



INDEPENDENT  
MARKET  
OPERATOR



## Reserve Capacity Procedure: Declaration of Bilateral Trades and the Reserve Capacity Auction

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
3	01 January 2010	New Reserve Capacity Procedure for Declaration of Bilateral Trades and the Reserve Capacity Auction following PC_2009_05
2	xx xxxx 2012	Amendments to Market Procedure resulting from PC_2012_06

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## **1 PROCEDURE OVERVIEW**

### **1.1 Relationship with the Market Rules**

- 1.1.1 This Declaration of Bilateral Trades and the Reserve Capacity Auction Procedure (Procedure) should be read in conjunction with clauses 4.14, 4.15, 4.17, 4.18, 4.19 and Appendix 3 of the Wholesale Electricity Market (WEM) Rules (Market Rules).
- 1.1.2 Reference to particular Market Rules within the Procedure, which are in bold and square brackets [**Clause XX**] are current as of 1 July 2012. These references are included for convenience only and are not part of this Procedure.
- 1.1.3 This Procedure is made in accordance with clauses 4.14.11 and 4.17.9 of the Market Rules.

### **1.2 Purpose of this Procedure**

- 1.2.1 This Procedure outlines the processes that Market Participants holding Certified Reserve Capacity must follow to:
  - (a) submit a Bilateral Trade Declaration; and
  - (b) submit a Reserve Capacity Offer into the Reserve Capacity Auction.
- 1.2.2 This Procedure describes the processes that the IMO must follow to:
  - (a) assess and process Bilateral Trade Declarations;
  - (b) determine if a Reserve Capacity Auction will be required and if so, how much Reserve Capacity will be required in the Reserve Capacity Auction; and
  - (c) clear the Reserve Capacity Auction.

### **1.3 Application of this Procedure**

- 1.3.1 This Procedure applies to both the IMO and Rule Participants who have been assigned Certified Reserve Capacity for the current Reserve Capacity Cycle.

### **1.4 Associated Market Procedures and Market Documents**

- 1.4.1 The following IMO Market Procedures are associated with this Procedure:
  - (a) Certification of Reserve Capacity;
  - (b) Maximum Reserve Capacity Price; and
  - (c) Reserve Capacity Security.
- 1.4.2 The following Market Documents are associated with this Procedure:
  - (a) New MPR User Guide
  - (b) WEMS MPI User Guide

### **1.5 Conventions Used**

- 1.5.1 In this Procedure the conventions specified in clauses 1.3 and 1.5 of the Market Rules apply.

