Certified Reserve Capacity is assigned (whichever is applicable), expressed in \$/MW per year, multiplied by an amount equal to the total number of Capacity Credits assigned to the Facility under clause 4.20.5A. ~~[Clause MR 4.13.2]~~
- 2.2.6 The amount of Reserve Capacity Security required to be provided in respect to a Facility under step 2.2.5–(b) may apply in relation to Early Certified Reserve Capacity or where the number of Capacity Credits assigned is less than the quantity of Certified Reserve Capacity described in step 2.2.5-(a).
- 2.2.7 Where an existing Facility is undergoing significant maintenance or being upgraded, the requirement to provide Reserve Capacity Security only applies to that part of the Facility either undergoing significant maintenance or being upgraded. ~~[Clause MR 4.13.1A]~~

2.3 Provision of Reserve Capacity Security

- 2.3.1 A Market Participant must provide the IMO with the amount of Reserve Capacity Security required under step 2.2.5 not later than 5:00 PM of the last Business Day which falls on or before:
- (a) 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); or

- (b) 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) and where none of the Facility's Certified Reserve Capacity is specified to be traded bilaterally in accordance with clause 4.14.1(c).- [**ClauseMR 4.1.13**]
- 2.3.2 If a Market Participant fails to provide a Reserve Capacity Security, as required under step 2.1.2 or 2.2.2, the Early Certified Reserve Capacity or Certified Reserve Capacity, as applicable, of that Facility will lapse.
- 2.3.3 Except in extraordinary circumstances, the benefit of the Reserve Capacity Security provided under steps 2.1.2 or 2.2.2 must not have a specified end date which is prior to the Compliance Date.– If the IMO, in its absolute discretion, agrees to accept ~~the a~~ Reserve Capacity Security with a specified end date prior to the Compliance Date, the Market Participant must arrange for a replacement Reserve Capacity Security in accordance with clause 4.13.3.
- 2.3.4 A Market Participant that is required to provide a Reserve Capacity Security must do so in accordance with the relevant processes outlined in Appendices 1 to 5 ~~inclusive, for of~~ this Procedure.
- 2.4 Exchange of a Reserve Capacity Security**
- 2.4.1 A Market Participant that is required under the Market Rules and this Procedure to ensure the IMO continues to hold the benefit of a Reserve Capacity Security, must provide a notification to the IMO, at least ~~10~~^{ten} Business Days in advance, if and when:
 - (a) the benefit of a Reserve Capacity Security that is currently held by the IMO is due to terminate; or
 - (b) the Market Participant wishes to substitute an acceptable, alternative Reserve Capacity Security.
- 2.4.2 Where a Market Participant submits the required amount of Reserve Capacity Security to the IMO, as calculated in step 2.2.5 of this Procedure and the IMO identifies that the Reserve Capacity Security is not compliant with the Market Rules or this Procedure, then the Market Participant must submit a further Reserve Capacity Security that is compliant with the Market Rules and this Procedure, on or before the Security Due Date.
- 2.4.3 Where a Market Participant provides a Reserve Capacity Security to the IMO following a notification to the IMO under step 2.4.1, the replacement Reserve Capacity Security must:
 - (a) be an amount not less than that required under step 2.2.5; and
 - (b) become effective before the termination of the existing Reserve Capacity Security. [**ClauseMR 4.13.3(b)**]

2.4.4 A Market Participant must exchange a Reserve Capacity Security in accordance with Appendix 5 of this Procedure.

2.5 Form of a Reserve Capacity Security - Provision of Guarantees, Bank Undertakings and Cash Deposits

2.5.1 A Reserve Capacity Security is provided as either an obligation in writing (Guarantee or Bank Undertaking) as detailed in step 2.5.2, or as a cash deposit, as detailed in step 2.5.3.

