

REALLOCATION PROCEDURE: SWAP AND OPTION OFFSET REALLOCATIONS

PREPARED BY: AEMO Markets
DOCUMENT REF: 500-0105
VERSION: 4.0
EFFECTIVE DATE: 28 February 2019
STATUS: DRAFT

Approved for distribution and use by:

APPROVED BY: Peter Geers
TITLE: Chief Strategy & Markets Officer

DATE: 28/02/2019

VERSION RELEASE HISTORY

Version	Effective Date	Summary of Changes
1.2	19 Nov 2007	Initial version
1.2A	16 Nov 2009	Update to AEMO format
2.1	4 May 2011	Procedure updated to : <ul style="list-style-type: none"> • implement AEMC recommendation that confirmation of an underlying contract for ex ante reallocations be included • correct “validation rules” descriptions within Table 1 and Table 2 • change the title of Credit Limit Methodology • remove unused terms within the Glossary
3.1	14 Dec 2016	Procedure updated to new format and amended to: <ul style="list-style-type: none"> • reflect conditions of AEMO clearing and settlement facility exemption granted 23 February 2016; • reduce replication of rules clauses other than as required to provide necessary context; • remove reallocation timetable (to be published as a separate document) • make minor drafting changes
3.2	29 May 2017	Amended Appendix Letter of Agreement reference to reallocation timetable location from in this procedure to AEMO’s website
4.0	28 Feb 2019	Procedure updated to: <ul style="list-style-type: none"> • Reflect new AEMO procedures format. • Reflect AEMC 5 Minute Settlement Rule Change. • Update the methods available for submitting reallocation requests. • Expand business day definition to allow for regional calendars.

CONTENTS

1.	INTRODUCTION	4
1.1.	Purpose and scope	4
1.2.	Definitions and interpretation	4
1.3.	Related documents	5
1.4.	Amendment	6
2.	OVERVIEW OF REALLOCATIONS	6
3.	REALLOCATION REQUEST SERVICE	7
4.	LETTER OF AGREEMENT	7
5.	LODGEMENT PROCESS	8
5.1	Submission	8
5.2.	Authorisation	9
5.3.	Registration	11
5.4.	Expiry and Cancellation	11
6.	PRUDENTIALS	11
7.	REVERSAL AND DEREGISTRATION	12
7.1.	Reversal	12
7.2.	Deregistration	12
8.	REALLOCATION TRANSACTIONS	12
9.	INDEMNIFICATION ARRANGEMENTS	14
9A.	TRANSITIONAL ARRANGEMENTS FOR 5 MINUTE SETTLEMENT	14
APPENDIX A.	LETTER OF AGREEMENT – SWAP AND OPTION REALLOCATIONS	15
APPENDIX B.	SUGGESTED COVER LETTER	18

TABLES

Table 1	Data required for submission of a <i>reallocation request</i>	8
Table 2	Data required for authorisation of a <i>reallocation request</i>	10
Table 3	Rules for determining applicable <i>trading intervals</i>	14

1. INTRODUCTION

1.1. Purpose and scope

This is the Reallocation Procedure: Swap and Option Offset Reallocations (Procedure) made under clause 3.15.11A of the National Electricity Rules (NER).

This Procedure has effect only for the purposes set out in the NER. The NER and the National Electricity Law prevail over this Procedure to the extent of any inconsistency.

The purpose of this Procedure is to set out how *reallocation requests* are to be created and recorded for *reallocation transactions* that are *swap offsets*, *cap offsets* or *floor offsets*. AEMO has made a separate *reallocation procedure* for energy and dollar offset transactions.

1.2. Definitions and interpretation

1.2.1. Glossary

Terms defined in the National Electricity Law or the NER have the same meanings in this Procedure unless otherwise specified in this clause.

Terms defined in the NER are intended to be identified in this Procedure by italicising them, but failure to italicise a defined term does not affect its meaning.

The words, phrases and abbreviations set out in the table below have the meanings set out opposite them when used in this Procedure.