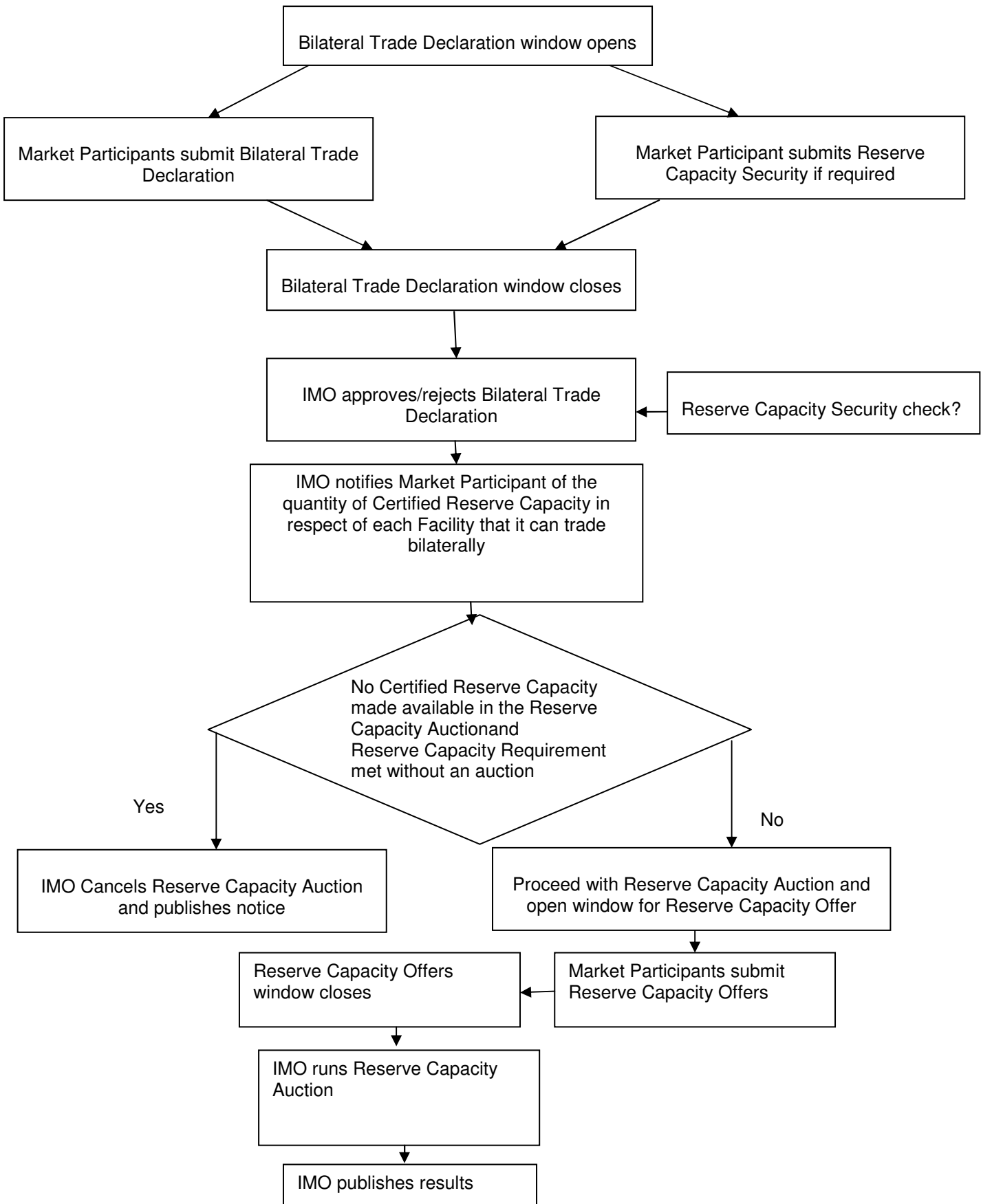
1.5.2 The Appendices contained within this Procedure form part of the Procedure and are legally enforceable.

## 1.6 Terminologies and Definitions

1.6.1 A word or phrase defined in the 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
<b>Bilateral Trade Declaration</b>	A declaration of the amount of Reserve Capacity submitted by a Market Participant for a Facility in accordance with clause 4.14.1(c).
<b>Reserve Capacity Facility Status</b>	The status of a Facility for the purposes of the Reserve Capacity Mechanism, being “Proposed”, “Committed” or “In-Service”.
<b>WEMS (Wholesale Electricity Market System)</b>	An interface system that the IMO uses to administer/operate the Wholesale Electricity Market

