

# MARKET PROCEDURE: DECLARATION OF BILATERAL TRADES AND THE RESERVE CAPACITY AUCTION

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## VERSION RELEASE HISTORY

| Version | Effective Date   | Summary of Changes   |
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| 1.0     | 01 January 2010  | New Reserve Capacity Procedure for Declaration of Bilateral Trades and the Reserve Capacity Auction following PC_2009_05 |
| 2.0     | 25 February 2013 | Amendments to Reserve Capacity Procedure resulting from PC_2012_06   |
| 3.0     | 16 April 2014    | Amendments to Market Procedure resulting from PC_2014_02   |
| 4.0     | 30 November 2015 | Changes resulting from the transfer of functions from the IMO to AEMO  |

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## 1 PROCEDURE OVERVIEW

### 1.1 Relationship with the Market Rules

1.1.1 This Market Procedure: Declaration of Bilateral Trades and the Reserve Capacity Auction (Procedure) is made in accordance with clauses 4.14.11 and 4.17.9 of the Wholesale Electricity Market (WEM) Rules (Market Rules).

1.1.2 Reference to particular Market Rules within this Procedure, which are in bold and square brackets [**Clause XX**] are current as of 16 April 2014. 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 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 AEMO 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; and
- (c) clear the Reserve Capacity Auction.

### 1.3 Application of this Procedure

1.3.1 In this Procedure, where obligations are conferred on a Rule Participant that Rule Participant must comply with the relevant obligations in accordance with clauses 2.9.6, 2.9.7 and 2.9.8 of the Market Rules, as applicable.

### 1.4 Associated Market Procedures

1.4.1 The following 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, available on the Market Web Site, are associated with this Procedure:

- (a) 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 appendix contained within this Procedure forms part of the Procedure and is legally enforceable

## 1.6 Terminologies and Definitions

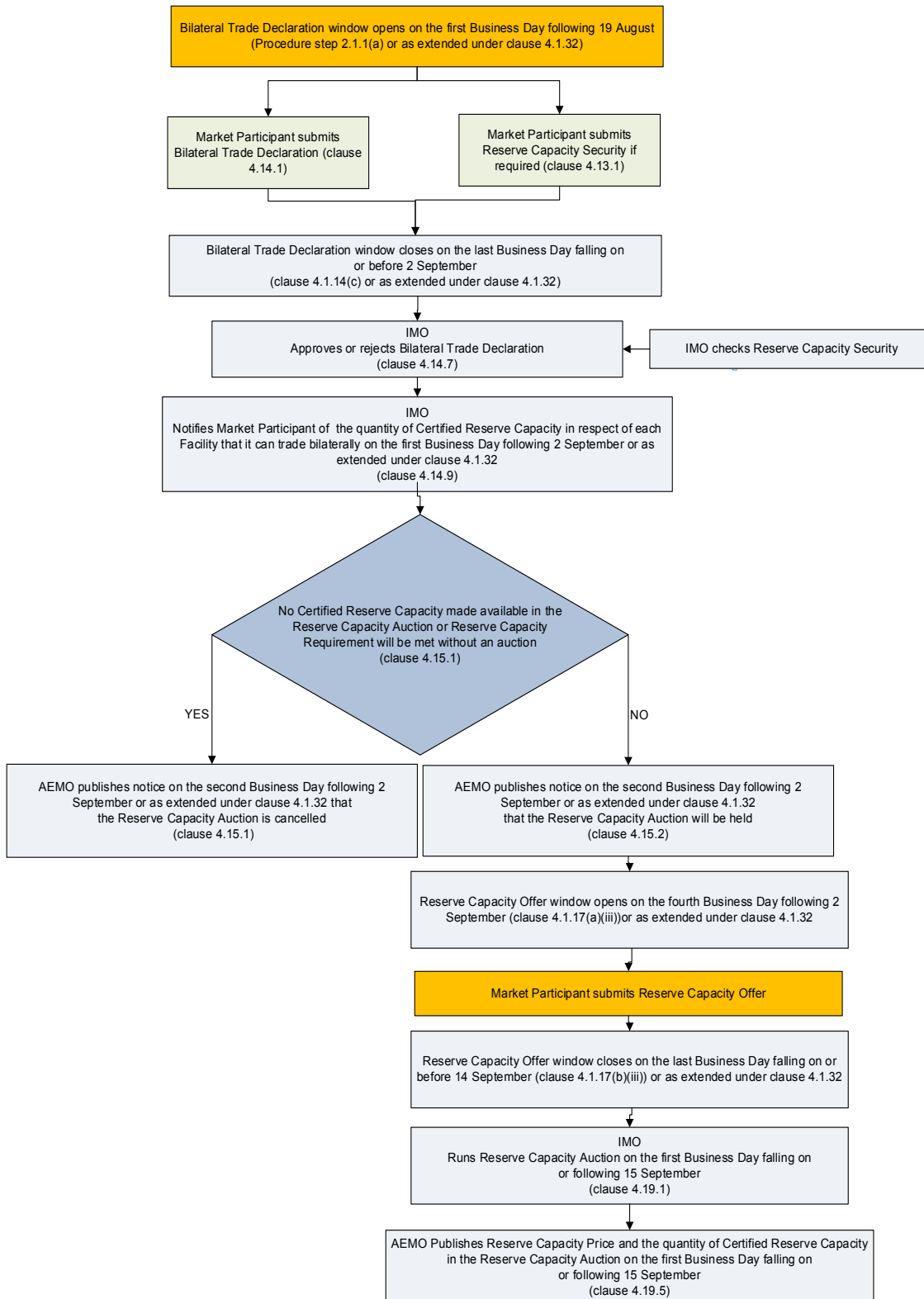
1.6.1 A word or phrase defined in the Electricity Industry Act, the Electricity Industry (WEM) Regulations or the Market Rules has the same meaning when used in this Procedure. In addition, the following defined terms have the meanings given.

