

# RETAILER RELIABILITY OBLIGATION VOLUNTARY BOOK BUILD PROCEDURES

DRAFT REPORT AND DETERMINATION

Published: October 2019





## **NOTICE OF SECOND STAGE CONSULTATION – RETAILER RELIABILITY OBLIGATION VOLUNTARY BOOK BUILD PROCEDURES**

### **National Electricity Rules – Rule 8.9**

#### **Date of Notice: 17 October 2019**

This Notice informs all Registered Participants and interested parties (Consulted Persons) that AEMO is commencing the second stage of its consultation on the Retailer Reliability Obligation Voluntary Book Build Procedures.

This consultation is being conducted under clause 4A.H.2(a) of the National Electricity Rules (NER), in accordance with the Rules consultation requirements detailed in rule 8.9 of the NER.

#### **Invitation to make Submissions**

AEMO invites written submissions on this Draft Report and Determination (Draft Report).

Please identify any parts of your submission that you wish to remain confidential and explain why. AEMO may still publish that information if it does not consider it to be confidential but will consult with you before doing so.

Consulted Persons should note that material identified as confidential may be given less weight in the decision-making process than material that is published.

#### **Closing Date and Time**

Submissions in response to this Notice of Second Stage of Rules Consultation should be sent by email to [RRO.BookBuild@aemo.com.au](mailto:RRO.BookBuild@aemo.com.au), to reach AEMO by 5.00pm (Melbourne time) on 1 November 2019.

All submissions must be forwarded in electronic format (pdf and Word acceptable). Please send any queries about this consultation to the same email address.

Submissions received after the closing date and time will not be valid, and AEMO is not obliged to consider them. Any late submissions should explain the reason for lateness and the detriment to you if AEMO does not consider your submission.

#### **Publication**

All submissions will be published on AEMO's website, other than confidential content.

© 2019 Australian Energy Market Operator Limited. The material in this publication may be used in accordance with the [copyright permissions on AEMO's website](#).



## EXECUTIVE SUMMARY

The publication of this Draft Report and Determination (Draft Report) commences the second stage of the Rules consultation process conducted by AEMO to develop the Retailer Reliability Obligation Voluntary Book Build Procedures ("the Procedures") under the National Electricity Rules (NER).

The purpose of the voluntary book build is to assist liable entities to find contracts that may help to meet their RRO liability, after the declaration of a forecast reliability gap three years ahead. AEMO has sought and received feedback from interested parties prior to the publication of this draft report and determination and this feedback is reflected in the draft Procedures.

Development and publication of the Procedures is a requirement of clause (4A.H.2(a)) of the NER.

AEMO received three submissions to the issues paper, they indicated broad in principle support for a cost-effective approach with minimal involvement from AEMO beyond introducing potential buyers and sellers.

AEMO received two submissions which commented on the way that AEMO should recover fees for establishment and operation of the voluntary book build.

We noted in the issues paper that AEMO proposes to recover a nominal fee from participants in the book build on a user pays basis. We proposed that a fee is payable in respect of each voluntary book build by each person who is an accredited book build participant at any time from the commencement of that process to the date on which offers are closed. AEMO stated that there may be a shortfall in cost recovery, which would need to be recovered through AEMO's broader participant fee structure.

AEMO agrees that as far as possible, the costs incurred in providing the book build services should be recovered from users of the book build. To the extent full recovery from users is not practicable, AEMO proposes that broader recovery is limited to participants with the potential to benefit from the book build.

Accordingly, AEMO intends to recover book build costs via full retail competition participant fees to reflect that the book build is part of an overall regulatory framework centred on retailer liabilities. It will also include a user pays component paid at registration for each voluntary book build.

Once the book build is required following declaration of a T-3 instrument, operational costs will be recovered from a fee to participate in the book build which will also cover the accreditation process and associated checks.

Two stakeholders commented that the information disclosure requirements in the Procedures exceeded the minimum requirements in the NER. One recommended that the information be limited to:

- Whether the matched counterparties entered into a binding agreement: and
- The volume (in MW) of the binding agreement entered into, compared with the volume (in MW) offered on the bulletin board.

AEMO accepts that the level of reporting contemplated in the draft procedures could represent an unnecessary administrative burden for some participants. We have amended the draft procedures to reduce the information to be reported by participants.

The Australian Energy Council recommended extending participation to include traders "as this will enhance liquidity and further the intention of the voluntary book build mechanism."