**Table 1 – Defined Terms**



**Figure 1 – Bilateral Trade Declaration and Reserve Capacity Auction Process**

## 2 BILATERAL TRADE DECLARATIONS

### 2.1 Submission of Bilateral Trade Declarations

- 2.1.1 The IMO must:
- (a) open the window for Bilateral Trade Declarations in the WEMS at 8:00 AM on the first Business Day following the date specified in Clause 4.1.12(b); and
  - (b) close the window for Bilateral Trade Declarations in WEMS at 5:00 PM on the last Business Day falling on or before 2 September of Year 1 of the relevant Reserve Capacity Cycle [**Clause 4.1.14**].
- 2.1.2 A Market Participant must submit a Bilateral Trade Declaration in respect of each of its Facilities assigned Certified Reserve Capacity for the current Reserve Capacity Cycle by no later than 5:00 PM of the last Business Day falling on or before 2 September of Year 1 of the relevant Reserve Capacity Cycle. [**Clauses 4.14.1 and 4.1.14**]
- 2.1.3 A Market Participant must submit Bilateral Trade Declarations through the WEMS, unless an alternative format is specified by the IMO.
- 2.1.4 If a Market Participant has not received confirmation of receipt of its application from the IMO within one Business Day, the Market Participant must:
- (a) contact the IMO to determine whether there has been an issue with the application; and
  - (b) arrange for resubmission of the application, or part of the application, to the IMO, if required.
- 2.1.5 If a Market Participant is required under clause 4.13.1 of the Market Rules to provide a Reserve Capacity Security for a Facility, the Market Participant must provide the relevant Reserve Capacity Security to the IMO in accordance with the process outlined in the Market Rules and the Market Procedure: Reserve Capacity Security.
- 2.1.6 Where a Market Participant which:
- (a) specifies under clause 4.14.1(c) of the Market Rules to trade its Certified Reserve Capacity bilaterally; and
  - (b) is required under clause 4.13.1 of the Market Rules to provide a Reserve Capacity Security for a Facility,
- does not provide in full the required amount of Reserve Capacity Security by 2 September of Year 1 of the relevant Reserve Capacity Cycle [**Clause 4.1.13(b)(i)**], the Certified Reserve Capacity for the Facility will lapse [**Clause 4.13.9**]. This will invalidate the Bilateral Trade Declaration in respect of that Facility.
- 2.1.7 For the purpose of accepting Bilateral Trade Declarations, the IMO must use the Reserve Capacity Facility Status for a Facility that is recorded in the Registration system at the time that the Bilateral Trade Declaration is submitted. Further information on the Reserve Capacity Facility Status and the process for applying for 'Committed' status is included within 0.

## 2.2 Information to be Included in Bilateral Trade Declarations

- 2.2.1 The information to be included by a Market Participant in a Bilateral Trade Declaration must be consistent with the Reserve Capacity Cycle for which the application is being made.
- 2.2.2 A Market Participant must specify the following quantities for each Facility (expressed in MW to a precision of 0.001 MW) in the Bilateral Trade Declaration:
- (a) the total amount of Reserve Capacity intended to be made available in a Reserve Capacity Auction for the current Reserve Capacity Cycle (if held) where the amount to be made available is not to include Reserve Capacity covered by a pre-existing Special Price Arrangement;
  - (b) the total amount of Reserve Capacity covered by a pre-existing Special Price Arrangement that the Market Participant intends will not be traded bilaterally;
  - (c) the total amount of Reserve Capacity the Market Participant intends will be traded bilaterally; and
  - (d) the total amount of Reserve Capacity that will not be made available to the market, where this amount cannot include Reserve Capacity covered by a pre-existing Special Price Agreement. [**Clause 4.14.1**]
- 2.2.3 The sum of the quantities in step 2.2.2 for a Facility must equal the Certified Reserve Capacity for that Facility for the current Reserve Capacity Cycle [**Clause 4.14.1**].
- 2.2.4 The amount of Reserve Capacity that Verve Energy intends to trade bilaterally, specified at procedure step 2.2.2(c), must be made in accordance with the requirements outlined in clause 4.14.4 and 4.14.5 of the Market Rules.

