

Independent Market Operator

IMO PROCEDURE CHANGE AND DEVELOPMENT GROUP

Agenda

Meeting No.	9
Location:	IMO Board Room, Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Monday, 28 March 2011
Time:	Commencing at 3.00 to 5:00pm

Item	Subject	Responsible	Time
1.	WELCOME AND APOLOGIES / ATTENDANCE	Chair	5 min
2.	MINUTES OF PREVIOUS MEETING	Chair	5 min
3.	ACTIONS ARISING	Chair	5 min
4.	PC_2011_XX: MARKET PROCEDURE FOR RESERVE CAPACITY SECURITY	IMO	45 min
5.	PC_2011_XX: MARKET PROCEDURE FOR REGISTRATION OF DSPs AND ASSOCIATION OF NDLS	IMO	45 min
6.	GENERAL BUSINESS	IMO	10 min
7.	NEXT MEETING: <ul style="list-style-type: none">• TBA	Chair	2 min

Independent Market Operator IMO PROCEDURE CHANGE AND DEVELOPMENT GROUP

Minutes

Meeting No.	8
Location:	IMO Project Meeting Room Level 5, 190 St Georges Terrace, Perth
Date:	Wednesday 2 February 2011
Time:	Commencing at 9:05 – 10.10am

Attendees		
Jacinda Papps	Independent Market Operator (IMO)	Chair
Fiona Edmonds	IMO	IMO/Presenter
Steve Gould	Landfill Gas & Power (LGP)	Industry Representative
Neil Hay	System Management	System Management (proxy)
John Rhodes	Synergy	Synergy
Corey Dykstra	Alinta	Industry Representative
Adam Lourey	Alinta	Observer
Martin Maticka	IMO	Presenter
Shannon Turner	IMO	Minutes

Apologies		
Grace Tan	System Management	System Management
Michael Frost	Perth Energy	Industry Representative
Andrew Everett	Verve Energy	Verve Energy

Item	Subject	Action
1.	<p>WELCOME AND APOLOGIES / ATTENDANCE</p> <p>The Chair opened the 8th meeting of the IMO Procedure Change and Development Working Group (Working Group) at 9:05am</p> <p>Apologies were received from Grace Tan and Michael Frost prior to the meeting.</p> <p><i><u>Note: An apology was received from Andrew Everett following the meeting.</u></i></p> <p>It was noted that Adam Lourey will replace Corey Dykstra as Alinta's representative following MAC approval (9 February 2011 meeting).</p>	

Item	Subject	Action
	<p>The Chair noted:</p> <ul style="list-style-type: none"> • Mr Martin Maticka would be attending the meeting as a presenter and subject matter expert for the Data and Interface Requirements Market Procedure; and • The subject matter expert was not available for the LT PASA Market Procedure due to a late meeting clash. 	
2.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes from Meeting 7 of the Working Group, held on 26 October 2010, were circulated prior to this meeting.</p> <p>The Chair notes that the minutes were ratified out of session on 9 December by Working Group members as a true and accurate record of the previous meeting.</p>	
3.	<p>ACTIONS ARISING</p> <p>The actions arising were either complete or on the meeting agenda. The following exception was noted:</p> <ul style="list-style-type: none"> • Item 107: When there is a long break between Working Group meetings, the minutes are to be ratified by email. <p>The Chair noted that this would be an ongoing endeavour.</p>	
4	<p>MARKET PROCEDURE FOR DATA AND INTERFACE REQUIREMENTS</p> <p>The Chair noted that the Market Procedure for Data and Interface Requirements had been updated to reflect the new format. Other changes include:</p> <ul style="list-style-type: none"> • minor and typographical changes, • removing the minimum workstation requirements, specifically outlining the recommended workstation requirements while also noting that workstations with lower specifications can still connect and operate with IMO but will experience lower performance, • clarifying the Internet Explorer requirements for different versions of the Market Participant Interface; and • updating the IMO's Access Security Section. <p>Mr Martin Maticka presented the specific amendments to the Market Procedure for Data and Interface Requirements to the Working Group.</p> <p>In response to comments from Mr John Rhodes the IMO agreed to:</p> <ul style="list-style-type: none"> • Update the version history table with the correct Market Procedure title; and 	

Item	Subject	Action
	<ul style="list-style-type: none"> • Amend step 4.3.1(a) to read "Windows XP Pro..." <p>Mr Corey Dykstra commented on the IMO's proposal to remove the minimum workstation requirements and just specifically outline the recommended workstation requirements (step 4.2.1). Mr Maticka replied that the IMO wanted one list of requirements, therefore only included the recommended requirements</p> <p>As a result, the IMO agreed to:</p> <ul style="list-style-type: none"> • amend step 4.2.1 to outline the minimum acceptable workstation requirements; and • Delete step 4.2.2. <p>Mr Rhodes stated confusion around the XML requirements versus the web services (section 4.7). Mr Neil Hay added that generally XML was where users downloaded forms off the internet and completed them offline, whereas web users entered the information directly online. Mr Hay suggested separating the two methods to which Mr Maticka agreed to consider.</p> <p><i>Action Point: The IMO to review section 4.7 of the Market Procedure for Data and Interface Requirements assess whether any further amendments are required.</i></p> <p>Mr Rhodes noted that he had found two typographical errors that he would forward to the IMO out of session.</p> <p>To supplement the meeting discussion, the Chair requested Working Group members to consult with their internal IT sections and report back to the IMO with any further comments on the proposed amendments.</p> <p><i>Action Point: Working Group members to consult with their respective IT sections regarding the Market Procedure for Data and Interface Requirements and provide the IMO with any comments by 2 March 2011.</i></p> <p><i>Action Point: The IMO to update the Market Procedure for Data and Interface Requirements to include:</i></p> <ul style="list-style-type: none"> • <i>The amendments agreed to at the Working Group meeting; and</i> • <i>Any additional amendments forwarded to the IMO out of session (if appropriate).</i> 	<p style="text-align: center;">IMO</p> <p style="text-align: center;">Working Group</p> <p style="text-align: center;">IMO</p>
5	<p>MARKET PROCEDURE FOR PRUDENTIAL REQUIREMENTS</p> <p>Ms Fiona Edmonds presented the Market Procedure for Prudential Requirements to the Working Group. Ms Edmonds noted that this Procedure Change Proposal was the result of two Rule Change Proposals:</p>	