Term	Definition
<i>agreement type</i>	Specifies whether a <i>reallocation request</i> is based on <i>swap offset</i> ("SWAP"), <i>cap offset</i> ("CAP") or <i>floor offset</i> ("FLOOR").
<i>Calendar</i>	The settlement calendar <i>published</i> by AEMO that applies to a <i>reallocation request</i> , for the purpose of identifying business and non-business days. This will be the <i>NEM</i> (national) settlement calendar unless the <i>Reallocation Request Service</i> provides for the selection of <i>NEM</i> or <i>regional</i> calendars, in which case the calendar selected by the parties applies.
<i>day type</i>	Specifies the <i>trading intervals</i> to which a <i>reallocation request</i> is to apply, either FLAT, BUSINESS or NON_BUSINESS.
<i>cap offset</i>	The meaning ascribed in Section 2 of this Procedure.
<i>CS Facility Exemption</i>	The Corporations (Australian Energy Market Operator Limited) CS Facility Exemption Notice 2016, made under section 820C of the <i>Corporations Act 2001</i> (Cth) on 23 February 2016, as amended or replaced from time to time.
<i>ex ante reallocation</i>	A <i>reallocation transaction</i> that occurs in or after the earliest <i>trading interval</i> which it may be processed as an 'ex ante reallocation' based on the time of registration of the applicable <i>reallocation request</i> in accordance with the <i>reallocation timetable</i> .
<i>ex post reallocation</i>	A <i>reallocation transaction</i> that occurs before the earliest <i>trading interval</i> for which it may be processed as an 'ex ante reallocation' based on the time of registration of the applicable <i>reallocation request</i> in accordance with the <i>reallocation timetable</i> .
<i>floor offset</i>	The meaning ascribed in Section 2 of this Procedure.
Letter of Agreement	An executed agreement between a <i>Market Participant</i> and AEMO allowing the <i>Reallocation Request Service</i> to be used to facilitate <i>reallocation requests</i> for <i>swap offsets</i> , <i>cap offsets</i> or <i>floor offsets</i> , in the form of Schedule 1.

Term	Definition
<i>Participant ID</i>	A unique <i>Registered Participant</i> identifier used by AEMO's Electricity Market Management System (EMMS) for the calculation and processing of all settlement activities. Where a <i>Registered Participant</i> has multiple <i>Participant IDs</i> , the <i>Registered Participant</i> must designate the <i>Participant ID</i> that will be used for reallocations.
<i>Period ID</i>	A numeric identifier used by EMMS to represent a <i>trading interval</i> in any given day, so that 1 is the <i>trading interval</i> commencing at midnight and: <ul style="list-style-type: none"> • up to and including 30 June 2021, 48 is the 30 minute <i>trading interval</i> ending at midnight (commencing at 23:30); • from and including 1 July 2021, 288 is the 5 minute <i>trading interval</i> ending at midnight (commencing at 23:55).
<i>Reallocation Request Service</i>	The web-based interface provided by AEMO to allow <i>Market Participants</i> to submit, authorise and view their <i>reallocation requests</i> .
<i>reallocation timetable</i>	The timetable referred to in clause 3.15.11(d)(2) of the NER.
<i>Region ID</i>	An identifier used by EMMS to represent a <i>region</i> .
<i>strike price</i>	A price value for each period that is used along with the <i>regional reference price</i> in determining the <i>trading amount</i> .
<i>swap offset</i>	The meaning ascribed in Section 2 of this Procedure.

1.2.2. Interpretation

The following principles of interpretation apply to these Procedures unless otherwise expressly indicated:

- (a) These Procedures are subject to the principles of interpretation set out in Schedule 2 of the National Electricity Law.
- (b) References to time are references to Australian Eastern Standard Time.

1.3. Related documents

Reference	Title	Location
500-0096	Reallocation Procedure: Energy and Dollar Offset Reallocations	AEMO website: http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Settlements-and-payments/Prudentials-and-payments/Procedures-and-guides
	Corporations (Australian Energy Market Operator Limited) CS Facility Exemption Notice	Australian Securities and Investments Commission website: http://asic.gov.au/regulatory-resources/markets/exempt-clearing-and-settlement-facilities-operating-in-australia/
	<i>Reallocation Timetable</i>	AEMO website: http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Settlements-and-payments/Prudentials-and-payments/Procedures-and-guides
	<i>Credit Limit Procedures</i>	AEMO website: http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Settlements-and-payments/Prudentials-and-payments/Maximum-Credit-Limit

Reference	Title	Location
	Settlement Calendars	AEMO website: http://www.aemo.com.au/Electricity/National-Electricity-Market-NEM/Settlements-and-payments/Prudentials-and-payments/Settlement-Calendars

1.4. Amendment

While the *CS Facility Exemption* applies in respect of *reallocation transactions* under this Procedure, any amendment to this Procedure has no effect unless and until AEMO has complied with the conditions of the *CS Facility Exemption* in respect of that amendment.