**Table 1 Defined Terms**

| Term                                       | Definition  |
|--|---|
| Bilateral Trade Declaration                | A submission made by a Market Participant holding Certified Reserve Capacity to AEMO in accordance with clause 4.14.1 of the Market Rules.  |
| Reserve Capacity Facility Status           | The status of a Facility for the purposes of the Reserve Capacity Mechanism, being 'proposed', 'committed' or in Commercial Operation <sup>1</sup> . The process for changing a Facility's status from 'proposed' to 'committed' is outlined in Appendix A. |
| WEMS (Wholesale Electricity Market System) | The IT interface that AEMO uses to administer/operate the Wholesale Electricity Market.   |
| MPI (Market Participant Interface)         | The market portals maintained by AEMO for the purpose of enabling interactions between Market Participants and AEMO systems.  |
| MPR  | The Market Participant registration system, a component of the WEMS MPI and the central point for all of the Participant and Facility Registration related activities related to operating in the WEM.  |

<sup>1</sup> Commercial Operation is a defined term in the Glossary of the Market Rules

**Figure 1 Bilateral Trade Declaration and Reserve Capacity Auction process**



## 2 BILATERAL TRADE DECLARATIONS

### 2.1 Submission of Bilateral Trade Declarations

2.1.1 AEMO must:

- (a) open the window for Bilateral Trade Declarations in WEMS at 8:00 AM on the first Business Day following the date specified in Clause 4.1.12(b) of the Market Rules; and
- (b) close the window for Bilateral Trade Declarations in WEMS at 5:00 PM on the last Business Day falling on or before the date specified in clause 4.1.14(c) of the Market Rules **[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 the date specified in step 2.1.1(b) or as extended in accordance with clause 4.1.32 of the Market Rules **[Clauses 4.14.1]**.

2.1.3 A Market Participant must submit Bilateral Trade Declarations through the WEMS MPI, unless an alternative format is specified by AEMO.

2.1.4 AEMO must provide a confirmation of receipt of a Market Participant's Bilateral Trade Declaration. The receipt may be sent as an automated response in WEMS.