AEMO understands the role of the voluntary book build, as provided for in the NER, as providing a forum for buyers and sellers of contracts for new physical capacity. The National Electricity Market (NEM) currently provides many avenues for traders to offer derivative contracts, including through the Market Liquidity Obligation (MLO) should that be enacted. The NER distinguish the aims of the MLO and the voluntary book build.



The eligibility criteria for participation in the voluntary book build has not been changed in the draft procedures. Eligibility to participate in the Book Build is limited to registered NEM Market Participants and opt-in customers as follows:

- For accreditation as a potential buyer in the voluntary book build (VBB Buyer):
  - A Market Customer or another category of Market Participant that could be a liable entity (other than a suspended Market Participant);
  - An Intending Participant in one of the above categories of Market Participant; or
  - A person registered with the AER as a large opt-in customer or a prescribed opt-in customer.
- For accreditation as a potential seller in the voluntary book build (VBB Seller):
  - A Market Generator, Market Small Generation Aggregator, Market Customer or another category of Market Participant that can offer a qualifying contract (other than a suspended Market Participant); or
  - An Intending Participant in one of the above categories of Market Participant.

If appropriate, AEMO may consider the inclusion of the Trader category in NER in any future review of the Book Build procedures.

AEMO's draft determination is to make the Procedures in the form published with this Draft Report.



## CONTENTS

NOTICE OF SECOND STAGE CONSULTATION – RETAILER RELIABILITY OBLIGATION VOLUNTARY BOOK BUILD PROCEDURES	<b>1</b>
EXECUTIVE SUMMARY	<b>2</b>
1. STAKEHOLDER CONSULTATION PROCESS	<b>5</b>
2. BACKGROUND	<b>5</b>
2.1. NER requirements	5
2.2. Context for this consultation	5
2.3. First stage consultation	6
3. SUMMARY OF MATERIAL ISSUES	<b>ERROR! BOOKMARK NOT DEFINED.</b>
4. DISCUSSION OF MATERIAL ISSUES	<b>7</b>
4.1. Fee Recovery	7
4.2. Eligibility Criteria	8
4.3. Reporting Requirements	9
5. OTHER MATTERS	<b>10</b>
6. DRAFT DETERMINATION	<b>11</b>
APPENDIX A. GLOSSARY	<b>12</b>
APPENDIX B. SUMMARY OF SUBMISSIONS AND AEMO RESPONSES	<b>13</b>
APPENDIX C. REFERENCES	<b>ERROR! BOOKMARK NOT DEFINED.</b>
APPENDIX D. ATTACHMENT 1 – DRAFT [INSERT NAME OF PROCEDURE, ETC.]	<b>ERROR! BOOKMARK NOT DEFINED.</b>



## 1. STAKEHOLDER CONSULTATION PROCESS

As required by clause 4A.H.2(a) of the National Electricity Rules (NER), AEMO is consulting on the Retailer Reliability Obligation Voluntary Book Build Procedures ("Procedures") in accordance with the Rules consultation process in rule 8.9.

AEMO's indicative timeline for this consultation is outlined below. Future dates may be adjusted depending on the number and complexity of issues raised in submissions.

Deliverable	Indicative date
Notice of first stage consultation and Issues Paper published	14 August 2019
First stage submissions closed	19 September 2019
Draft Report & Notice of second stage consultation published	17 October 2019
Submissions due on Draft Report	1 November 2019
Final Report published	20 December 2019

The publication of this Draft Report marks the commencement of the second stage of consultation.

Note that there is a glossary of terms used in this Draft Report at Appendix A. A list of publications and other documents referenced in this Draft Report is included at Appendix C

## 2. BACKGROUND

### 2.1. NER requirements

The Retailer Reliability Obligation (RRO) commenced on 1 July 2019. The RRO framework is designed to send early investment signals to the market in relation to impending supply shortfalls, providing time and incentives to invest in new supply-side or demand response capacity to fill the predicted generation shortfall.

The RRO requires that, if a reliability gap period is forecast for a National Electricity Market (NEM) region, liable entities enter into sufficiently firm 'qualifying contracts' to cover their share of the one-in-two year peak demand forecast for the region and reliability gap period. The share is based on the metered energy consumption at the liable entity's connection points in the reliability gap region.

A liable entity is required to demonstrate to the Australian Energy Regulator (AER) that it meets its qualifying contract requirement approximately one year before the commencement of the reliability gap period (T-1).