2. OVERVIEW OF REALLOCATIONS

- (a) A *reallocation* is a rules-supported financial arrangement under which two *Market Participants* request AEMO to make matching debits and credits to the position of those *Market Participants*. The *reallocation* normally represents an off-market financial commitment, such as a hedge contract.
- (b) A *reallocation request* is a request lodged with AEMO to initiate a *reallocation transaction*, and according to clause 3.15.11(d) of the NER must:
 - (i) contain the information required by the *reallocation procedures*; and
 - (ii) be lodged with AEMO in accordance with the *reallocation procedures* and the timetable for *reallocation requests* as published by AEMO from time to time (the *reallocation timetable*).
- (c) *Reallocation requests* may be submitted either before or after a specified *trading interval* has occurred, subject to the *reallocation timetable*.
- (d) *Ex ante reallocations* are considered in the determination of a *Market Participant's* prudential settings. This enables *reallocations* to be used to reduce a *Market Participant's credit support* requirements under the NER.
- (e) Clause 3.15.11(c) of the NER permits AEMO to specify the permitted types of *reallocation transactions*.
- (f) This Procedure permits three types of *reallocation transactions*:
 - (i) *Swap Offset*
 This *reallocation* specifies an energy profile and a *strike price*, and uses the *regional reference price* for the nominated *region* to determine a *trading amount* for each *trading interval*. This allows a hedge contract based on a swap to be represented as a *reallocation*.
 - (ii) *Cap Offset*
 This *reallocation* specifies an energy profile and a *strike price*, and calculates a non-zero *trading amount* when the *regional reference price* for the nominated *region* exceeds the *strike price* for each *trading interval*. This allows a hedge contract based on a cap to be represented as a *reallocation*.
 - (iii) *Floor Offset*

This *reallocation* specifies an energy profile and a *strike price*, and calculates a non-zero *trading amount* when the *regional reference price* for the nominated *region* is less than the *strike price* for each *trading interval*. This allows a hedge contract based on a floor to be represented as a *reallocation*.

3. REALLOCATION REQUEST SERVICE

AEMO provides a web-based self service facility to enable *Market Participants* to manage their *reallocations* (referred to as the "*Reallocation Request Service*").

- (a) All *reallocation requests* must be submitted and authorised through the *Reallocation Request Service*.
- (b) A *Market Participant* can only view *reallocation requests* for which they are a related party.

4. LETTER OF AGREEMENT

Prior to a *Market Participant* being able to use the *Reallocation Request Service* for *swap offsets*, *cap offsets* or *floor offsets*, a valid Letter of Agreement must be in place between the *Market Participant* and AEMO. As a *reallocation* involves two *Market Participants*, a valid Letter of Agreement under this Procedure must be in place for each of those *Market Participants* before the *reallocation request* can be submitted.

- (a) Consistent with the conditions of the *CS Facility Exemption*, a *Market Participant* is only permitted to execute and remain a party to a Letter of Agreement if it is both:
 - (i) registered by AEMO as either a *Market Customer*, a *Market Generator* or a *Market Network Service Provider*; and
 - (ii) a wholesale client within the meaning of section 761A of the *Corporations Act 2001* (Cth).
- (b) A *Market Participant* must execute a Letter of Agreement with AEMO before submitting a *reallocation request*.
- (c) The execution of a Letter of Agreement with AEMO is only required once. All subsequent *reallocation requests* for *swap offsets*, *cap offsets* or *floor offsets* with any counterparty are covered by the Letter of Agreement while it remains in effect.
- (d) An executed Letter of Agreement is required for both *Market Participants* (i.e. credit and debit party) involved in a *reallocation request*.
- (e) The *Market Participant* must complete and execute two copies of the Letter of Agreement, and forward them to AEMO. A template of the Letter of Agreement is provided in Appendix A, and a suggested cover letter is also supplied in Appendix B.
- (f) Upon receipt of the Letter of Agreement, AEMO will execute both copies. One copy will be retained by AEMO, and the other returned to the *Market Participant*.
- (g) Once the Letter of Agreement has been executed, AEMO will configure the *Reallocation Request Service* to enable the *Market Participant* to submit *reallocation requests*.