Item	Subject	Action
	<ul style="list-style-type: none"> • Removal of Network Control Services, expression of interest and tender processes (RC_2010_11); and • Acceptable Credit Criteria (RC_2010_36). <p>The Chair asked that members only review and comment on the tracked changes as the IMO is currently undertaking a wider review of its prudential processes and will propose further amendments following this. The tracked changes include:</p> <ul style="list-style-type: none"> • The removal of reference to “Network Operator”; • further details of the form for certification and the process for providing the IMO with the certification, along with a process for applying to be listed as an acceptable credit provider, • the inclusion of a link to the Acceptable Credit Criteria form (form) available on the public webpage; and • clarification that the certification can be from either the Market Participant or the financial institutions external solicitor. <p>Step 2.3.2: Mr Dykstra queried why the form could be completed by a solicitor. Ms Edmonds replied that it was a requirement of the new clause 2.38.6 of the Market Rules and ensures protection to the market.</p> <p>In response to a query by Mr Dykstra, Ms Edmonds confirmed that external solicitors to either the entity or the Market Participant may sign the form confirming an entity meets the Acceptable Credit Criteria. Ms Edmonds noted that solicitors would be liable for damages where the form was false or misleading or negligently provided.</p> <p>The IMO agreed to replace “from” with “by” in the last line of the first paragraph of clause 2.3.2.</p> <p>Mr Rhodes asked when the Market Procedure would become operational, the Chair replied when the proposed Rule Changes commenced.</p> <p>Mr Dykstra questioned the purpose of step 2.3.4, and its interactions with step 2.3.2. Mr Dykstra considered that step 2.3.4 is redundant. Ms Edmonds agreed to investigate and respond to Mr Dykstra’s query out of session.</p> <p><i>Action Point: The IMO to clarify step 2.3.4 (and its interactions with step 2.3.2) of the Market Procedure for Prudential Requirements.</i></p> <p>In response to queries by Mr Dykstra, Ms Edmonds noted that:</p> <ul style="list-style-type: none"> • the solicitor signing the Acceptable Credit Criteria form (outlined in clause 2.3.5) had to be external; and 	<p>IMO</p>

Item	Subject	Action
	<ul style="list-style-type: none"> the IMO will consult on the proposed process with the entities on the Acceptable Credit Criteria list as part of the rule change process. <p>Dr Gould noted that there was a level of discontinuity in step 2.8.7 and wondered what would happen if an entity was removed from the list. Ms Edmonds responded that the Market Participant would need to seek Credit Support/ reserve capacity security from an alternative entity on the list. Dr Gould questioned the timeframes the Market Participant would have to complete this; Ms Edmonds replied that there was no time limit stated in the Market Rules.</p> <p>In response to a suggestion from Mr Dykstra the IMO agreed to amend “monthly monitoring” to “periodical monitoring” in clause 2.8.7. Noting that this would reduce the monitoring burden and allow the IMO to respond more quickly in times of financial uncertainty.</p> <p>Mr Hay asked if the same monitoring was done on lawyers if they were to cease operations. Mr Dykstra noted that the solicitor’s decision would still be covered by their indemnity insurance so this would not be an issue. In response to a suggestion from Mr Dykstra the IMO agreed to amend the Market Procedure to notify Market Participants if an entity on the list was removed.</p> <p>Mr Dykstra asked if he could consult further internally on this Market Procedure. The Chair agreed.</p> <p><i>Action Point: Working Group members are to provide the IMO with any additional comments on the Market Procedure for Prudential Requirement by 2 March 2011.</i></p> <p><i>Action Point: The IMO to update the Market Procedure for Prudential Requirements to include:</i></p> <ul style="list-style-type: none"> <i>The amendments agreed to at the Working Group meeting; and</i> <i>Any additional amendments forwarded to the IMO out of session (if appropriate).</i> 	<p>Working Group</p> <p>IMO</p>
6	<p>MARKET PROCEDURE FOR UNDERTAKING LT PASA AND CONDUCTING A REVIEW OF THE PLANNING CRITERION AND FORECASTING PROCESSES</p> <p>The Chair noted that the subject matter expert was not able to attend this meeting and so advised the Working Group that although she may be able to answer some questions, any detailed questions would have to be answered out of session.</p> <p>The Chair noted that the IMO has updated the Market Procedure to reflect its new format. Other changes include:</p> <ul style="list-style-type: none"> Minor and typographical changes, 	

Item	Subject	Action
	<ul style="list-style-type: none"> • Including both reviews required under clause 4.5.15 of the Market Rules (Planning Criterion and forecasting processes); and • Removing direct duplications of the Market Rules to provide a more concise Market Procedure. <p>Mr Hay noted a number of concerns with the Market Procedure these were:</p> <ul style="list-style-type: none"> • steps 2.1.1, 2.2.1 and 2.3.1 all state that the IMO must notify Market Generators, Market Customers and Network Operators by 1 April each year of the information they require however there was no such date for System Management (proposed new step 2.4.1). • step 2.1.1(d) does not take into account any incremental changes i.e. new Non-Scheduled Generators. • it was difficult for System Management to determine frequency requirement over length of the LT PASA (step 2.2.1(a)) and System Management is concerned that they may have to produce something that is in a Market Procedure but not the Market Rules. • it would be difficult for Market Participants to provide all the information (required in steps 2.1.1, 2.2.1 and 2.3.1) for the next 10 years when they may not always know what this information is ahead of time. The Chair asked how other members dealt with this. Mr Rhodes responded that Synergy let the IMO know what they were aware of ahead of time and advised the IMO of any changes as they arose. • steps 2.6.5 – 2.6.7 do not outline any processes as to how the IMO actually completes these tasks. • the Market Procedure doesn't detail how the forecasts are developed. <p>The Chair noted that the business Owner from the IMO would contact System Management regarding the concerns about the Market Procedure.</p> <p><i>Action Point: The IMO to speak with System Management regarding their concerns on this Market Procedure for undertaking LT PASA and conducting a review of the planning criterion and forecasting processes.</i></p> <p>Mr Rhodes questioned the deletion of step 3.2.3 when it was an express requirement of the Market Rules. The Chair replied that this step had been moved and was now step 3.5.1. Mr Rhodes also noted that the timing of the submissions had been lost. The Chair agreed to consider reinstating this step.</p>	<p style="text-align: center;">IMO</p>