Liable entities may wish (but are not obliged) to use the new voluntary book build mechanism under Chapter 4A. H of the NER to assist in finding contracts with providers of new or uncontracted capacity. AEMO is required to conduct a book build process after the AER issues a 'T-3 reliability instrument' approximately three years before a reliability gap is forecast to arise and may conduct a further book build about a year later.

AEMO must develop and publish the Procedures under clause 4A.H.2 of the NER, after consultation in accordance with NER rule 8.9.

### 2.2. Context for this consultation

This draft determination and the accompanying draft Book Build Procedures continues AEMO's consultation process. AEMO's aim is to determine and publish the final Procedures by the middle of December 2019.



The Book Build mechanism is one option that liable entities may be able to use if they are unable to source sufficient qualifying contracts through other market channels. The Book Build is separate from the market liquidity obligations (MLO) placed on certain generators under Chapter 4A of the NER.

Participation is voluntary and, on the seller side, does not count towards an MLO generator’s obligations. It is therefore difficult to assess the demand for the Book Build or the amount of capacity that may be offered through the Book Build. Accordingly, and consistent with feedback from market participants to date, the draft Book Build process has been designed to be as simple, efficient and cost effective as possible.

### 2.3. First stage consultation

AEMO issued a Notice of First Stage Consultation on August 14. This issues paper described the reasons for the consultation, provided a draft of the Procedures, and invited stakeholder comment on the draft Procedures. The first stage consultation documents can be viewed here:

<https://www.aemo.com.au/Stakeholder-Consultation/Consultations/Book-Build-Procedure>

AEMO specifically sought feedback on the following matters:

1. The proposed approach for a minimal, cost-effective book build mechanism, subject to further development if warranted based on experience;
2. The proposed criteria for accreditation to participate in the book build, limited to registered market participants and intending participants in the NEM, as well as opt-in customers already registered by the Australian Energy Regulator (AER);
3. The proposed minimum terms to be included in an offer listed by AEMO in a book build;
4. The proposed fee basis; and.
5. The remaining content of the draft Procedures, including the book build participation deed, published with this Issues Paper.

AEMO received three written submissions in the first stage of consultation from Snowy Hydro, the Australian Energy Council (“Energy Council”), and Meridian Energy Australia and Powershop Australia (“MEA Group”).

Copies of all written submissions have been published on AEMO’s website and can be viewed at: <https://www.aemo.com.au/Stakeholder-Consultation/Consultations/Book-Build-Procedure>. The key material issues arising from the proposal and raised by Consulted Persons are summarised in the following table:

No.	Issue	Raised by
1.	Recovery of fees	Energy Council, MEA Group
2.	Expanding eligibility criteria to include Trader registered market participants	Energy Council
3.	Reporting requirements	Snowy Hydro, Energy Council

A detailed summary of issues raised by Consulted Persons in submissions together with AEMO’s responses, is contained in Appendix B.



### 3. DISCUSSION OF MATERIAL ISSUES

#### 3.1. Fee Recovery

##### 3.1.1. Issue summary and submissions

We noted in the issues paper that during the first year of operation (2020), AEMO proposed to recover a nominal fee from participants in the book build on a user pays basis. We proposed that a book build fee is payable in respect of each voluntary book build by each person who is an accredited book build participant at any time from the commencement of that process to the date on which offers are closed. AEMO stated that there may be a shortfall in cost recovery, which would need to be recovered through AEMO's broader participant fee structure.

In its submission, MEA Group said that it was important that AEMO provided guidance in relation to costs on the first year:

*"MEA Group supports fees being recouped by accredited parties on a user pays basis. This is consistent with the ESB's final rules package which state's that costs of the Book Build process will be levied on Book Build participants only. However, with the risk of low participation and insufficient cost recovery, funding shortfalls through AEMO's participant fee structure seem appropriate in the first year. As the participant fee structure may be required to fund cost shortfalls it is important to ensure AEMO provides guidance in relation to the costs to run the Book Build in the first year."*

The Energy Council noted that AEMO should use best endeavours to recover fees on a user basis.