2.5.2 A Reserve Capacity Security that is provided as an obligation in writing must:

- (a) be from a Reserve Capacity Security provider, which must be an entity which meets the Acceptable Credit Criteria and which ~~entity is itself is~~ not a Market Participant;
- (b) be in a form prescribed by the IMO for a Guarantee or Bank Undertaking;
- (c) be duly executed by the Reserve Capacity Security provider and delivered unconditionally to the IMO;
- (d) constitute a valid and binding, unsubordinated obligation for the Reserve Capacity Security provider to pay to the IMO, amounts in accordance with IMO terms which relate to the obligations of the Market Participant under the Market Rules to pay compensation under clause 4.13.11; and
- (e) permit drawings or claims by the IMO to a stated amount. ~~–[Clause MR4.13.5(a)]~~

2.5.3 Unless otherwise advised, it is acceptable to pay a cash deposit ('Security Deposit') to the IMO (on terms acceptable to the IMO in its discretion) by or on behalf of the Market Participant. ~~–[Clause MR4.13.5(b)]~~

2.6 Proforma Documents

2.6.1 The IMO must make available on its website (<http://www.imowa.com.au>) the:

- (a) Acceptable Credit Criteria Form;
- (b) List of entities that meet the Acceptable Credit Criteria;
- (c) Proforma Bank Undertaking;
- (d) Proforma Guarantee;
- (e) Proforma Security Deposit Deed; and
- (f) Security Deposit Instructions.

2.6.2 The IMO may, in its absolute discretion, from time to time approve and make available on its website (<http://www.imowa.com.au>):

- (a) updates and amendments to the documents set out in step 2.6.1;

- (b) additional documents in connection with this Market Procedure; or
- (c) both of the above.

2.6.3 If the IMO updates or amends a document, or approves an additional, related and relevant document, before a Market Participant provides a Reserve Capacity Security, the updated or amended document or additional document will apply to the IMO's consideration of the compliance of the Reserve Capacity Security with the Market Rules and this Procedure.

2.6.4 An update or amendment to a document does not affect the status or terms of an existing Reserve Capacity Security.

2.7 Recalculation of the required amount of a Reserve Capacity Security

2.7.1 A Market Participant may apply to the IMO for a recalculation of the amount of required Reserve Capacity Security as held by the IMO, for a Facility, after the time and date specified in clause 4.1.21. ~~-[Clause MR 4.13.2A]~~

2.7.2 Within 10 Business Days of receiving the request for a recalculation under step 2.7.1, the IMO must recalculate the amount of Reserve Capacity Security required to be held by the Facility using the formula outlined in step 2.2.5(b). -Where the IMO identifies that excess Reserve Capacity Security is currently held for the Facility (as indicated by the recalculated amount) the IMO must:

- (a) notify the relevant Market Participant of the result of the calculation;
- (b) offer the Market Participant the opportunity to replace the Reserve Capacity Security in accordance with step 2.4; and
- (c) return any excess Reserve Capacity Security to the Market Participant in accordance with step 2.13 if a replacement Reserve Capacity Security has been provided by the Market Participant under step 2.7.2-(b).

2.8 Commercial Operation Status

2.8.1 A Market Participant may request, via email or in postal mail, that the IMO make a determination whether a Facility is in Commercial Operation for the purposes of Chapter 4 of the Market Rules. ~~-[Clause MR 4.13.10A]~~

2.8.2 Within 20 Business Days of receipt of a request under step 2.8.1, the IMO must determine whether a Facility is in Commercial Operation, having regard to the criteria outlined in clause 4.13.10B, where applicable and must notify the relevant Market Participant of the status that the IMO has assigned the Facility.

2.8.3 To decide whether a Facility is considered by the IMO to be in Commercial Operation, the IMO may consider any other relevant information submitted by the Market Participant under clause 4.13.10B-(b) including, but not limited to:

- (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 National Metering Identifier(s) associated with that Facility.