5. LODGEMENT PROCESS

5.1 Submission

- (a) *Reallocation requests* are submitted using the *Reallocation Request Service*.
- (b) A *reallocation request* can be submitted by either the credit or debit party.
- (c) A *reallocation request* must be submitted according to the *reallocation timetable*.
- (d) Where a *reallocation request* applies to any *trading intervals* in the future, the party submitting the request must confirm there is a contractual arrangement between the credit and debit party which underpins the *reallocation* for the entire period of the *reallocation request*. If the contractual arrangement is terminated during the period of the *reallocation request*, the parties must immediately notify *AEMO* that they require the request to be deregistered in accordance with clause 3.15.11(f) of the *NER*.
- (e) The *Reallocation Request Service* may allow a *reallocation request* to be submitted through:
 - (i) entry of data on a web-based interface; or
 - (ii) upload of a file containing the submission details to a web-based interface; or
 - (iii) use of an Application Programming Interface (API),
 as made available and advised by *AEMO*.
- (f) Table 1 specifies the data to be submitted with a *reallocation request*. Data identified as “Mandatory” must always be provided.
- (g) The *Reallocation Request Service* will validate the data provided, and the *reallocation request* can only be submitted if the data supplied meets the “validation rules” defined in Table 1.

Table 1 Data required for submission of a *reallocation request*

Data item	Type	Description	Validation Rules
<i>Credit Participant ID</i>	Mandatory	The <i>Market Participant</i> who will receive credit (i.e. positive) <i>reallocation</i> amounts for: <ul style="list-style-type: none"> • <i>Cap and floor offset</i>, • <i>Swap offset</i> when the <i>regional reference price</i> is greater than the <i>strike price</i> 	Must be a valid <i>Participant ID</i> for which a Letter of Agreement has been executed
<i>Debit Participant ID</i>	Mandatory	The <i>Market Participant</i> who will receive debit (i.e. negative) <i>reallocation</i> amounts for: <ul style="list-style-type: none"> • <i>Cap and floor offset</i>, • <i>Swap offset</i> when the <i>regional reference price</i> is greater than the <i>strike price</i> 	Must be a valid <i>Participant ID</i> for which a Letter of Agreement has been executed
<i>Region ID</i>	Mandatory	The <i>region</i> to be used to determine the dollar value of the <i>reallocation</i>	Must be a valid <i>Region ID</i>

Data item	Type	Description	Validation Rules
Agreement Type	Mandatory	Specifies the <i>reallocation</i> as either <i>swap offset</i> , <i>cap offset</i> or <i>floor offset</i>	Must be either "SWAP" "CAP" or "FLOOR"
Credit Reference	Optional	Freeform text supplied by the credit participant	None
Debit Reference	Optional	Freeform text supplied by the debit participant	None
Day Type	Mandatory	Specifies which <i>trading intervals</i> the <i>reallocation</i> applies to by reference to the applicable <i>Calendar</i> ¹	Must be either "FLAT", "BUSINESS", or "NON_BUSINESS"
Start Date	Mandatory	The date of the first <i>trading interval</i> (interval starting 00:00) to which the <i>reallocation</i> applies	Must be a valid date in accordance with <i>reallocation timetable</i>
End Date	Mandatory	The date of the last <i>trading interval</i> (interval ending 00:00) to which the <i>reallocation</i> applies	Must be a valid date in accordance with <i>reallocation timetable</i>
Period ID	Mandatory	The <i>Period ID</i> to which the value applies	<i>Period IDs</i> for all <i>trading intervals</i> in the day must be specified
Values	Mandatory	The energy quantity of the <i>reallocation</i> for each <i>Period ID</i>	Must be a real number for each <i>Period ID</i>
Strike Price	Mandatory	The <i>strike price</i> of the <i>reallocation</i> for each <i>Period ID</i>	Must be a positive real number for each <i>Period ID</i>
Contractual Arrangement	Mandatory	Confirms that there is a contractual arrangement between the parties	Must be confirmed if <i>reallocation request</i> applies to any <i>trading intervals</i> in the future

5.2. Authorisation

- (a) *Reallocation requests* are authorised using the *Reallocation Request Service*.
- (b) A *reallocation request* can only be authorised by the party (Credit Participant ID or Debit Participant ID) that did not submit the *reallocation request*.
- (c) A *reallocation request* must be authorised in accordance with the *reallocation timetable*.
- (d) Where a *reallocation request* applies to any *trading intervals* in the future, the party authorising the request must confirm there is a contractual arrangement between the credit and debit party which underpins the *reallocation* for the entire period of the *reallocation request*. If the contractual arrangement is terminated during the period of the *reallocation*

¹ Where more than one *Calendar* is available, the submitting party must select one

request, the party who authorised the request must immediately notify AEMO that the request to be deregistered in accordance with clause 3.15.11(f) of the NER.