*"In the first year of operation, AEMO proposes to recover a nominal fee from participants in the Book Build on a user pays basis, and on an ongoing basis the fees to use the service will be designed to recover AEMO's costs. However AEMO advises that if participation is low the shortfall in cost recovery will need to be recovered through AEMO's broader participant fee structure."*

*"The Energy Council appreciates that participation in early years may be limited, but suggests that AEMO should use its best endeavours to ensure that costs are not passed on to the broader market unless absolutely necessary, and such costs should be minimised to the extent possible"*

##### 3.1.2. AEMO's assessment

AEMO agrees that as far as possible, costs incurred in providing the book build mechanism should be recovered from users of the book build. To the extent full recovery from users is not practicable, AEMO proposes that broader recovery is limited to participants with the potential to benefit from the book build. The most recent AEMO Electricity Statement of Opportunity (ESOO) publication forecasts that no T-3 instrument will be required for any NEM region for the short to medium term. If there is no material change to the energy supply/demand balance, this means there may be no users of the book build mechanism for some years and therefore no opportunity to recover AEMO's cost in preparing the book build to date from users.

Accordingly, AEMO intends to recover book build set up costs via the Full Retail Competition (FRC) participant fees. This at least ensures that that only retailers pay for the establishment of the service, as the class of participants the book build was primarily intended to benefit. AEMO believes that this compromise is the fairest way for AEMO to recover costs given future uncertainty for the book build participation.

Once the book build mechanism is required following declaration of a T-3 instrument, operational costs will be recovered from a fee to participate in the book build which will also cover the accreditation process and associated participant checks.



Finally, AEMO will look to set the fees in such a way as to be able to allocate user fees to offset the initial FRC fee recovery. This is intended to ensure that the set-up costs for the book build mechanism are subsequently recovered from by the users of the book build to the extent that can reasonably be achieved. In doing so, however, AEMO emphasises the importance of not setting fees at such a level as to discourage book build participation or change the way that participants engage in the market. The fees will be included in AEMO's annual published Budget and Fees.

### 3.1.3. AEMO's conclusion

Recognising the limited scope for use of the book build in the short to medium term, AEMO will recover the initial set-up costs through the FRC fee from retailers. When the book build is required following declaration of a T-3 instrument, operational costs will be recovered from users through a mix of cost reflective user pays fees. In summary:

- Full recovery of book build mechanism initial set up costs through the FRC fee;
- User pays recovery of book build fees as far as can reasonably be achieved, at the point of registration and matching; and
- Allocation of user pays fees to offset the Full FRC fee recovery.

## 3.2. Eligibility Criteria

### 3.2.1. Issue summary and submissions

In the draft Procedures, eligibility to participate in the book build is limited to registered NEM Participants and opt-in customers as follows:

- For accreditation as a potential buyer in the Voluntary Book Build (VBB Buyer):
  - A Market Customer or another category of Market Participant that could be a liable entity (other than a suspended Market Participant).
  - An Intending Participant in one of the above categories of Market Participant; or
  - A person registered with the AER as a large opt-in customer or a prescribed opt-in customer.
- For accreditation as a potential seller in the Voluntary Book Build (VBB Seller):
  - A Market Generator, Market Small Generation Aggregator, Market Customer or another category of Market Participant that can offer a qualifying contract (other than a suspended Market Participant); or
  - An Intending Participant in one of the above categories of Market Participant.

The Energy Council also recommended broadening the eligibility criteria for participation in the Book Build to include Trader Registered Participants:

*"For ease of application AEMO has limited voluntary Book Build buyers and sellers to a subset of market participants and intending participants. The Energy Council encourages the list of potential counterparties to be expanded to include traders, as this will enhance liquidity and further the intention of the voluntary Book Build mechanism."*

### 3.2.2. AEMO's assessment

The role of the book build mechanism is to provide a forum for those offering to buy and sell contracts that deliver new physical capacity (4A.H.1.(c)):

*"The purpose of a voluntary Book Build is to incentivise the delivery of new capacity to reduce a forecast reliability gap for a region, by matching buyers and sellers of Book Build contracts, with detailed terms and conditions to be finalised directly between the relevant matched Book Build participants."*



The NEM currently provides many avenues for traders to offer derivative contracts, including through the MLO should that be triggered. The NER distinguish the aims of the MLO and the Book Build (4 A.H.1 (b)):

*“A voluntary Book Build is distinct from the liquidity obligation set out in Part G and Book Build contracts offered under the voluntary Book Build will not satisfy a liquidity obligation of a MLO Generator in Part G.”*

This reinforces AEMO’s view that book build mechanism was primarily intended for use directly by retailers and providers of new physical capacity. Consistent with the objective of maintaining simplicity, AEMO therefore does not propose to broaden the initial scope of book build participants. This could be considered in future, if appropriate.