2.9 Required Level for Facilities

2.9.1 The Required Level (which for an upgraded Facility is calculated for the Facility as a whole), for each Facility must be determined by the IMO, in accordance with the following:

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

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

Where:

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

$\text{Temp}(t)$ is the temperature during Trading Interval t, measured according to the method specified in Standing Data for the Facility;

$TDC(\text{Temp}(t))$ is the Facility output indicated in the Temperature Dependence Curve at temperature $\text{Temp}(t)$; and

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

- (b) for Certified Reserve Capacity assigned under clause 4.11.2(b) by the following formula:

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

Where:

RL_{CRC} = the Required Level provided under clause 4.10.3 and determined on the same basis as the Certified Reserve Capacity for the Facility;

C_{int} = Capacity Credits initially assigned under 4.20.5A; and

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

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

$$RD - CC_{int}$$

Where:

RD = ~~Relevant Demand~~ Relevant Demand; and

C_{int} = Capacity Credits initially assigned under 4.20.5A.

2.10 Assessments for Return of Reserve Capacity Security

2.10.1 Where the Reserve Capacity Security for a Facility relates to only a portion of the total Capacity Credits for the Facility, that Facility as a whole must pass the relevant test as detailed in steps 2.11.1(a)(i) or 2.12.1(a), for any return of Reserve Capacity Security to be approved by the IMO.

2.10.2 At any time, a Market Participant with a Facility certified under clause 4.11.2(b) may provide the IMO with a report, prepared by an independent expert accredited by the IMO. -This report must specify the independent expert's best estimate of the level, at the time the report is prepared, to which the Facility can operate, expressed in MW as a sent out value. -**[Clause MR4.13.10C]**

2.10.3 Where the IMO assesses the performance of a Demand Side Programme under steps 2.11.1(a)(i) and 2.12.1(a) to determine whether a Market Participant is entitled to the return of a 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 any Market Participant and any Demand Side Programme.

2.10.4 Where any Non-Dispatchable Load or Interruptible Load was associated with more than one Demand Side Programme during the Capacity Year, the IMO must determine when each of those Demand Side Programmes met the performance requirements under steps 2.11.1(a)(i) and 2.12.1(a) 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 a Reserve Capacity Security for all other Demand Side Programmes 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.

2.10.5 For the purpose of assessing the performance of Demand Side Programmes in steps 2.11.1(a)(i) and 2.12.1(a), the IMO must exclude a Trading Interval 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.

2.12.11 Ninety Percent Test for return of Reserve Capacity Security

~~2.12.1~~2.11.1 The IMO must return the Reserve Capacity Security provided for a Facility, to the relevant 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. This return of the Reserve Capacity Security will be subject to the following:

- (a) either:
 - i. the Facility operates at a level which is at least equivalent to its Required Level, adjusted under step 2.9.1, to 90% of the level of Capacity Credits assigned in clause 4.20.5A, in at least two Trading Intervals before the end of the relevant Capacity Year; or
 - ii. the Market Participant provides the IMO with a report under clause 4.13.10C, which specifies that the Facility can operate at a level which is at least equivalent to its Required Level, adjusted under step 2.9.1, to 90% of the level of Capacity Credits assigned in clause 4.20.5A; and
- (b) the IMO considers the Facility to be in Commercial Operation. ~~–~~**[Clause MR4.13.10]**

That is, either ~~{steps 2.11.1(a)(-i) plus and 2.11.1(b)}~~ occur or ~~{steps 2.11.1(a)(-ii) plus and 2.11.1(b)}~~ occurs.

~~2.12.2~~2.11.2 If the Facility does not satisfy the level of operation requirements within step 2.11.1, by the end of the relevant Capacity Year, the IMO may draw down on the Reserve Capacity Security, as detailed in step 2.14.

2.13.12 One Hundred Percent Test for return of Reserve Capacity Security

~~2.13.1~~2.12.1 A Market Participant may apply to the IMO for the release of the benefit of any Reserve Capacity Security held by the IMO at any time prior to the end of the relevant Capacity Year, if the relevant Facility:

- (a) has operated at a level equivalent to its Required Level, adjusted under step 2.9.1, to 100% of the level of Capacity Credits specified in clause 4.20.5A, in at least two Trading Intervals prior to the end of the relevant Capacity Year; and
- (b) is considered by the IMO to be in Commercial Operation.— **[Clause MR4.13.13]**