- (e) A *reallocation request* is authorised by the entry of data on a web-based interface. A facility to upload the *reallocation request* details is not available for authorisation.
- (f) Table 2 specifies the data to be submitted with the authorisation of a *reallocation request*. Data identified as "Mandatory" must always be provided.
- (g) The *Reallocation Request Service* will validate the data provided, and the *reallocation request* will only be authorised if the data supplied meets the "Validation Rules" defined in Table 2.

Table 2 Data required for authorisation of a reallocation request

Data item	Type	Description	Validation Rules
Credit Participant ID	Mandatory	The <i>Market Participant</i> who will receive credit (i.e. positive) <i>reallocation amounts</i> for: <ul style="list-style-type: none"> • <i>Cap and floor offset</i>, • <i>Swap offset</i> when the <i>regional reference price</i> is greater than the <i>strike price</i> 	Must be identical to submitted <i>reallocation request</i>
Debit Participant ID	Mandatory	The <i>Market Participant</i> who will receive debit (i.e. negative) <i>reallocation amounts</i> for: <ul style="list-style-type: none"> • <i>Cap offset and floor offset</i>, • <i>Swap offset</i> when the <i>regional reference price</i> is greater than the <i>strike price</i> 	Must be identical to submitted <i>reallocation request</i>
Region ID	Mandatory	The <i>region</i> to be used to determine the dollar value of the <i>reallocation</i>	Must be identical to submitted <i>reallocation request</i>
Agreement Type	Mandatory	Specifies the <i>reallocation</i> as either <i>swap offset</i> , <i>cap offset</i> or <i>floor offset</i>	Must be identical to submitted <i>reallocation request</i>
Debit Reference	Optional	Freeform text supplied by the debit participant	None
Day Type	Mandatory	Specifies which <i>trading interval</i> dates the <i>reallocation</i> applies to by reference to the applicable <i>Calendar</i> ²	Must be identical to submitted <i>reallocation request</i>
Start Date	Mandatory	The date of the first <i>trading interval</i> (interval starting 00:00) to which the <i>reallocation</i> applies	Must be identical to submitted <i>reallocation request</i>
End Date	Mandatory	The date of the last <i>trading interval</i> (interval ending 00:00) to which the <i>reallocation</i> applies	Must be identical to submitted <i>reallocation request</i>

² Where more than one *Calendar* is available, the authorising party must select one

Data item	Type	Description	Validation Rules
<i>Reallocation Total</i>	Mandatory	The total of the period values of the <i>reallocation</i> plus the total of the period <i>strike prices</i> of the <i>reallocation</i>	Must be equal to the sum of the values and <i>strike prices</i> for <i>Period IDs</i> in the submitted <i>reallocation request</i>
Contractual Arrangement	Mandatory	Confirms that there is a contractual arrangement between the parties	Must be confirmed if <i>reallocation request</i> applies to any <i>trading intervals</i> in the future

5.3. Registration

- (a) For the purposes of clause 3.15.11(e) of the NER, a *reallocation request* that has been authorised in accordance with Section 5.2 will be automatically registered by the *Reallocation Request Service*.
- (b) AEMO may not register a *reallocation request* that has been authorised as an *ex post reallocation* where as a consequence of the *reallocation transaction* either the credit or debit party would have an *outstandings* greater than their *trading limit*. Where a *reallocation request* has not been registered, the *Reallocation Request Service* will advise the party performing the authorisation, and the *reallocation request* will be marked as cancelled.

5.4. Expiry and Cancellation

- (a) A *reallocation request* that has been submitted but not authorised may be cancelled by the initiating *Market Participant*.
- (b) A *reallocation request* that has been submitted but not authorised, and which is no longer in accordance with the *reallocation timetable*, will be automatically expired by the *Reallocation Request Service*.
- (c) A cancelled or expired *reallocation request* cannot be registered, and therefore cannot form the basis of a *reallocation transaction*.
- (d) A registered *reallocation request* cannot be cancelled. If the affected *Market Participants* no longer require *reallocation transactions* relating to that *reallocation request*, the reversal process must be used (refer to Section 7.1).

6. PRUDENTIALS

Subject to and in accordance with the *credit limit procedures*, an *ex ante reallocation* may be considered by AEMO in any determination of the *prudential settings* applicable to a *Market Participant* with respect to the period of the applicable *reallocation request*³.

³ The way in which the *reallocation request* is used in this context is specified in AEMO's "Credit Limit Procedures" document located on the AEMO website at: <http://www.aemo.com.au>

7. REVERSAL AND DEREGISTRATION

7.1. Reversal

For the purposes of clause 3.15.11(i) of the NER, *Market Participants* may reverse the effect of a *reallocation request* by the registration of a new *reallocation request* with identical details and either the credit and debit parties reversed, or the sign of energy quantity (Values item in Table 1) reversed.