Item	Subject	Action
	<p><i>Action Point: The IMO to consider reinstating the timing of the submissions into step 3.5.1 of the Market Procedure for undertaking LT PASA and conducting a review of the planning criterion and forecasting processes.</i></p> <p>Mr Dykstra questioned the intent of the changes to step 3.2.1 noting a concern that the Working Group may take the place of public comments on the review (as required under clause 4.5.16 of the Market Rules). The Chair agreed to consider including a note that that the Working Group was in addition to public submissions required under clause 4.5.16.</p> <p><i>Action Point: The IMO to consider including a note that that the Working Group was in addition to public submissions in the Market Procedure for undertaking LT PASA and conducting a review of the planning criterion and forecasting processes.</i></p> <p>Mr Dykstra suggested that there should be two different sections for the Market Procedure steps in conducting a review of the Planning Criterion and forecasting processes. The IMO agreed to consider this.</p> <p><i>Action point: The IMO to consider updating the Market Procedure to provide separate sections for procedure steps in conducting a review of the Planning Criterion and forecasting processes.</i></p> <p>The Chair noted that this procedure would be bought back to the Working Group for further review given the extent of the comments received.</p>	<p>IMO</p> <p>IMO</p> <p>IMO</p>
<p>6</p>	<p>MARKET PROCEDURE FOR PROCUREMENT OF NETWORK CONTROL SERVICES</p> <p>The Chair presented the Market Procedure for Procurement of Network Control Services to the Working Group.</p> <p>The Chair noted that as a result of Rule Change Proposal: Removal of Network Control Services expression of interest and tender processes from the Market Rules (RC_2010_11) which removes the heads of power for this Market Procedure the IMO proposes to revoke the Market Procedure in its entirety. This is because the process will no longer be an IMO responsibility (as this is being transferred to the Network Operator) and the Market Procedure will therefore become redundant.</p> <p>It was noted that the IMO will formally submit a Procedure Change Proposal noting its intention to revoke this Market Procedure in its entirety. It is anticipated that this Procedure Change will commence simultaneously with RC_2010_11.</p> <p>The Working Group agreed for the IMO to formally submit a Procedure Change Proposal which revokes the market Procedure for Procurement of Network Control Services.</p>	

Item	Subject	Action
	<i>Action point: The IMO to submit a Procedure Change Proposal noting its intention to revoke the Market Procedure for Procurement of Network Control Services.</i>	IMO
7	GENERAL BUSINESS There was no general business.	
8	NEXT MEETING The next Working Group meeting is proposed for 23 March 2011 at 3:00 – 5:00pm.	
9	CLOSED The Chair thanked all members for attending and declared the meeting closed at 10:10am.	



IMO Procedure Change and Development Working Group - Action Points

Legend:

Unshaded	Unshaded action points are still being progressed.
Shaded	Shaded action points are actions that have been completed
Missing	Action items missing from sequence have been completed from previous meeting and subsequently removed from the log.

#	Procedure arising	Section	Action	Status/Progress
107			When there is a long break between Working Group meetings, the minutes are to be ratified by email.	Ongoing.
114	Market Procedure for Data and Interface Requirements		Working Group members to consult with their respective IT sections regarding the Market Procedure for Data and Interface Requirements and provide the IMO with any comments by 2 March 2011.	Completed.
115	Market Procedure for Data and Interface Requirements	4.7	The IMO to review section 4.7 of the Market Procedure for Data and Interface Requirements and assess whether any further amendments are required.	Underway.
116	Market Procedure for Data and Interface Requirements		The IMO to update the Market Procedure for Data and Interface Requirements to include: <ul style="list-style-type: none"> • The amendments agreed to at the 	Underway.

#	Procedure arising	Section	Action	Status/Progress
			<p>Working Group meeting; and</p> <ul style="list-style-type: none"> Any additional amendments forwarded to the IMO out of session (if appropriate). 	
117	Market Procedure for Prudential Requirements	2.3.4	The IMO to clarify step 2.3.4 (and its interactions with step 2.3.2) of the Market Procedure for Prudential Requirements.	Underway.
118	Market Procedure for Prudential Requirements		Working Group members are to provide the IMO with any additional comments on the Market Procedure for Prudential Requirements by 2 March 2011.	Completed.
119	Market Procedure for Prudential Requirements		<p>The IMO to update the Market Procedure for Prudential Requirements to include:</p> <ul style="list-style-type: none"> The amendments agreed to at the Working Group meeting; and Any additional amendments forwarded to the IMO out of session (if appropriate). 	Underway.
120	Market Procedure for undertaking LT PASA and conducting a review of the planning criterion and forecasting processes		The IMO to speak with System Management regarding their concerns on this Market Procedure for undertaking LT PASA and conducting a review of the planning criterion and forecasting processes.	
121	Market Procedure for undertaking LT PASA and conducting a review of the planning criterion and forecasting processes	3.5.1	The IMO to consider reinstating the timing of the submissions in step 3.5.1 of the Market Procedure for undertaking LT PASA and conducting a review of the planning criterion and forecasting processes.	Underway.
122	Market Procedure for undertaking LT PASA and conducting a review of the planning criterion and forecasting processes	3.2	The IMO to consider including a note that the Working Group was in addition to public submissions in the Market Procedure for undertaking LT PASA and conducting a review of the planning criterion and forecasting processes.	Underway.
123	Market Procedure for undertaking LT PASA and conducting a review	3	The IMO to consider updating the Market Procedure to provide separate sections for	Underway.

#	Procedure arising	Section	Action	Status/Progress
	of the planning criterion and forecasting processes		procedure steps in conducting a review of the planning criterion and forecasting processes.	
124	Market Procedure for Procurement of Network Control Services		The IMO to submit a Procedure Change Proposal for noting its intention to revoke the Market Procedure for Procurement of Network Control Services.	

Agenda Item 4: Market Procedure for Reserve Capacity Security

1. BACKGROUND

Following a comprehensive review of the administration of Reserve Capacity Security several issues with the process were identified by the IMO. To enact the outcomes from the IMO's review, proposed solutions to each of the issues were developed in conjunction with the Market Advisory Committee. A brief overview of each of the IMO's identified issues is presented as Appendix 1 to this cover paper. For full details of the issues and the proposed solutions refer to the Rule Change Notice available from: http://www.imowa.com.au/RC_2010_12

As part of the rule change process, the IMO has undertaken to develop an amended Market Procedure for Reserve Capacity Security (Market Procedure) to incorporate process details around the determination, provision and return of security. To facilitate this the IMO proposed to increase the scope of the heads of power for the Market Procedure to allow for these more operational details to be specified in the Market Procedure, thereby enhancing transparency of the process.