~~2.13.2~~2.12.2 Where the IMO receives an application for the release of benefit, made under step 2.12.1, 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;
- (b) notify the Market Participant of the outcome of [step 2.12.2\(a\)](#);
- (c) if the Reserve Capacity Security is a cash deposit that is no longer required to be held; return the cash deposit (plus interest earned); and
- (d) if the Reserve Capacity Security is a non-cash deposit and is no longer required to be held; notify the provider that the IMO relinquishes any rights to draw on the Reserve Capacity Security. - [\[Clause \[MR4.13.14\]](#)

~~2.14~~2.13 Returning Reserve Capacity Security Documents to Market Participants

~~2.14.1~~2.13.1 When the IMO is required to return a Bank Undertaking, Guarantee or Security Deposit Deed, the IMO must:

- (a) arrange to meet the Market Participant in person at the IMO offices to facilitate the return of the relevant Reserve Capacity Security documents; or
- (b) have the relevant Reserve Capacity Security documents couriered to the Market Participant's offices, together with two copies of the receipt showing that the documents have been returned, in accordance with step 2.13.3; and
- (c) ~~{where applicable,}~~ arrange for an electronic transfer of the monies, in the case where the Reserve Capacity Security is in the form of a cash deposit.

That is, either [{steps 2.13.1\(a\)}](#) and [2.13.1\(c\)}](#) occur, or [{steps 2.13.1\(b\)}](#) and [2.13.1\(c\)}](#) occur.

~~2.14.2~~2.13.2 When a meeting has been organised under step 2.13.1(a), the Market Participant must ensure that an Authorised Market Participant representative attends the meeting.

~~2.14.3~~2.13.3 At the time that the Reserve Capacity Security documents are returned, the IMO must generate two copies of the receipt confirming return of documents. These receipts must be signed by an authorised IMO staff representative and co-signed by the Authorised Market Participant representative(s). –One copy of the receipt is to be provided to the Market Participant and one copy returned to the IMO.

~~2.15~~2.14 Drawdown of Reserve Capacity Security

~~2.15.1~~2.14.1 If a Market Participant fails to satisfy the conditions as detailed in step 2.11.1, then the payment obligation of the Market Participant may be satisfied by the

IMO drawing upon the Reserve Capacity Security for that Facility as compensation to the market and applying the amount as following:

- (a) firstly, to offset the cost of funding Supplementary Capacity Contracts for any capacity shortage that would stem entirely or in part from the Facility not being available; and
- (b) secondly, once all costs of funding Supplementary Capacity Contracts are covered, make a rebate to Market Customers in proportion to their Individual Reserve Capacity Requirements during the Trading Month.

[Clause MR4.13.11A]

APPENDIX 1 PROVISION OF A BANK UNDERTAKING AS A RESERVE CAPACITY SECURITY

- A1.1 A Market Participant that provides a Bank Undertaking as a Reserve Capacity Security must, by the Security Due Date, submit to the IMO:
- (a) a completed Proforma Bank Undertaking; and
 - (b) if the Bank is not in the list of entities maintained by the IMO in accordance with ~~Appendix 3, point~~step A3.1, a completed Acceptable Credit Criteria Form.
- A1.2 A completed Bank Undertaking is one that:
- (a) is in the form of the proforma provided on the IMO website; and
 - (b) has been executed by a Bank that meets the Acceptable Credit Criteria, ~~as confirmed under Appendix 3 of this Procedure.~~ [Clause MR 4.13.7]
- A1.3 A Market Participant must provide the completed Bank Undertaking and, if required, an Acceptable Credit Criteria Form, either in person or by courier to the IMO.
- A1.4 When delivering the completed Reserve Capacity Security documents referred to in step A1.1 to the IMO, the Market Participant will be provided with a receipt from the IMO. The receipt must be signed by an Authorised Market Participant representative and an Authorised IMO representative.
- A1.5 If, by 5:00 PM on the first Business Day following the deadline specified in clause 4.1.13, the Market Participant has not received notification of compliance for the Reserve Capacity Security, ~~it is the obligation of~~ the Market Participant must ~~to~~ contact the IMO directly to request and receive confirmation as to whether the Reserve Capacity Security is compliant with the Market Rules and this Procedure.