### **3.2.3. AEMO’s conclusion**

The eligibility criteria for participation in the Voluntary Book Build has not been changed in the draft procedures. Eligibility to participate is limited to registered NEM Participants and opt in customers as described in section 3.2.1.

## **3.3. Reporting Requirements**

### **3.3.1. Issue summary and submissions**

The Issues Paper discussed a number of obligations that would be placed on book build participants to report to AEMO following completion of a book build:

- The identity of all matched book build participants that the reporting participant contacted, or was contacted by, in relation to a book build offer;
- Whether a book build contract was entered into with a matched book build participant on the basis of that offer, and if so:
  - the date of the contract and name of the counterparty; and
  - any material departures from the offer terms published on the VBB Site;
- The duration of any negotiations that did not result in a book build contract; and
- Whether any negotiations are ongoing as at the date of reporting.

The Energy Council in its submission stated that:

*“The Energy Council believes that the data required to be supplied by matched counterparties should be limited to:*

- *whether the matched counterparties entered into a binding agreement; and*
- *the volume (in MW) of the binding agreement entered into, compared with the volume (in MW) offered on the bulletin board.*

*Restricting the information in this way will reduce the compliance burden on market participants, and provide sufficient data for AEMO to report on the success of the Book Build.”*

In its submission, Snowy Hydro stated:

*“Snowy Hydro is concerned by this obligation as the data which AEMO requires from matched counterparties far exceeds the minimum requirements in the Rules and we do not believe AEMO should record the contracts which are entered into by matched counterparties”*

### **3.3.2. AEMO’s assessment**

AEMO notes that the NER require book build participants to notify AEMO whether they entered into contracts with a matched participant. The purpose of reporting requirements is for AEMO to gather information to assess the usage and effectiveness of the book build, report usage statistics publicly and use the information to improve the book build over time. This may include potentially being able to list offer



standardised products in the book build which would support a more efficient contracting process and potentially lead to great levels of automation.

We accept however that some participants may have concerns that the reporting requirements in the Procedures exceed those strictly required and could be administratively burdensome. Accordingly, AEMO has amended the Procedures to broadly reflect the Energy Council's suggestion. However, AEMO proposes to ask book build participants to report whether negotiations for a book build contract are still in progress at the time of reporting; this will allow AEMO to follow up and capture contracts that may be entered into subsequently.

### 3.3.3. AEMO's conclusion

The reporting requirements in the Procedures (clause 7(b)) have been amended to require reporting of the following information only:

- Whether the matched book build participant entered into a book build contract in relation to an offer on the VBB Site (identified by its AEMO reference number);
- The volume (in MW) of the book build contract entered into, compared with the volume (in MW) offered on the VBB Site; and
- Whether any negotiations are ongoing in respect of an offer on the VBB Site at the time of reporting.

## 4. OTHER MATTERS

All of the submissions received indicated general support for conducting the book build in a cost-effective manner focusing on minimising costs to participants. Submissions also indicated strong support for protecting confidentiality at all times.

The Energy Council suggested that the Book Build be enhanced to include anonymous bids so that sellers *"may improve their understanding of the extent of demand for their possible products."* AEMO agrees that there may be value in expanding the book build in this way however we would prefer to understand the patterns of activity on the book build before adding this feature. This is to ensure that the bookbuild achieves its overall aim of assisting retailers to become compliant with the RRO in a low-cost straightforward way, which may be better achieved by exposing offers only.

This suggestion will be considered in any future review of the book build. AEMO notes comments in submissions from Snowy Hydro and MEA Group that demand for the book build may not be high, for example MEA observed:

*"MEA Group is not convinced that there will be sufficient industry value created from a voluntary Book Build process."*

In this context, AEMO does not believe that this extra level of cost involved in also posting bids from liable parties is warranted at this time.

The Energy Council queried the *"reasons and decision-making process AEMO will employ to exercise its discretion to extend the period."* We included this latitude in the Procedures to provide the flexibility to extend the book build in the case we receive request(s) from participants to extend the period. Any requests from participants to AEMO would be treated very much on a case-by-case basis. We believe that it is important to provide participants as much flexibility and time as possible to meet contract requirements under the RRO.