## 2.3 Assessment and Processing of Bilateral Trade Declaration Submissions

- 2.3.1 The IMO must review the information provided in a Bilateral Trade Declaration for a Facility within one Business Day of receipt of the Bilateral Trade Declaration.
- 2.3.2 In reviewing the information under step 2.3.1, the IMO must check all data provided in a Bilateral Trade Declaration to confirm that:
- (a) the applicant is a Market Participant;
  - (b) the Facility referred to in the Bilateral Trade Declaration has been assigned Certified Reserve Capacity;
  - (c) all information required under clause 4.14 of the Market Rules has been provided;
  - (d) the total quantity of Certified Reserve Capacity held by the Market Participant is equal to that included in the Bilateral Trade Declaration [**Clause 4.14.1**]; and
  - (e) the Facility to which the submission refers is not subject to a Network Control Service Contract. [**Clause 4.14.3**]



## 2.4 Resolution of Discrepancies

- 2.4.1 The IMO must endeavour to resolve, with the Market Participant, any discrepancy in the consistency of the information provided in a Bilateral Trade Declaration, within one Business Day of receipt. [**Clause 4.14.7(a)**]
- 2.4.2 In seeking to resolve a discrepancy under step 2.4.1, the IMO may request additional or clarifying information from a Market Participant. The request should outline the information that is needed by the IMO to proceed with its consideration of the Bilateral Trade Declaration.
- 2.4.3 Upon receiving a request for additional information under step 2.4.2, the Market Participant must respond to the IMO by making necessary adjustments to its Bilateral Trade Declaration and providing other information as necessary.
- 2.4.4 If the IMO cannot establish what a Market Participant's intentions are with respect to all or part of its Certified Reserve Capacity within the time specified for resolving discrepancies in clause 4.14.7(a) of the Market Rules the IMO must determine that the:
- (a) Market Participant's Certified Reserve Capacity corresponding to pre-existing Long Term Special Price Arrangements cannot be traded bilaterally; and
  - (b) Market Participant's Certified Reserve Capacity not covered by pre-existing Long Term Special Price Arrangements will be treated as being unavailable to the market

and the IMO must notify the Market Participant of this outcome within one Business Day of the deadline for resolving discrepancies specified in clause 4.14.7(a) [**Clause 4.14.7(c)**].

## 2.5 Mutually Exclusive Facilities

- 2.5.1 The IMO must review the information submitted to it in Bilateral Trade Declarations (via the WEMS) and identify any Facilities that cannot exist simultaneously.
- 2.5.2 Where the IMO identifies under step 2.5.1 that two or more Facilities cannot simultaneously exist then the IMO cannot accept a non-zero value provided under step 2.2.2(c) in respect of more than one of these Facilities and must reject all but one Facility based on the criteria outlined in clause 4.14.6 of the Market Rules.
- 2.5.3 The IMO may request supporting information from a Market Participant to support any assessment required under clause 4.14.6 of the Market Rules.

## 2.6 Acceptance and Rejection of Bilateral Trade Declaration Submissions

- 2.6.1 If the information provided by the Market Participant is consistent with that required in clause 4.14 of the Market Rules, the IMO must notify the Market Participant within one Business Day of receipt that the information is accepted [**Clause 4.14.7(b)**]. This notification may take the form of an automated response within WEMS stating that the Bilateral Trade Declaration submission was accepted.

- 2.6.2 The IMO must reject any Bilateral Trade Declarations that are deemed invalid from the bilateral trade process and the subsequent Capacity Credit assignment process.

## 2.7 Confirmation of Certified Reserve Capacity that may be Traded Bilaterally

- 2.7.1 Where a Market Participant specified a non-zero amount under step 2.2.2(c) the IMO must determine the quantity of Certified Reserve Capacity that may be traded bilaterally for each Facility in accordance with the methodology described in Appendix 3 of the Market Rules. **[Clause 4.14.9(b)]**
- 2.7.2 The quantity for each Facility in step 2.7.1 must exclude Certified Reserve Capacity that is associated with pre-existing Long Term Special Price Arrangements or that is not to be made available to the market. **[Clause 4.14.9(a)]**
- 2.7.3 Following the completion of its determination under step 2.7.1 the IMO must notify each Market Participant of the quantity of Certified Reserve Capacity that may be traded bilaterally for each of its Facilities by the date and time specified in clause 4.1.15 of the Market Rules. **[Clause 4.14.9]**