2.1.5 If a Market Participant has not received confirmation of receipt of its application from AEMO within one Business Day, the Market Participant must:

- (a) contact AEMO 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 AEMO, if required.

2.1.6 If a Market Participant is required under clause 4.13.1 of the Market Rules to provide Reserve Capacity Security for a Facility, the Market Participant must provide the relevant Reserve Capacity Security to AEMO in accordance with the process outlined in the Market Rules and the Market Procedure for Reserve Capacity Security.

2.1.7 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 Reserve Capacity Security for a Facility,

does not provide in full the required amount of Reserve Capacity Security by 5:00 PM on the last Business Day falling on or before 2 September of Year 1 of the relevant Reserve Capacity Cycle **[Clause 4.1.13(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.

2.1.8 For the purpose of accepting Bilateral Trade Declarations, AEMO must use the Reserve Capacity Facility Status for a Facility that is recorded in the MPR 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 Appendix A.

## 2.2 Information to be Included in Bilateral Trade Declarations

- 2.2.1 A Market Participant must ensure that the information to be included in a Bilateral Trade Declaration is consistent with the Reserve Capacity Cycle for which the application is being made.
- 2.2.2 A Market Participant must specify the quantities of Reserve Capacity for each Facility (expressed in MW to a precision of 0.001 MW), as required under clause 4.14.1 of the Market Rules, in the Bilateral Trade Declaration:
- 2.2.3 The Market Participant must ensure that the sum of the quantities as required under clause 4.14.1 of the Market Rules for a Facility is equal to the Certified Reserve Capacity for that Facility for the current Reserve Capacity Cycle.
- 2.2.4 Synergy must ensure that the amount of Reserve Capacity that it intends to trade bilaterally, as required under clause 4.14.1(c) of the Market Rules, is made in accordance with the requirements outlined in clauses 4.14.4 and 4.14.5 of the Market Rules.

## 2.3 Assessment and Processing of Bilateral Trade Declarations

- 2.3.1 AEMO 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, AEMO 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 AEMO 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, AEMO may request additional information from a Market Participant. The request must outline the information that is needed by AEMO 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 AEMO by making necessary adjustments to its Bilateral Trade Declaration and providing additional information as necessary.
- 2.4.4 If AEMO 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 AEMO must determine that:



- (a) the Market Participant's Certified Reserve Capacity corresponding to pre-existing Long Term Special Price Arrangements cannot be traded bilaterally; and
- (b) the 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 AEMO 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 AEMO must review the information submitted to it in Bilateral Trade Declarations and identify any Facilities that cannot exist simultaneously. For example, more than one Market Participant is proposing to build a Facility that will be located at the same site
- 2.5.2 Where AEMO identifies under step 2.5.1 that two or more Facilities cannot simultaneously exist then AEMO cannot accept a non-zero value for the total amount of Reserve Capacity intended to be traded bilaterally (clause 4.14.4(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 AEMO 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 Declarations

- 2.6.1 If the information provided by the Market Participant is consistent with that required in clause 4.14 of the Market Rules, AEMO 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 was accepted.
- 2.6.2 AEMO 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 clause 4.14.1(c), AEMO 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 AEMO must ensure that the quantity for each Facility in step 2.7.1 excludes 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, AEMO 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]** or as extended in accordance with clause 4.1.32 of the Market Rules.