Overall, the IMO has updated the Market Procedure to:

- reflect the IMO's new format arising from its Market Procedure project;
- reflect the broader heads of power for the Market Procedure; and
- ensure consistency with the proposed Amending Rules under the following Rule Change Proposals that the IMO is currently progressing:
 - Reserve Capacity Security (RC_2010_12);
 - Certification of Reserve Capacity (RC_2010_14);
 - Capacity Credit Cancellation (RC_2010_28); and
 - Acceptable Credit Criteria (RC_2010_36).

A general overview of the proposed amendments is provided in section 2 below. A copy of the IMO's proposed revised Market Procedure has been provided as Appendix 2.

2. AMENDED MARKET PROCEDURE

The amended Market Procedure will:

- Specify the Reserve Capacity Security requirements for Facilities assigned Early Certified Reserve Capacity;
 - Specify the methodology to be followed by the IMO when determining the Required Level for a Facility, including how the IMO will adjust the Required Level to the number of Capacity Credits for a Facility;
 - Specify the requirements for the provision of a report prepared by an accredited expert to be used for setting the Required Level for an Intermittent Generator.
-



- Clarify the performance requirements for the return of Reserve Capacity Security for all Facilities;
- Clarify the treatment of upgrades and maintenance on Facilities with respect to the level of Reserve Capacity Security required and the performance requirements for the return of a Reserve Capacity Security;
- Outline the process for Market Participants to request the IMO to determine that a Facility is in Commercial Operation;
- Specify the requirements and timing for the return of Reserve Capacity Security (including for Facilities which enter the market early);
- Specify the requirements for the provision of a report prepared by an accredited expert to be used when assessing whether a Facility should have its Reserve Capacity Security returned;
- Clarify the requirement to maintain Reserve Capacity Security once the first Reserve Capacity Cycle has lapsed, unless a Facility:
 - is undertaking significant maintenance or an upgrade; or
 - has had its Capacity Credits cancelled previously;
- Incorporate a number of minor adjustments to remove details of the process steps for:
 - the provision of a Bank Undertaking, Guarantee or Security Deposit as a Reserve Capacity Security;
 - confirming an entity meets the Acceptable Credit Criteria; and
 - exchanging a Reserve Capacity Securityfrom the body of the Market Procedure and incorporate these as Appendices. Note that no substantive amendments have been proposed to these processes; and
- Incorporate a number of minor and typographical amendments to improve the integrity of the Market Procedure.

3. RECOMMENDATIONS

The IMO recommends that the IMO Procedure Change and Development Working Group (Working Group):

- **Discuss** the amendments made to the Market Procedure for Reserve Capacity Security; and
 - **Note** that the IMO will formally submit these changes into the Procedure Change Process, subject to any comments from the Working Group.
-



APPENDIX 1: RESERVE CAPACITY SECURITY: ISSUES AND PROPOSED SOLUTIONS (RC_2010_12)

Issue identified in Rule Change Proposal	Proposed Solution
Treatment of Facilities once the first Reserve Capacity Cycle has lapsed (Issue 1)	Updates to clarify that: <ul style="list-style-type: none"> • Reserve Capacity Security (RCS) is to be either returned to the Market Participant or forfeited within the first Reserve Capacity Cycle. No further RCS obligation will apply to that Certified Reserve Capacity (CRC) thereafter, unless the Facility is upgraded at a later date; and • Replacement RCS is only required if the obligation to provide security extends beyond the period of the validity of the current security.
Treatment of Intermittent Facilities (Issue 2)	Development of the Required Level concept to ensure consistent treatment of all generation types. The Required Level concept is based on the 5 percent Probability of Exceedance of the three year expected generation output for the Facility (MW). Alternatively a Market Participant may provide the IMO a report prepared by one of the IMO's accredited experts stating that the Facility has been built to the specifications that its certification was based on. The concept was supported by Senegy Econnect and McLennan, Magasnik and Associated (MMA), the independent experts appointed by the IMO to provide advice during the development of the Required Level concept. The Required Level concept will also be used for the purposes of the Reserve Capacity Testing and Reserve Capacity refunds.
Timing for return of RCS (Issue 3)	Updates to allow for the return of RCS when a Facility can operate at its Required Level and is considered by the IMO to be in Commercial Operation, regardless of whether this occurs before or after a Reserve Capacity Obligation Quantity (RCOQ) greater than zero applies.
Treatment of upgraded Facilities (Issue 4)	Updates to clarify that for the purposes of returning RCS held for upgraded Facilities, the entire Facility must pass the relevant test (either the 100 percent or 90 percent test)
Treatment of Early Certification of Capacity (Issue 5)	Updates to ensure consistent treatment of all capacity. Early Certified Reserve Capacity (ECRC) to be subject to the same requirements as capacity that enters the system via the normal process from the time and date specified in clause 4.1.14(a). A number of minor and typographical changes are also proposed to improve the integrity of the Market Rules.
Clarification of rules surrounding return of non-cash RCS (Issue 6)	Updates to treat security provided as a non-cash deposit in the same manner as security provided as a cash deposit.
Correction of a number of minor and typographical amendments (Issue 7)	A number of minor and typographical changes are also proposed to improve the integrity of the Market Rules.



MARKET PROCEDURE: Reserve Capacity Security

VERSION 2

ELECTRICITY INDUSTRY ACT 2004

ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY MARKET) REGULATIONS 2004

WHOLESALE ELECTRICITY MARKET RULES

COMMENCEMENT:

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

VERSION HISTORY

VERSION	EFFECTIVE DATE	NOTES
1	24 July 2009	Market Procedure for Reserve Capacity Security
2	Xx Xxx 2011	Amendments to Market Procedure resulting from PC_2011_XX

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1 PROCEDURE OVERVIEW

1.1 Relationship with the Market Rules

1.1.1 This Reserve Capacity Security Market Procedure (Procedure) should be read in conjunction with section 4.13 of the Wholesale Electricity Market (WEM) Rules (Market Rules).

1.1.2 Reference to particular Market Rules within the Procedure in bold and square brackets **[MR XX]** are current as of 1 October 2011. These references are included for convenience only, and are not part of this Procedure.