APPENDIX 2 PROVISION OF A GUARANTEE AS A RESERVE CAPACITY SECURITY

- A2.1 A Market Participant who provides a Guarantee as a Reserve Capacity Security must, by the Security Due Date, submit to the IMO:
- (a) a completed Proforma Guarantee; and
 - (b) if the entity that executed the Guarantee is not in the list of entities maintained by the IMO in accordance with ~~Appendix 3; point~~step A3.1, a completed Acceptable Credit Criteria Form.
- A2.2 A completed Proforma Guarantee is one that:
- (a) is in the form of the proforma provided on the IMO website; and
 - (b) has been executed by a Treasury Corporation that meets the Acceptable Credit Criteria ~~as described in Appendix 3 of this Procedure.~~
- A2.3 A Market Participant must provide the completed Guarantee and, if required, an Acceptable Credit Criteria Form, either by courier or in person, to the IMO.
- A2.4 When the Market Participant delivers the completed Reserve Capacity Security documents referred to in step A2.1 to the IMO, the Market Participant must be provided with a receipt from the IMO. –The receipt must be signed by an appropriately Authorised Market Participant representative and an appropriately Authorised IMO staff representative.
- A2.5 If, by 5:00 PM on the first Business Day following the applicable Reserve Capacity Security due date specified in clause 4.1.13, the Market Participant has not received notification of compliance of the Reserve Capacity Security, ~~it is the obligation of~~ the Market Participant ~~to~~must contact the IMO directly to request confirmation as to whether the Reserve Capacity Security is compliant with the Market Rules and this Procedure.

APPENDIX 3 CONFIRMATION AN ENTITY MEETS THE ACCEPTABLE CREDIT CRITERIA

- A3.1 The IMO must maintain on the Market Web Site, a list of entities which:
- (a) -have provided to the IMO, in the previous 12 months, evidence satisfactory to the IMO that they meet the Acceptable Credit Criteria; or
 - (b) ~~, or that~~ the IMO in its absolute discretion ~~deems determined~~ to be entities that meet the Acceptable Credit Criteria. [**Clause MR2.38.7**]
- A3.2 The list of entities referred to in step A3.1 ~~list~~ must include details of the date from which the entity has been included in the list and whether it has been included under step A3.1(a) or step A3.1(b).
- A3.3 A copy of the current list of entities that meet the Acceptable Credit Criteria is available on the following Market Web Site:
http://www.imowa.com.au/prudential_information -
- A3.4 The IMO must undertake monthly monitoring activities to determine whether the entities included on the list of entities that meet the Acceptable Credit Criteria continue to have appropriate credit ratings and may at any time remove an entity from the list where it no longer meets the Acceptable Credit Criteria.- [**Clauses MR2.38.8 and MR-2.38.9**]
- A3.5 Where the IMO removes an entity from the list of entities that meet the Acceptable Credit Criteria, it must, within one Business Day of that removal, inform all Market Participants, via email, of the removal of the entity.
- A3.6 Where a Market Participant elects to provide a Reserve Capacity Security other than a cash deposit and the entity is included on the IMO's list of entities that meet the Acceptable Credit Criteria, the Market Participant will not be required to submit an Acceptable Credit Criteria Form.
- A3.7 Where a Market Participant elects to provide a Reserve Capacity Security other than a cash deposit and the entity providing the Reserve Capacity Security is not included on the list of entities that meet the Acceptable Credit Criteria, the Market Participant must arrange for the completion of an Acceptable Credit Criteria Form, outlining that an entity meets the Acceptable Credit Criteria outlined in clause 2.38.6, from either:
- (a) the Market Participant's external solicitors; or
 - (b) the entity's external solicitors.