## 3 RESERVE CAPACITY AUCTION

### 3.1 Confirmation or Cancellation of the Reserve Capacity Auction

- 3.1.1 The IMO must run a Reserve Capacity Auction if:
- (a) in applying the methodology described in Appendix 3 of the Market Rules, the IMO determines that a shortfall exists for any Availability Class; and
  - (b) one or more Market Participants specified a non-zero quantity provided under step 2.2.2(a) of this Procedure.
- 3.1.2 If the information provided under clauses 4.14 and 4.28C indicates that no Certified Reserve Capacity is to be made available in the Reserve Capacity Auction for a Reserve Capacity Cycle, or, based on the information received under clause 4.14, the IMO considers that the Reserve Capacity Requirement for the Reserve Capacity Cycle will be met without an auction, then, by the date and time specified in clause 4.1.16, the IMO must publish a notice specifying for that Reserve Capacity Cycle:
- (a) that the Reserve Capacity Auction has been cancelled;
  - (b) the Reserve Capacity Requirement;
  - (c) the total amount of Certified Reserve Capacity;
  - (cA) the Capacity Credits assigned, by Facility, under clause 4.28C;
  - (d) the total amount of Certified Reserve Capacity that would have been made available in the Reserve Capacity Auction had one been held; and
  - (e) the total amount of Certified Reserve Capacity covered by pre-existing Special Price Arrangements **[Clause 4.15.1]**
- 3.1.3 Where the IMO determines under step 3.1.12 that a Reserve Capacity Auction is not required for a Reserve Capacity Cycle, the IMO must, by the date and time specified in clause 4.1.16 of the Market Rules, publish a notice containing the information required under clause 4.15.1 of the Market Rules.

- 3.1.4 Where the IMO determines under step 3.1.1 that a Reserve Capacity Auction is required for a Reserve Capacity Cycle, the IMO must, by the date and time specified in clause 4.1.16 of the Market Rules, publish a notice containing:
- (a) the information required under clause 4.15.2 of the Market Rules;
  - (b) the dates during which the IMO will accept Reserve Capacity Offers; and
  - (c) the date on which the Reserve Capacity Auction results will be published.

### 3.2 Submission of Reserve Capacity Offers

3.2.1 Where the IMO accepted a Bilateral Trade Declaration submission from a Market Participant that specified a non-zero quantity of Certified Reserve Capacity under step 2.2.2(a), the Market Participant must submit a Reserve Capacity Offer in respect of that Certified Reserve Capacity.

3.2.2 A Market Participant submitting a Reserve Capacity Offer must submit the information:

- (a) during the time period specified in clause 4.1.17 of the Market Rules; and
- (b) through the WEMS, unless an alternative Reserve Capacity Auction form is specified by the IMO and published on the Market Web Site. **[Clause 4.17.2]**

3.2.3 The IMO may not accept a Reserve Capacity Offer submitted outside the period specified in clause 4.1.17 of the Market Rules **[Clause 4.17.8]**.

3.2.4 A Market Participant must provide the information specified in:

- (a) clause 4.18.1 in its Reserve Capacity Auction Offer; and
- (b) clause 4.18.2 in respect of each Reserve Capacity Price-Quantity Pair.

3.2.5 For the purpose of the Reserve Capacity Auction, the IMO must use the Reserve Capacity Facility Status for a Facility that is recorded in the Registration system at the time that the Reserve Capacity Offer is submitted. Further information on the Reserve Capacity Facility Status and the process for applying for 'Committed' status is included within 0.