7.2. Deregistration

For the purposes of clause 3.15.11(f)(3) of the NER, the *Market Participants* in respect of a *reallocation request* may request AEMO to deregister that *reallocation request* by written notice specifying:

- (a) the earliest date and *trading interval* from which the parties wish to terminate the *reallocation request*;
- (b) the *Participant ID* of each *Market Participant*;
- (c) the identifier for the *reallocation request*;
- (d) the reason why this termination cannot be effected by reversal of a *reallocation* between the two parties via the *Reallocation Request Service*.

If each *Market Participant* submits a separate notice, the above information must be consistent in each notice.

8. REALLOCATION TRANSACTIONS

- (a) For each registered *reallocation request* in respect of a *trading interval*, a *reallocation transaction* is performed. The *trading amount* of the *Market Participant* designated the credit party is equal to the *reallocation amount* calculated in paragraphs (b) to (d). The *trading amount* of the *Market Participant* designated the debit party is equal to the negative of the *reallocation amount* calculated in paragraphs (b) to (d).
- (b) For a *swap offset reallocation request* (i.e. where the *agreement type* of a *reallocation request* is specified as "SWAP"), the *reallocation amount* of the *reallocation transaction* is calculated according to:

$$RA_{TI} = V_{PI} \times (RRP_{R, TI} - S_{PI})$$

where:

- RA_{TI} is the *reallocation amount* (either positive, negative or zero) with respect of the *trading interval* TI
- V_{PI} is the energy value specified in the *reallocation request* for the *period* PI , where PI is the equivalent *Period ID* for the *trading interval* TI
- S_{PI} is the *strike price* value specified in the *reallocation request* for the *period* PI , where PI is the equivalent *Period ID* for the *trading interval* TI
- $RRP_{R, TI}$ is the *regional reference price* for *trading interval* TI in respect to the *region* R that was specified in the *reallocation request*

TI is a *trading interval* between the Start Date and End Date of the *reallocation request*, and where the date of the *trading interval* matches the *day type* of the *reallocation request* according to the rules specified in paragraph (e)

- (c) For a *cap offset reallocation request* (i.e. where the *agreement type* of a *reallocation request* is specified as "CAP"), the *reallocation amount* of the *reallocation transaction* is calculated according to:

$$RA_{TI} = V_{PI} \times (RRP_{R, TI} - S_{PI}) \quad \text{if } RRP_{R, TI} > S_{PI}$$

$$RA_{TI} = 0 \quad \text{if } RRP_{R, TI} \leq S_{PI}$$

where:

RA_{TI} is the *reallocation amount* (either positive, negative or zero) with respect of the *trading interval* TI

V_{PI} is the energy value specified in the *reallocation request* for the *period* PI, where PI is the equivalent *Period ID* for the *trading interval* TI

S_{PI} is the *strike price* value specified in the *reallocation request* for the *period* PI, where PI is the equivalent *Period ID* for the *trading interval* TI

$RRP_{R, TI}$ is the *regional reference price* for *trading interval* TI in respect to the *region* R that was specified in the *reallocation request*

TI is a *trading interval* between the Start Date and End Date of the *reallocation request*, and where the date of the *trading interval* matches the *day type* of the *reallocation request* according to the rules specified in paragraph (e)

- (d) For a *floor offset reallocation request* (i.e. where the *agreement type* of a *reallocation request* is specified as "FLOOR"), the *reallocation amount* of the *reallocation transaction* is calculated according to:

$$RA_{TI} = V_{PI} \times (S_{PI} - RRP_{R, TI}) \quad \text{if } RRP_{R, TI} < S_{PI}$$

$$RA_{TI} = 0 \quad \text{if } RRP_{R, TI} \geq S_{PI}$$

where:

RA_{TI} is the *reallocation amount* (either positive, negative or zero) with respect of the *trading interval* TI

V_{PI} is the energy value specified in the *reallocation request* for the *period* PI, where PI is the equivalent *Period ID* for the *trading interval* TI

S_{PI} is the *strike price* value specified in the *reallocation request* for the *period* PI, where PI is the equivalent *Period ID* for the *trading interval* TI

$RRP_{R, TI}$ is the *regional reference price* for *trading interval* TI in respect to the *region* R that was specified in the *reallocation request*

TI is a *trading interval* between the Start Date and End Date of the *reallocation request*, and where the date of the *trading interval* matches the *day type* of the *reallocation request* according to the rules specified in paragraph (e)

- (e) A *trading interval* is considered to match the *day type* of the *reallocation request* based on the rules defined in Table 3.