A copy of the Acceptable Credit Criteria Form is available on the following Market Web Site: http://www.imowa.com.au/10_5_1_market_forms.htm -

- A3.8 In arranging for the completion of the Acceptable Credit Criteria Form under step A3.7, ~~the a~~ Market Participant is responsible for arranging for a firm of solicitors to undertake all necessary investigations to enable a partner of the firm to sign the Acceptable Credit Criteria Form. –This may be the solicitors for the Market Participant or the solicitors for the entity providing the Reserve Capacity Security.
- A3.9 A completed Acceptable Credit Criteria Form is one that adheres to the Market Rules, in that the form:
- (a) has an affirmative response to each of the six statements;
 - (b) has been completed with the full details of the entity to which it applies; and
 - (c) has been signed by a partner from a reputable commercial law firm which is acceptable to the IMO.
- A3.10 Before submitting an Acceptable Credit Criteria Form, the Market Participant may, no later than two Business Days before the Security Due Date, submit a request to the IMO to confirm whether a particular firm of solicitors meets the requirements of step A3.9(c).
- A3.11 Where the IMO receives a request to confirm whether a particular firm of solicitors is acceptable to satisfy the requirements under the Acceptable Credit Criteria, the IMO must notify the Market Participant by the next Business Day, whether that firm of solicitors meets the requirements.
- A3.12 Where a Market Participant elects to provide a Reserve Capacity Security other than a cash deposit and the entity providing the Reserve Capacity Security is not included on the list of entities that meet the Acceptable Credit Criteria, the Market Participant ~~Market Participants~~ must submit the a completed Acceptable Credit Criteria Form, including any original documents to the IMO. ~~Only original documents are accepted.~~
- A3.13 Within one Business Day of receiving an Acceptable Credit Criteria Form from a Market Participant, the IMO must assess the compliance and completeness of the Acceptable Credit Criteria Form, in accordance with step A3.9.
- A3.14 The IMO may, at its discretion, request a Market Participant to provide documents to support the responses to the statements in the Acceptable Credit Criteria Form.
- A3.15 Where the IMO requests further information under step A3.14, the Market Participant must provide all relevant documents within one Business Day, or any other timeframe as agreed with the IMO.
- A3.16 If the IMO is satisfied that the Acceptable Credit Criteria Form has been submitted and completed in accordance with the steps in this Procedure, then the IMO must

deem that the entity to which the Acceptable Credit Criteria Form applies meets the Acceptable Credit Criteria for a period of 12 months.

- A3.17 Where the IMO deems an entity to meet the Acceptable Credit Criteria under step A3.16, the entity will be included in the list of entities that meet the Acceptable Credit Criteria and this entity will be in the list, which is available on the Market Web Site, for a period of 12 months from the date of approval of the entity by the IMO. **[Clause MR2.38.7]**

APPENDIX 4 PROVISION OF A SECURITY DEPOSIT AS A RESERVE CAPACITY SECURITY

- A4.1 This Appendix applies if the IMO consents under step 2.5.3 to the Market Participant providing a Security Deposit Deed as its Reserve Capacity Security.
- A4.2 A Market Participant who provides a Security Deposit Deed as a Reserve Capacity Security must, by the Security Due Date:
- (a) submit a completed Security Deposit Deed to the IMO; and
 - (b) provide, in cleared funds, the amount of Reserve Capacity Security as described in step 2.2.5, to the IMO in accordance with the Security Deposit Instructions.
- A4.3 A completed Security Deposit Deed is one that:
- (a) is in the form approved by the IMO from time to time; and
 - (b) has been executed by the Market Participant.
- A4.4 A Market Participant must provide the completed Security Deposit Deed either by courier or in person to the IMO.
- A4.5 When the Market Participant delivers the Reserve Capacity Security documents to the IMO, the Market Participant must be provided with a receipt from the IMO. The receipt must be signed by an appropriately Authorised Market Participant representative and an Authorised IMO representative.
- A4.6 If the Market Participant submits the required amount of Reserve Capacity Security to the IMO, determined under step 2.2.5 of this Procedure, later than five Business Days before the Security Due Date and the IMO determines that the Reserve Capacity Security is not compliant with the Market Rules or this Procedure, then the Market Participant may submit a further Reserve Capacity Security that is compliant with the Market Rules and this Procedure, on or before the Security Due Date.
- A4.7 If, by 5:00 PM on the first Business Day following the deadline specified under clause 4.1.13, the Market Participant has not received notification of compliance of the Reserve Capacity Security, it is the obligation of the Market Participant to contact the IMO directly to request and receive confirmation whether the Reserve Capacity Security is compliant with the Market Rules and this Procedure.
- A4.8 If the IMO notifies the Market Participant that the Security Deposit Deed meets the requirements of the Market Rules and this Procedure (including but not limited to meeting the requirements of step A4.3) then the Market Participant must provide, in cleared funds, the amount of Reserve Capacity Security to the