## **5. DRAFT DETERMINATION**

Having considered the matters raised in submissions, AEMO's draft determination is to make the Retailer Reliability Obligation Voluntary Book Build Procedures in the form of Attachment 1, in accordance with clause 4A.H.2(a) of the NER.



## APPENDIX A. GLOSSARY

Term or acronym	Meaning
RRO	Retailer Reliability Obligation
MLO	Market Liquidity Obligation
NEO	National Electricity Objective
Procedures	Retailer Reliability Obligation Voluntary Book Build Procedures.
BBPA	Book Build Participation Agreement
VBB	Voluntary Book Build

## APPENDIX B. SUMMARY OF SUBMISSIONS AND AEMO RESPONSES

No.	Consulted person	Issue	Aemo response
1.	MEA Group	MEA Group is of the view that any voluntary book build process should be uncomplicated in the first year, to keep costs to a minimum, so the effectiveness of the scheme can be assessed for its use in future years.	We agree, this is an important objective of the Book Build procedures.
2.	MEA Group	MEA Group is not convinced that there will be sufficient industry value created from a voluntary book build process. Therefore, AEMO should ensure that establishing a voluntary book build mechanism is kept simple with limited costs to industry.	We agree that effort (and therefore cost) should be minimised until we better understand demand for the service from industry. We note that while demand may be low now, that may change in the future therefore AEMO must be ready to scale up the book build in future if required.
3.	Snowy Hydro	...AEMO's role should remain limited in the book build. As noted in the Issues Paper, AEMO should not have a role in any book build negotiations or transactions beyond listing offers provided by accredited sellers, providing an "introduction" for accredited buyers interested in a specified offer, and reporting usage data for the book build.	We agree, as noted in the issues paper AEMO sees its role in the Voluntary Book Build merely as a facilitator.
4.	MEA Group	<b>MEA Group broadly supports the proposed participation eligibility criteria.</b>	<b>Agree</b>
5.	Australian Energy Council	For ease of application AEMO has limited voluntary book build buyers and sellers to a subset of market participants and intending participants. The Energy Council encourages the list of potential counterparties to be expanded to include traders, as this will enhance liquidity and further the intention of the voluntary book build mechanism.	We see the book build as adding value by providing a forum for those offering to sell physical capacity. Referring to NER 4A.H.1.(c) "The purpose of a voluntary book build is to incentivise the delivery of new capacity." The NEM already provides many avenues for traders to offer derivative contracts, including through the MLO if that is triggered. The Rules distinguish the aims of the MLO and the book build 4 A.H.1 (b) "A voluntary book build is distinct from the liquidity obligation set out in Part G and book build contracts offered under the voluntary book build will not satisfy

			a liquidity obligation of a MLO Generator in Part G." AEMO believes that that the book build was not intended for traders or third parties and intermediaries.
6.	MEA Group	For a minimalist approach the terms as proposed generally provide sufficient information for buyers to assess contract availability and suitability. To keep costs low this appears to be an adequate level of information.	We Agree, our objective is to provide potential buyers with enough information to be able to assess the potential suitability of the offer without disclosing any commercial information.
7.	Snowy Hydro	Snowy Hydro understands AEMO's approach to operate the book build in a manner similar to a bulletin board in that 'offers' containing minimum terms of the product, capacity and availability periods will be published on the AEMO website and publicly available to view. This should not be expanded to include further contract details on the board.	We agree, we are especially cognisant of the need to protect commercially sensitive information to ensure that participants have confidence in the Book Build process. Our role in the Book Build is to bring buyers and sellers together to transact, the commercial detail is dealt with between participants which we assume will be subject to some form of non-disclosure arrangement.
8.	MEA Group	MEA Group supports fees being recouped by accredited parties on a user pays basis. This is consistent with the ESB's final rules package which state's that costs of the book build process will be levied on book build participants only. However, with the risk of low participation and insufficient cost recovery, funding shortfalls through AEMO's participant fee structure seem appropriate in the first year. As the participant fee structure may be required to fund cost shortfalls it is important to ensure AEMO provides guidance in relation to the costs to run the book build in the first year.	See comments below (#9)
9.	Australian Energy Council	In the first year of operation, AEMO proposes to recover a nominal fee from participants in the book build on a user-pays basis, and on an ongoing basis the fees to use the service will be designed to recover AEMO's costs. However, AEMO advises that if participation is low, the shortfall in cost recovery will need to be recovered through AEMO's broader participant fee structure.  The Energy Council appreciates that participation in early years may be limited but suggests that AEMO should use its best endeavours to ensure that costs are not passed on to the broader market unless absolutely necessary, and such costs should be minimised to the extent possible.	We agree, AEMO is intent on keeping costs to a minimum and will seek to recover costs on a user-pays basis to the extent it is practicable. AEMO will seek to recover initial setup costs from retailers through the Full Retail Competition fee and operational costs by charging a fee to register to use the Book Build. Any surplus recovery of operational costs would be used to offset the Full Retail Competition fee collected from retailers to better align with the user pays philosophy.