Table 3 Rules for determining applicable trading intervals

Date of trading interval	Day types
A business day per the <i>Calendar</i> applicable to the <i>reallocation request</i>	FLAT, BUSINESS
Any day that is not a business day as per the applicable <i>Calendar</i> .	FLAT, NON_BUSINESS

9. INDEMNIFICATION ARRANGEMENTS

Clause 3.15.11A(a) of the NER states that AEMO may establish “mutual indemnification arrangements with other operators of markets for electricity-based trading”, either in addition to or in lieu of *reallocation procedures*. With respect to this Procedure, no indemnification arrangements are required or specified.

9A. TRANSITIONAL ARRANGEMENTS FOR 5 MINUTE SETTLEMENT

In preparation for the change in the definition of a *trading interval* from 30 minutes to 5 minutes under the NER with effect from 1 July 2021, the following transitional arrangements will apply:

- (a) *Market Participants* must not submit or authorise *reallocation requests* for 30 minute reallocations in respect of *trading intervals* occurring on or after 1 July 2021.
- (b) AEMO will make the *Reallocation Request Service* functionality for 5 minute *reallocations* available ahead of time and will notify *Market Participants* when available.
- (c) Once the functionality is available, *Market Participants* will have the ability to enter *reallocations* effective from 1 July 2021 at 5 minute resolution.



APPENDIX A. LETTER OF AGREEMENT – SWAP AND OPTION REALLOCATIONS

LETTER OF AGREEMENT

The purpose of this Letter of Agreement is to facilitate the processing of *reallocation transactions* under clause 3.15.11 of the National Electricity Rules comprising *swap offsets*, *cap offsets* or *floor offsets*. AEMO processes these types of *reallocation transactions* under a facility that is exempt from the operation of Part 7.3 of the *Corporations Act 2001* (Cth).

AEMO requires that *reallocation requests* be offered for registration under the terms set out below. Consent to these terms is given by completing, signing and forwarding this document to AEMO.

AEMO DETAILS ("AEMO")

Name: Australian Energy Market Operator Limited

ABN: 94 072 010 327

PARTICIPANT DETAILS ("Participant")

Participant Name: _____

Participant ABN: _____

Authorised User ID: _____

Your signature on this Letter of Agreement acknowledges that you have all power and authority to enter into this Letter Agreement on behalf of the Participant and the Participant agrees to be bound by the terms and conditions of this Letter of Agreement as set out in the remainder of this document

Signed for and on behalf of Participant by:

Signed for and on behalf of AEMO by:

Authorised Signature

Authorised Signature

Name (Please Print)

Name (Please Print)

Title

Title

Date

Date

1. DEFINITIONS

For the purposes of this Letter of Agreement:

“Authorised User ID” means the designated user account nominated by the Participant for the purposes of sending *reallocation requests* under this Letter of Agreement.

“Wholesale Client” has the meaning given to that term in section 761A of the *Corporations Act 2001* (Cth).

All other terms in *italics* are defined in the National Electricity Rules (“NER”) or the Reallocation Procedure: Swap and Option Offset Reallocations (“Procedure”) made by AEMO under clause 3.15.11A of the NER.

2. PARTICIPANT ELIGIBILITY

- 2.1 It is a condition of this Letter of Agreement that the Participant is registered under the NER as a *Market Customer, Market Generator or Market Network Service Provider*, and is a Wholesale Client.
- 2.2 Participant represents and warrants to AEMO that it is, and will at all times during the term of this Letter of Agreement remain, a Wholesale Client.
- 2.3 If Participant becomes aware that it will cease or has ceased to be a Wholesale Client, it must promptly notify AEMO in writing.
- 2.4 This Letter of Agreement terminates automatically on the date on which Participant ceases to be either:
 - (a) registered as a *Market Customer, Market Generator or Market Network Service Provider*; or
 - (b) a Wholesale Client.

3. REALLOCATION SERVICE

- 3.1 Participant agrees to create, submit and authorise reallocation requests using the Reallocation Request Service in accordance with the terms of this Letter of Agreement.
- 3.2 A *reallocation request* is not valid unless it has been accepted electronically by the *Reallocation Request Service*. If the *Reallocation Request Service* is not functioning then temporary alternative arrangements for lodging and authorising urgent requests may be agreed with AEMO.
- 3.3 All *reallocation requests* are to comply with clause 3.15.11 of the NER and be in the form as determined by AEMO from time to time.
- 3.4 AEMO will act on Participant’s *reallocation request* only if the request has been authorised by another *Market Participant* within the *reallocation timetable* published on the AEMO website.
- 3.5 A *reallocation request* submitted to or authorised in the *Reallocation Request Service* under this Letter of Agreement is deemed to comprise execution of the *reallocation request* submitted or authorised by Participant, for the purposes of clause 3.15.11 of the NER.
- 3.6 Nothing in this Letter of Agreement fetters AEMO’s powers, obligations or discretions under clause 3.15.11 of the NER.