IMO in accordance with the Security Deposit Instructions, by the Security Due Date.

- A4.9 If the IMO notifies the Market Participant that the Security Deposit Deed does not meet the requirements of the Market Rules and this Procedure (including but not limited to meeting the requirements of step A4.3), then the Market Participant must, by the Security Due Date:
- (a) submit a Security Deposit Deed that meets the requirements of the Market Rules and this Procedure (including but not limited to meeting the requirements of step A4.3) and provide, in cleared funds, the amount of Reserve Capacity Security to the IMO in accordance with the Security Deposit Instructions; or
 - (b) provide another form of Reserve Capacity Security under this Market Procedure.
- A4.10 The Market Participant must provide to the IMO, at the time of submission of the Reserve Capacity Security, the account details into which the accrued interest is to be paid at the end of each calendar month.
- A4.11 The Security Deposit will be held with the IMO's nominated bank, in an account specifically for the Market Participant. The IMO nominated bank may change from time to time. Information concerning Security Deposits can be requested by emailing IMO's Finance Department at imo@imowa.com.au.
- A4.12 The Market Participant must notify the IMO of any changes it wishes to be made to its nominated bank account as soon as possible.
- A4.13 Where Reserve Capacity Security is provided as a Security Deposit as detailed in clause 4.13.5(b), it will accrue interest daily at the IMO Deposit Rate and the IMO must pay the Market Participant the accumulated interest at the end of each calendar month, less any liabilities and expenses incurred by the IMO, including bank fees and charges. **[ClauseMR 4.13.6]**

APPENDIX 5 EXCHANGING A RESERVE CAPACITY SECURITY

- A5.1 The Market Participant must nominate to the IMO the date, at least 10 Business Days in advance of the date at which it wishes to exchange its Reserve Capacity Security (the 'Nominated Exchange Date').
- A5.2 If, by 5:00 PM on the first Business Day following the notification to the IMO specified by step A5.1, the Market Participant has not received notification of acceptance of the Nominated Exchange Date, ~~it is the obligation of~~ the Market Participant ~~to~~ must contact the IMO directly to request confirmation of acceptance of the Nominated Exchange Date.
- A5.3 If the date is not accepted by the IMO, then the IMO will notify the Market Participant of the non-acceptance and will propose an alternative date. – The Market Participant will then have no more than 10 Business Days but no less than five Business Days, prior to that date, to accept or reject the new Nominated Exchange Date.
- A5.4 The Market Participant must follow the relevant section of this Market Procedure, to prepare the Reserve Capacity Security for exchange, except that every reference to the Security Due Date is to be read as a reference to the Nominated Exchange Date.
- A5.5 When the Market Participant delivers Reserve Capacity Security documents to the IMO, the Market Participant must ensure it receives a receipt from the IMO, signed by an Authorised Market Participant representative and an appropriately ~~A~~ authorised IMO representative.
- A5.6 The Market Participant must receive the superseded Reserve Capacity Security no later than two Business Days after the nominated exchange date, either:
- (a) by courier;
 - (b) in person from an IMO representative; or
 - (c) by electronic transfer, in the case where the superseded Reserve Capacity Security is in the form of a cash deposit.
- A5.7 The superseded Reserve Capacity Security must be accompanied by two copies of a letter of receipt, both of which should be signed and one returned to the IMO as soon as possible.