3.2.6 Upon receipt of a Reserve Capacity Offer, the IMO must determine whether it:

- (a) is consistent with the requirements of the Market Rules, including clause 4.14.10;
- (b) contains all of the information required under clause 4.18 of the Market Rules; and
- (c) is in the form required by clause 4.17.2 of the Market Rules. **[Clause 4.17.4]**

3.2.7 The IMO must accept the Reserve Capacity Offer as valid if it meets the criteria specified in step 3.2.6, and may reject the Reserve Capacity Offer if one or more of the criteria are not met.

3.2.8 Upon receipt of a Reserve Capacity Offer, the IMO must within one Business Day:

- (a) contact the Market Participant to confirm receipt of the Reserve Capacity Offer; and
- (b) advise whether the Reserve Capacity Offer has been accepted as valid or rejected as invalid, with reasons for the rejection provided **[Clause 4.17.3]**.

- 3.2.9 Advice by the IMO to a Market Participant under step 3.2.8(b) may be provided by an automated response within WEMS or an email.
- 3.2.10 Where a Reserve Capacity Offer is rejected as being invalid under step 3.2.8(b) the IMO must provide reason for the rejection.
- 3.2.11 If a Market Participant has not been advised by the IMO within one Business Day that its Reserve Capacity Offer has been received, it must contact the IMO and arrange for resubmission of the Reserve Capacity Offer [**Clause 4.17.5**].
- 3.2.12 A Market Participant may not revise or resubmit a Reserve Capacity Offer after the IMO has confirmed receipt of the Reserve Capacity Offer in accordance with clause 4.17.3 of the Market Rules [**Clause 4.17.6**].
- 3.2.13 A Market Participant may only submit a revised Reserve Capacity Offer if:
  - (a) the IMO has advised the Market Participant that its Reserve Capacity Offer is invalid; or
  - (b) the IMO fails to acknowledge receipt of a Reserve Capacity Offer [**Clause 4.17.7**].
- 3.2.14 A Market Participant must resubmit a Reserve Capacity Offer during the time period specified in clause 4.1.17 of the Market Rules.

### 3.3 Reserve Capacity Auction Clearing

- 3.3.1 The IMO must determine whether Reserve Capacity Offers have been received for two or more Facilities that were identified in step 2.5.1 as being unable to simultaneously exist.
- 3.3.2 The IMO may only consider a Reserve Capacity Offer from a Facility identified under step 3.3.1 where in applying clause 4.14.6, the IMO has accepted a non-zero value for that Facility [**Clause 4.19.3(a)**].
- 3.3.3 The IMO must process the Reserve Capacity Offers:
  - (a) by the time and date specified in clause 4.1.18 of the Market Rules; and
  - (b) by applying the methodology described in Appendix 3 of the Market Rules. [**Clause 4.19.1**]
- 3.3.4 The IMO may use the WEMS to complete this process of clearing the Reserve Capacity Auction.

### 3.4 Publication of the Reserve Capacity Auction outcome

- 3.4.1 By the date and time specified in clause 4.1.18 of the Market Rules, the IMO must publish:
  - (a) the Reserve Capacity Price included in the Reserve Capacity Auction results, determined in accordance with clause 4.19.1 of the Market Rules [**Clause 4.19.5(a)**];
  - (b) the quantity of Certified Reserve Capacity scheduled from each Facility registered by each Market Participant in the Reserve Capacity Auction results, determined in accordance with clause 4.19.1 of the Market Rules [**Clause 4.19.5(b)**]; and
  - (c) the capacity shortfall in any Availability Class determined at Step 10 of Appendix 3 of the Market Rules.

## APPENDIX 1      GUIDELINES FOR ASSESSING RESERVE CAPACITY FACILITY STATUS

The methodologies for accepting Bilateral Trade Declarations and clearing the Reserve Capacity Auction consider the Reserve Capacity Facility Status for a Facility. In particular, Facilities that have a Reserve Capacity Facility Status of 'In-Service' or 'Committed' will be ranked higher in some circumstances than Facilities that have a Reserve Capacity Facility Status of 'Proposed'.