1.2 Purpose

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

1.2.2 This Procedure provides the processes for dealing with:

- a) determining Reserve Capacity Security;
- b) assessing entities against the Acceptable Credit Criteria;
- c) Reserve Capacity Security arrangements, including:
 - (i) the form of acceptable guarantees and bank undertakings;
 - (ii) where and how the IMO will hold cash deposits and how the costs and fees of holding cash deposits will be met; and
 - (iii) the application of monies drawn from Reserve Capacity Security in respect of amounts payable by the relevant Market Participant to the IMO under clause 4.13.11; and
- d) other matters relating to section 4.13.

1.3 Application

1.3.1 This Procedure applies to:

- a) a Market Participant that:
 - (i) has a Facility that has been assigned Certified Reserve Capacity by the IMO; and

- (ii) the Facility or in the case of an upgrade to an existing Facility, that upgrade has not been commissioned; and
- b) the IMO in determining the requirement for a Reserve Capacity Security and assessing the compliance of that Reserve Capacity Security with the Market Rules and this Market Procedure.

1.4 Associated Market Procedures

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

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

1.5 Interpretation

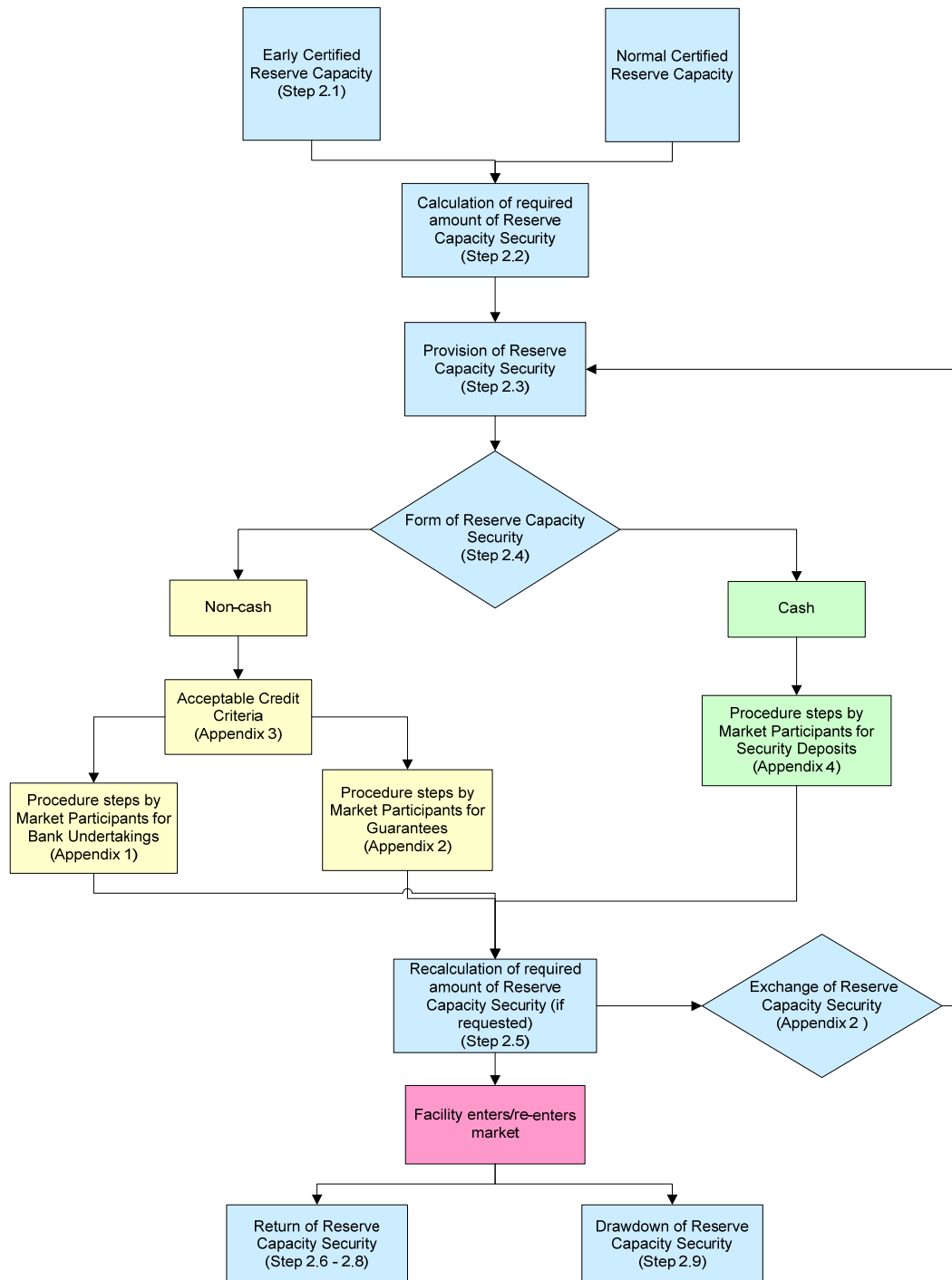
1.5.1 In this Procedure the conventions specified in clauses 1.3 - 1.5 of the Market Rules apply. The following additional clarifications are noted for the purposes of this Procedure:

- a) "Acceptable Credit Criteria Form" means the form so named and approved from time to time by the IMO.
- b) "Authorised" means an "Authorised" person being a Director or Officer as defined by the *Corporations Act 2001*.
- c) "Bank" means a bank under the prudential supervision of the Australian Prudential Regulation Authority.
- d) "Bank Undertaking" means a bank undertaking in the form approved from time to time by the IMO.
- e) "Compliance Date" means the last day by when the Market Participant must comply with its obligations in clause 4.13.11 under the Market Rules.