10.	Snowy Hydro	<p>Snowy Hydro agrees that AEMO should not be assessing book build participants or projects underpinning potential contracts, collecting any form of credit support, or otherwise provide any assurance of:</p> <ul style="list-style-type: none"> <li>• The creditworthiness of any book build participant</li> <li>• Whether the contract is a qualifying contract, the applicable firmness methodology or resulting firmness factor.</li> <li>• The capacity of a book build participant to enter into or perform its obligations under the contract.</li> </ul>	We agree that this is an important feature of the Book Build.
11.	Snowy Hydro	We understand that AEMO will be required to monitor behaviour, perform rudimentary checks for completeness and remove the seller's name, reference and contact details from the offer however it is important that AEMO remain at arms length and does not release any confidential information provided by participants.	We agree, the checks that AEMO will be conducting are intended to be kept to a minimum. Participant names will only be made available to Market Participants that have signed a BBPA and have expressed an interest in commencing discussions with a party that has placed an offer in the book build.
12.	Snowy Hydro	AEMO has an obligation under Clause 4A.H.6 of the Rules to report whether it entered into a book build contract with its matched book build participant. AEMO can oblige book build participants to provide further information on their participation in the voluntary book build. Snowy Hydro is concerned by this obligation as the data which AEMO requires from matched counterparties far exceeds the minimum requirements in the Rules and we do not believe AEMO should record the contracts which are entered into by matched counterparties.	See our comments below (#13)
13.	Australian Energy Council	<p>The Energy Council understands that AEMO has an obligation under Clause 4A.H.6 of the Rules to report whether it entered into a book build contract with its matched book build participant. Paragraph (b) sets out that AEMO can oblige book build participants to provide further information on their participation in the voluntary book build.</p> <p>The Energy Council believes that the extent of data which AEMO requires from matched counterparties far exceeds the minimum requirements in the Rules, and in particular the Energy Council disputes that AEMO should record the contracts which are entered into by matched counterparties. The Energy Council believes that the data required to be supplied by matched counterparties should be limited to:</p>	We accept that participants would have concerns that the reporting requirements in the Procedures are excessive and may be administratively burdensome. Accordingly, AEMO has amended the Procedures to the wording recommended by the Energy Council

		<ul style="list-style-type: none"> <li>• whether the matched counterparties entered into a binding agreement; and</li> <li>• the volume (in MW) of the binding agreement entered into, compared with the volume (in MW) offered on the bulletin board.</li> </ul> <p>Restricting the information in this way will reduce the compliance burden on market participants, and provide sufficient data for AEMO to report on the success of the book build.</p>	
14.	Australian Energy Council	<p>The proposed bulletin board is one-sided, by being limited to offers. While there may be significantly more interest from proponents looking to underwrite their projects, to facilitate increased trading the Energy Council believes the bulletin board should be expanded to include (anonymous) bids as well. In this way prospective sellers may improve their understanding of the extent of demand for their possible products, and be matched with willing buyers.</p>	<p>We agree that there would be value in expanding the book build in this way however this would add significant complication and cost to the current Book Build design. With the goal of keeping participant costs to a minimum (achieved through a simple one-sided market) and our view of likely supply and demand patterns, we have not made this a feature of the initial book build design. However, depending on activity in the book build, showing bids and offers could be accommodated in future iterations of the design.</p>
15.	Australian Energy Council	<p>The suggested voluntary book build period of eight weeks will focus likely participants on reviewing their needs and arranging contracts, and the Energy Council supports the period suggested, but would appreciate more clarity on the reasons and decision-making process AEMO will employ to exercise its discretion to extend the period.</p>	<p>AEMO is not a party to these contracts. We recognise that there may be circumstances where a participant would require more time therefore, we would consider extending the voluntary Book Build if requested by participants. We don't anticipate there being other reasons and each request would be considered and assessed individually.</p>