### 3 RESERVE CAPACITY AUCTION

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

- 3.1.1 AEMO must run a Reserve Capacity Auction if:
- (a) in applying the methodology described in Appendix 3 of the Market Rules, AEMO determines that a shortfall exists for any Availability Class; and
  - (b) one or more Market Participants specified a non-zero quantity provided under clause 4.14.4(a) of the Market Rules.
- 3.1.2 If the information provided under clauses 4.14 and 4.28C of the Market Rules 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 of the Market Rules, AEMO considers that the Reserve Capacity Requirement for the Reserve Capacity Cycle will be met without an auction, then AEMO must determine that the Reserve Capacity Auction has been cancelled [**Clause 4.15.1(a)**].
- 3.1.3 If in step 3.1.2, AEMO determines that the Reserve Capacity Auction has been cancelled, then, by the date and time specified in clause 4.1.16 of the Market Rules or as extended in accordance with clause 4.1.32, AEMO must publish a notice specifying the information outlined in clause 4.15.1(a) – (e) for that Reserve Capacity Cycle.
- 3.1.4 Where AEMO does not determine under step 3.1.2 that a Reserve Capacity Auction is cancelled for a Reserve Capacity Cycle, AEMO must, by the date and time specified in clause 4.1.16 of the Market Rules or as extended in accordance with clause 4.1.32, publish a notice that a Reserve Capacity Auction will be held and specifying:
- (a) the information outlined in clauses 4.15.2(a) – (c) of the Market Rules;
  - (b) the dates during which AEMO 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 AEMO accepted a Bilateral Trade Declaration submission from a Market Participant that specified a non-zero quantity of Certified Reserve Capacity under clause 4.14.1(a) of the Market Rules, 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 MPI, unless an alternative Reserve Capacity Auction form is specified by AEMO and published on the Market Web Site [**Clause 4.17.2**].
- 3.2.3 AEMO 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 of the Market Rules in its Reserve Capacity Offer; and
  - (b) clause 4.18.2 of the Market Rules in respect of each Reserve Capacity Price-Quantity Pair.

- 3.2.5 For the purpose of the Reserve Capacity Auction, AEMO must use the Reserve Capacity Facility Status for a Facility that is recorded in the MPR at the time that the Reserve Capacity Offer is submitted (see Appendix 1 of this Procedure).
- 3.2.6 Upon receipt of a Reserve Capacity Offer, AEMO 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 AEMO 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, AEMO must within one Business Day:
- (a) contact the Market Participant to confirm receipt of the Reserve Capacity Offer; and
  - (b) notify whether the Reserve Capacity Offer has been accepted as valid or rejected as invalid providing reasons for any rejection **[Clause 4.17.3]**.
- 3.2.9 AEMO may notify a Market Participant under step 3.2.8(b) by an automated response within WEMS or an email.
- 3.2.10 If a Market Participant has not been notified by AEMO within one Business Day that its Reserve Capacity Offer has been received, it must contact AEMO and arrange for resubmission of the Reserve Capacity Offer **[Clause 4.17.5]**.
- 3.2.11 A Market Participant may not revise or resubmit a Reserve Capacity Offer after AEMO has confirmed receipt of the Reserve Capacity Offer in accordance with clause 4.17.3 of the Market Rules **[Clause 4.17.6]**.
- 3.2.12 A Market Participant may only submit a revised Reserve Capacity Offer if:
- (a) AEMO has advised the Market Participant that its Reserve Capacity Offer is invalid; or
  - (b) AEMO fails to acknowledge receipt of a Reserve Capacity Offer **[Clause 4.17.7]**.
- 3.2.13 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 AEMO 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 AEMO may only consider a Reserve Capacity Offer from a Facility identified under step 3.3.1 where in applying clause 4.14.6 of the Market Rules, AEMO has accepted a non-zero value for that Facility **[Clause 4.19.3(a)]**.
- 3.3.3 AEMO 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 AEMO 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, AEMO 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 A. 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 Commercial Operation 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 MPR. 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 for the 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 AEMO 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 MPR.
- 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 AEMO 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 AEMO, in writing to [wa.capacity@aemo.com.au](mailto:wa.capacity@aemo.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 section 7(1) of the Electricity Industry Act 2004 ;
  - (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;
  - (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 AEMO may request information from a Market Participant prior to approving 'committed' status.
- A1.1.5 Any information provided by a Market Participant to AEMO under step A.1.1.3 must be treated by AEMO 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.

## **A.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, AEMO 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 AEMO determines that the Facility is 'committed', AEMO 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 AEMO 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.