4. AUTHORISED USER

- 4.1 All reallocation requests sent to AEMO must be submitted or authorised under the Authorised User ID only.
- 4.2 Participant is responsible for creating and maintaining user name(s), password(s) and account designation(s) for the Authorised User ID. Participant is responsible for maintaining the confidentiality of the user name(s), password(s) and account(s), and is fully responsible for all activities that occur under the Authorised User ID. Participant agrees to:
 - (a) immediately notify AEMO of any unauthorised use of the Authorised User ID or any other breach of security; and

- (b) ensure that the Authorised User ID name(s), password(s) and account(s) are only used by persons authorised by Participant.

4.3 AEMO cannot and will not be liable for any loss or damage arising from unauthorised use of the Authorised User ID.

5. PARTICIPANT ACKNOWLEDGEMENTS

5.1 Participant acknowledges that AEMO operates the *Reallocation Request Service* and settles *reallocation transactions* under the Procedure pursuant to the *CS Facility Exemption*.

5.2 Participant acknowledges that the *CS Facility Exemption* requires AEMO to notify or report certain matters to the Australian Securities and Investments Commission (ASIC) and consents to AEMO giving ASIC information relating to Participant to the extent required by the *CS Facility Exemption*, including (without limitation) information about:

- (a) the identity of Participant and the number and value of its *reallocation transactions* requested and performed;
- (b) the issue of a *default notice* to Participant; or
- (c) the drawdown of any *credit support* provided in respect of Participant.

6. AEMO'S LIABILITY

6.1 AEMO provides the *Reallocation Request Service* without any warranties or guarantees. The Participant must bear all reasonable risks associated with the use of the *Reallocation Request Service*.

6.2 To the extent permitted by law, AEMO excludes liability for all losses, costs, damages and expenses incurred or suffered by the Participant or any third party directly or indirectly from Participant's use of the *Reallocation Request Service*, whether arising in contract, tort (including without limitation negligence), in equity, under statute, under an indemnity or on any other basis including, without limitation, liability in connection with:

- (a) any errors, inaccuracies or omissions in the material and data communicated via the *Reallocation Request Service* and the Participant's reliance on such material or data;
- (b) loss or disclosure of Participant specific data;
- (c) any technical problems the Participant may experience with the *Reallocation Request Service*;
- (d) incompatibility of the *Reallocation Request Service* with any of Participant's equipment, software or telecommunications links;
- (e) technical problems including errors or interruptions of the *Reallocation Request Service*;
- (f) unsuitability, unreliability or inaccuracy of the *Reallocation Request Service*; and
- (g) inadequacy of the *Reallocation Request Service* to meet Participant's requirements.

7. PREVIOUS AGREEMENTS TERMINATED

This Letter of Agreement supersedes all previous agreements entered into between the parties in respect of *reallocation transactions for swap offsets, cap offsets or floor offsets*, and the parties agree that any such previous agreement terminates on the date of this Letter of Agreement.

8. GOVERNING LAW

This Letter of Agreement is governed by and shall be construed in accordance with the laws of Victoria and the parties irrevocably submit to the non-exclusive jurisdiction of the courts of Victoria.

APPENDIX B. SUGGESTED COVER LETTER

COMPANY LETTERHEAD

Date: DD Month YYYY

Group Manager Market Management AEMO Ltd

Level 22,

530 Collins Street

Melbourne Vic 3000

Dear Sir/Madam

Letter of Agreement - *Reallocation request*

Please find enclosed two signed Letter of Agreements for <Name of Company> the submission and authorisation of *reallocation requests* to AEMO via the *Reallocation Request Service*.

<Name of Company> nominates the below staff members as the authorised contact/s for managing security of the *Reallocation Request Service* client user account.

	Staff Member	E-mail address
Primary Contact		
Back-up Contact		

<Name of Company> will notify AEMO if the above details change.

It is understood that AEMO will sign both agreements and forward one to:

<Name of Person>

<Title>

<Name of Company>

<Address>

<Address>

<Address>

Yours sincerely

Position title