- f) “Commercial Operation” is the status determined by the IMO for any Facility following a request from a Market Participant **[MR 4.13.10A]**.
 - g) “Facility” includes part of a Facility, any upgrade or significant maintenance to an existing Facility, and a Demand Side Programme, unless otherwise stated.**[MR4.13.1C]**
 - h) “Guarantee” means a guarantee in the form approved from time to time by the IMO.
 - i) “Nominated Exchange Date” means the date agreed upon by the Market Participant and the IMO to exchange one form of Reserve Capacity Security for another as outlined in Step 2.11.1 of this Market Procedure.
 - j) “Proforma” where used in conjunction with the Bank Undertaking, Security Deposit Deed or Guarantee, refers to the standard, non-customised versions of those documents available from time to time on the IMO website.
 - k) “Required Level” is the level of output (expressed in MW) that a Facility or Demand Side Programme is required to meet for the purposes of the return of a Reserve Capacity Security, Reserve Capacity Testing and Reserve Capacity refunds **[MR 4.11.3B]**.
 - l) “Reserve Capacity Security” is the security to be provided for a Facility **[MR 4.13 and MR 4.28C]**.
 - m) “Security Deposit Deed” means a security deposit deed in the form approved from time to time by the IMO.
 - n) “Security Deposit Instructions” means any instructions approved from time to time by the IMO in relation to the Security Deposit.
 - o) “Security Due Date” means the date and time specified in clause 4.1.13 of the Market Rules unless amended **[MR 4.1.32]**.
 - p) “Treasury Corporation” means a central borrowing authority of an Australian State or Territory which has been established by an Act of Parliament of that State or Territory.
- 1.5.2 The obligation under clause 4.13.1 to provide a Reserve Capacity Security does not apply where the Market Participant has provided a Reserve Capacity Security in relation to the same Facility for a previous Reserve Capacity Cycle, unless the Facility
- a) is an existing Facility undergoing significant maintenance or being upgraded; or
 - b) the IMO has cancelled the Capacity Credits assigned to the Facility under clause 4.20.11 **[MR4.13.1B]**.

2 PROCEDURE STEPS

This section outlines the procedure steps associated with the provision and return of Reserve Capacity Security. The following diagram gives an overview of the process. Details of the associated sections of this Procedure are indicated.



2.1 Early Certified Reserve Capacity

- 2.1.1 A Market Participant with a Facility that meets the conditions specified in clause 4.28C.1 may apply at any time between the date the Facility was registered and 1 January of Year 1 of the Reserve Capacity Cycle for certification of Capacity and Capacity Credits for that Facility **[MR 4.28C.1]**.
- 2.1.2 Any application under step 2.1.1 must state that the applicant intends to trade all Certified Reserve Capacity bilaterally.
- 2.1.3 Within 30 Business Days of receiving notification from the IMO of the amount of any Early Certified Reserve Capacity assigned to a facility, the applicant must ensure that the IMO holds the benefit of Reserve Capacity Security equal to that specified in step 2.2.3(a) **[MR 4.28C.8]**.
- 2.1.4 If a Market Participant fails to provide a Reserve Capacity Security, in accordance with the requirements of step 2.1.3, the Early Certified Reserve Capacity assigned to the Facility will lapse.

2.2 Calculation of the required amount of a Reserve Capacity Security

- 2.2.1 Where the IMO assigns Certified Reserve Capacity to a Facility under clause 4.11 in respect of a Reserve Capacity Cycle, the IMO must advise the relevant Market Participant of any Reserve Capacity Security required as a condition to the Market Participant holding the Certified Reserve Capacity **[MR4.9.9(c)]**.
- 2.2.2 After receiving notification from the IMO of the amount of new Certified Reserve Capacity assigned to a Facility, either yet to be commissioned or undergoing an upgrade or significant maintenance, the Market Participant must ensure that the IMO holds the benefit of a Reserve Capacity Security equal to the amount determined under step 2.2.3 in accordance with the timeframes detailed in step 2.3.1.
- 2.2.3 The amount of Reserve Capacity Security required to be provided in respect of a Facility is equal to twenty five percent of the Maximum Reserve Capacity Price in the most recent Request for Expressions of Interest at the time the Certified Reserve Capacity or Early Certified Reserve Capacity is assigned (whichever is applicable), expressed in \$/MW per year multiplied by:
 - a) an amount equal to:
 - (i) the Certified Reserve Capacity or Early Certified Reserve Capacity assigned to the Facility (whichever is applicable); less
 - (ii) the total of any Certified Reserve Capacity that the Market Participant has decided to not make available to the market, where this can not

be covered by a pre-existing Special Price Arrangement, and any Certified Reserve Capacity not covered by pre-existing Long Term Special Price Arrangements **[MR 4.13.2]**; and

- b) an amount equal to the total number of Capacity Credits assigned to the Facility under clause 4.20.5A.

2.2.4 Where an existing Facility is undergoing significant maintenance or being upgraded the requirement to provide Reserve Capacity Security only applies to that part of the Facility either undergoing significant maintenance or being upgraded **[MR4.13.1A]**.

2.2.5 Where a Facility has had its Capacity Credits cancelled for a Capacity Year in accordance with clause 4.20.14 and as a result has paid to the IMO its Reserve Capacity Security as compensation to the market under clause 4.13.11, the Market Participant must provide a further Reserve Capacity Security for the next Reserve Capacity Cycle in which it has Capacity Credits assigned **[MR 4.13.1B]**.

2.3 Provision of Reserve Capacity Security

Provision of a Reserve Capacity Security

2.3.1 A Market Participant must provide the IMO with the amount of Reserve Capacity Security required under step 2.2.3 not later than 5 PM of the last Business Day falling on or before:

- a) 2 September of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is to be traded bilaterally; or
- b) 14 September of Year 1 of the relevant Reserve Capacity Cycle if any of the Facility's Certified Reserve Capacity is specified to be offered into the Reserve Capacity Auction and where none of the Facility's Certified Reserve Capacity is specified to be traded bilaterally under step 2.2.3. **[MR 4.14.1]**

2.3.2 If a Market Participant fails to provide a Reserve Capacity Security, as required under step 2.2.2, the Certified Reserve Capacity of that Facility will lapse.

2.3.3 Except in extraordinary circumstances, the Reserve Capacity Security provided under steps 2.1.3 or 2.2.2 must not have a specified end date which is prior to the Compliance Date. If the IMO in its absolute discretion agrees to accept the Reserve Capacity Security with a specified end date prior to the Compliance Date, the Market Participant must arrange for replacement Reserve Capacity Security **[MR 4.13.3]**.

2.3.4 A Market Participant required to provide a Reserve Capacity Security must do so in accordance with the relevant process outlined in Appendices 1-4 of this Procedure.