The Reserve Capacity Facility Status is recorded in the Registration System within WEMS. The status for a Facility can be located on the Reserve Capacity tab of the Facility Details page.

Due to its relevance to the Bilateral Trade Declaration and Reserve Capacity Auction processes, the process of application for 'Committed' status is described in this Appendix.

### A.1      Application for 'Committed' Status

- A1.1.1      A Market Participant that wishes to raise its Facility Status from 'Proposed' to 'Committed' must submit to the IMO an application to change its Facility Status. The application must be completed by clicking the "Create Change Request" link on the Reserve Capacity tab of the Facility Details page in the WEMS.
- A1.1.2      A Market Participant must make any applications under step A1.1.1 at least 10 Business Days prior to the date on which it intends to submit a Bilateral Trade Declaration or Reserve Capacity Offer. Note that any applications made after this time may not be able to be fully assessed by the IMO by the time required for the Bilateral Trade Declaration or Reserve Capacity Auction processes.
- A1.1.3      Following submission of an application under step A1.1.1, a Market Participant must submit supporting information to the IMO, in writing or by email to [system.capacity@imowa.com.au](mailto:system.capacity@imowa.com.au), demonstrating that the Facility is 'Committed'. Supporting information will vary for each Facility but may include:
  - (a)      Evidence of a generation licence as required under the Electricity Industry Act 2004- Sect 7 (1)<sup>1</sup>
  - (b)      formal commitment, including financial approval, on behalf of the company in respect to the project (for example, Board approval);
  - (c)      evidence of funding arrangements for the Facility;
  - (d)      financial commitment by the Market Participant to a primary equipment supplier (this would usually take the form of a signed contract indicating purchase of the main plant equipment, including penalty clauses associated with non-compliance of the purchase agreement);
  - (e)      details of planning, construction and environmental applications, approvals and licences;
  - (f)      access to land, either through ownership or an appropriate leasing agreement;

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<sup>1</sup> "A person must not construct or operate generating works except under the authority of a generation licence or an integrated regional licence."

- (g) a signed contract for civil works (or appropriate alternative), including contractual delivery times;
  - (h) where a Facility is being built primarily to supply energy to one or more foundation customers, evidence that relevant power supply contracts are in place; and
  - (i) for Demand Side Programmes, evidence of capacity already procured (for example, contracts for load curtailment) or evidence of capacity procurement activity (for example, letters of intent or memoranda of understanding).
- A1.1.4 The IMO may consult directly with a Market Participant prior to approving 'Committed' status.
- A1.1.5 Any information provided by a Market Participant to the IMO under step A.1.1.3 must be treated by the IMO as confidential, if so designated by the Market Participant.
- A1.1.6 A Market Participant must respond as soon as practicable to any requests for information under step A1.1.4 so as to allow the assessment to be completed by the time required for the Bilateral Trade Declaration or Reserve Capacity Auction processes.

## **A1.2 Assessment of Applications for 'Committed' Status**

- A1.2.1 Upon receipt of an application to change the Reserve Capacity Facility Status for a Facility, the IMO must:
- (a) consider the supporting information provided by the Market Participant; and
  - (b) make a determination as to whether to approve 'Committed' status for the Facility.
- A1.2.2 If under step A1.2.1 the IMO determines that the Facility is 'Committed', the IMO must
- (a) approve the change request; and
  - (b) advise the Market Participant of the outcome and the date from which the change will be effective.
- A1.2.3 Once the change is effective (as specified in step A1.2.2(b)), a Bilateral Trade Declaration or Reserve Capacity Offer submitted for the Facility will reflect 'Committed' status.
- A1.2.4 If the IMO rejects the change request or is unable to approve the change request before the Bilateral Trade Declaration or Reserve Capacity Offer submission window closes, the Facility will be considered as 'Proposed' for the purposes of the Bilateral Trade Declaration or Reserve Capacity Auction process.