Exchange of a Reserve Capacity Security

- 2.3.5 Where a Reserve Capacity Security is provided in respect of a Facility is no longer valid, is due to expire or lapse, or the Market Participant wishes to provide an acceptable alternative Reserve Capacity Security and the Market Participant is required under the Market Rules and this Procedure to ensure that IMO continues to hold a Reserve Capacity Security the Market Participant must notify the IMO.
- 2.3.6 If the Market Participant submits the required amount of Reserve Capacity Security to the IMO, determined under step 2.2.2 of this Procedure and the IMO determines that the Reserve Capacity Security is not compliant with the Market Rules or this Procedure, then the Market Participant must submit a further Reserve Capacity Security that is compliant with the Market Rules and this Procedure on or before the Security Due Date.
- 2.3.7 Where a Market Participant has notified the IMO under step 2.3.5 that its Reserve Capacity Security will no longer be valid, is due to expire or lapse, or the Market Participant wishes to provide an acceptable alternative Reserve Capacity Security it must ensure that the IMO holds the benefit of a replacement Reserve Capacity Security. The replacement Reserve Capacity Security must:
- a) be an amount not less than that required under step 2.2.3; and
 - b) become effective before the termination of the existing Reserve Capacity Security **[MR4.13.3]**.
- 2.3.8 Market Participants must exchange a Reserve Capacity Security in accordance with Appendix 5 of this Procedure.

2.4 Form of a Reserve Capacity Security

Provision of Guarantees, Bank Undertakings and Cash Deposits

- 2.4.1 A Reserve Capacity Security is provided as either an obligation in writing (Guarantee or Bank Undertaking) as detailed in step 2.4.2 or as a cash deposit, as detailed in step 2.4.3.
- 2.4.2 A Reserve Capacity Security that is provided as an obligation in writing must :
- a) be from a Reserve Capacity Security provider, which must be an entity which meets the Acceptable Credit Criteria and which itself is not a Market Participant;
 - b) be in a form prescribed by the IMO for a Guarantee or Bank Undertaking

- c) be duly executed by the Reserve Capacity Security provider and delivered unconditionally to the IMO;
- d) constitute a valid and binding unsubordinated obligation for the Reserve Capacity Security provider to pay to the IMO amounts in accordance with its terms which relate to the obligations of the Market Participant under the Market Rules to pay compensation under clause 4.13.11; and
- e) permit drawings or claims by the IMO to a stated amount **[MR4.13.5(a)]**.

2.4.3 Unless otherwise advised it is acceptable for a cash deposit (“Security Deposit”) to be made with the IMO (on terms acceptable to the IMO in its discretion) by or on behalf of the Market Participant **[MR4.13.5(b)]**.

Proforma Documents

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

- a) Acceptable Credit Criteria Form;
- b) Proforma Bank Undertaking;
- c) Proforma Guarantee;
- d) Proforma Security Deposit Deed; and
- e) Security Deposit Instructions.

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

- a) updates and amendments to the documents set out in step 2.4.4;
- b) additional documents in connection with this Market Procedure; or
- c) both of the above.

2.4.6 If the IMO updates or amends a document or approves an additional document prior to a Market Participant’s provision of Reserve Capacity Security, the updated or amended document or additional document will apply to the IMO’s consideration of the compliance of Reserve Capacity Security under step 2.4.

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

2.5 Recalculation of the required amount of a Reserve Capacity Security

- 2.5.1 A Market Participant may apply to the IMO for a recalculation of the amount of required Reserve Capacity Security held by the IMO for a Facility after the time and date specified in clause 4.1.21 **[MR 4.13.2A]**.
- 2.5.2 Within 10 Business Days of receiving the request for a recalculation under step 2.5.1 the IMO must recalculate the amount of Reserve Capacity Security required to be held by the Facility using the formula outlined in step 2.2.3. Where the IMO determines that excess Reserve Capacity Security is currently held for the Facility (as indicated by the recalculated amount) the IMO must:
- a) notify the relevant Market Participant of the result of the calculation; and
 - b) once any replacement Reserve Capacity Security has been provided by the Market Participant, return any excess Reserve Capacity Security to the Market Participant in accordance with step 2.6 **[MR4.13.2B]**.

2.6 Return of Reserve Capacity Security

- 2.6.1 The IMO will return the Reserve Capacity Security to the relevant Market Participant within 10 Business Days after the end of the relevant Capacity Year, subject to where:
- a) either:
 - i) the facility operates at a level which is at least 90 percent of its Required Level, adjusted under step 2.6.5 to the level of Capacity Credits assigned in clause 4.20.5A, in at least two Trading Intervals before the end of the relevant Capacity Year; or
 - ii) the Market Participant provides the IMO with a report under clause 4.13.10C, which specifies that the Facility can operate at at least 90 percent of its Required Level, adjusted under step 2.6.5 to the level of Capacity Credits assigned in clause 4.20.5A; and
 - b) the IMO considers the Facility to be in Commercial Operation following a request under step 2.6.2 **[MR4.13.10]**.
- 2.6.2 A Market Participant may request the IMO to determine that a Facility is in Commercial Operation for the purposes of Chapter 4 of the Market Rules **[MR4.13.10A]**.
- 2.6.3 On receipt of a request under step 2.6.2, the IMO must determine within 20 Business Days, whether a Facility is in Commercial Operation having regard to the criteria outlined in clause 4.13.10B, where applicable.

2.6.4 In making a determination of whether a Facility is in Commercial Operation the IMO may consider any other relevant information submitted by the Market Participant under clause 4.13.10B(b) including, but not limited to:

- a) a signed statement from the Market Participant that the Facility is in Commercial Operation; and
- b) technical documents that indicate the Facility is in Commercial Operation.

2.6.5 The Required Level (which for an upgraded Facility is calculated for the Facility as a whole) for each Facility will be determined by the IMO in accordance with clause 4.11.3B and adjusted to the level of Capacity Credits assigned in clause 4.20.5A in accordance with the following:

- a) for Certified Reserve Capacity assigned under clause 4.11.1(a) by the following steps:
 - i) identify the temperature in an interval;
 - ii) represent the de-rate curve as a % of the 41 degc output for each temperature in the range of temperatures provided in the de-rate curve (i.e. 41 degc is equal to 100%); and
 - iii) multiply the value identified in (ii) for the temperature identified in (i) by the Capacity Credits assigned to that Facility under clause 4.20.5A.
- b) for Certified Reserve Capacity assigned under clause 4.11.2(b) by the following formula:

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

where

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

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

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

- c) for DSM (and CLs) by the following formula:

$$RD - CC \times (CC_{int} / CC)$$

where RD = Relevant Demand

- 2.6.6 Before the end of the relevant Capacity Year, a Market Participant may provide the IMO with a report prepared by an independent expert accredited by the IMO that specifies the percentage of its Required Level, adjusted to the level of Capacity Credits specified in clause 4.20.5A, at which the Facility can operate at the time that the report is prepared **[MR4.13.10C]**.
- 2.6.7 A Market Participant may apply to the IMO for the release of any Reserve Capacity Security held by the IMO at any time prior to the end of the relevant Capacity Year if the relevant Facility:
- a) has operated at 100 percent of its Required Level, adjusted under step 2.6.5 to the level of Capacity Credits specified in clause 4.20.5A, in at least two Trading Intervals prior to the end of the relevant Capacity Year; and
 - b) is considered by the IMO to be in Commercial Operation following a request under step 2.6.2 **[MR4.13.13]**.
- 2.6.8 Where the IMO receives an application made under step 2.6.7 it must, within 10 Business Days:
- a) determine whether the need to maintain the Reserve Capacity Security has ceased;
 - b) notify the Market Participant of its determination;
 - c) if the Reserve Capacity Security is a cash deposit that is no longer required to be held, return the cash deposit (plus interest earned); and
 - d) if the Reserve Capacity Security is a non-cash deposit and is no longer required to be held, notify the provider that the IMO relinquishes any rights to draw on the Reserve Capacity Security **[MR4.13.14]**.
- 2.6.9 In the case of a an upgrade to an existing Facility, that Facility as a whole (including any original and upgraded capacity) must pass the relevant test as detailed in steps 2.6.1 or 2.6.7 above for any return of Reserve Capacity Security to be approved by the IMO.
- 2.6.10 If the Facility does not satisfy the requirements of either step 2.6.1 or 2.6.7 by the end of the relevant Capacity Year the IMO may draw down on the Reserve Capacity Security as detailed in step 2.9.

2.7 Returning Reserve Capacity Security documents to Market Participants

- 2.7.1 When the IMO is required to return a Bank Undertaking, Guarantee or Security Deposit Deed, the IMO must:

- a) arrange to meet the Market Participant in person at the IMO offices to facilitate the return of the relevant Reserve Capacity Security documents; or
 - b) have the relevant Reserve Capacity Security documents couriered to the Market Participant's offices along with two copies of the receipt of the transaction in accordance with step 2.7.3;
 - c) arrange for an electronic transfer of the monies, in the case where the superseded Reserve Capacity Security is in the form of a cash deposit.
- 2.7.2 When a meeting has been organised by a Market Participant under step 2.7.1(a), the Market Participant must ensure that an appropriately Authorised Market Participant representative attends the meeting.
- 2.7.3 When returning Reserve Capacity Security documents, the IMO must provide two receipts of the transaction, signed by an appropriately Authorised IMO staff representative and must ensure that the receipts are co-signed by the appropriately Authorised Market Participant representatives. One copy of the receipt is to be provided to the Market Participant and one copy returned to the IMO.

2.8 Drawdown of Reserve Capacity Security

- 2.8.1 If a Market Participant fails to satisfy the conditions as detailed in steps 2.6.1 and 2.6.7 then its payment obligation may be satisfied by the IMO drawing upon the Reserve Capacity Security for the Facility as compensation to the market, and applying the amount as follows:
- a) firstly, to offset the costs of funding Supplementary Capacity Contracts for any capacity shortage stemming entirely or in part from the facility not being available; and
 - b) secondly, once all costs of funding Supplementary Capacity Contracts as detailed in step 2.8.1 (a) are covered, make a rebate to Market Customers in proportion to their Individual Reserve Capacity Requirements during the Trading Month **[MR4.13.11A]**.

Appendix 1 Provision of a Bank Undertaking as a Reserve Capacity Security

A1.1 A Market Participant providing a Bank Undertaking as a Reserve Capacity Security must, by the Security Due Date, submit to the IMO:

- a) a completed Proforma Bank Undertaking; and
- b) if the Bank is not on the list of entities maintained by the IMO in accordance with step A3.1, a completed Acceptable Credit Criteria Form.

A1.2 A completed Bank Undertaking is one that:

- a) is in the form of the proforma provided on the IMO website; and
- b) has been executed by a Bank that meets the Acceptable Credit Criteria as confirmed under Appendix 3 of this Procedure **[MR 4.13.7]**.

A1.3 A Market Participant must provide the completed Bank Undertaking and if required an Acceptable Credit Criteria Form either in person or by courier to the IMO.

A1.4 When delivering the completed Reserve Capacity Security documents referred to in step A1.1 to the IMO, the Market Participant will be provided with a receipt from the IMO. The receipt must be signed by an appropriately Authorised Market Participant representative and an appropriately Authorised IMO representative.

A1.5 If, by 5PM on the first Business Day following the deadline specified under clause 4.1.13, the Market Participant has not received notification of compliance of the Reserve Capacity Security, it is the obligation of the Market Participant to contact the IMO directly to request and receive confirmation whether the Reserve Capacity Security is compliant with the Market Rules and this Procedure.

Appendix 2 Provision of a Guarantee as a Reserve Capacity Security

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

Appendix 3 Confirmation an entity meets the Acceptable Credit Criteria

A3.1 The IMO must maintain on the Market Web Site a list of entities which have provided the IMO, in the previous twelve months, with evidence satisfactory to the IMO that they meet the Acceptable Credit Criteria outlined in clause 2.38.6.

A copy of the current list of entities that meet the Acceptable Credit Criteria is available on the following Market Web Site:
http://www.imowa.com.au/prudential_information

A3.2 The IMO must undertake monthly monitoring activities to determine whether the entities included on the list of entities that meet the Acceptable Credit Criteria continue to have appropriate credit ratings and may at any time remove an entity from the list where it no longer meets the Acceptable Credit Criteria **[MR2.38.8 & 2.38.9]**.

A3.3 Where the IMO removes an entity from the list of entities that meet the Acceptable Credit Criteria it must inform all Market Participants of the removal of the entity within 1 Business Day.

A3.4 Where a Market Participant elects to provide a Reserve Capacity Security other than a cash deposit, and the entity is included on the IMO's list of entities that meet the Acceptable Credit Criteria, the Market Participant will not be required to submit an Acceptable Credit Criteria Form.

A3.5 Where a Market Participant elects to provide a Reserve Capacity Security other than a cash deposit, and the entity providing the Reserve Capacity Security is not included on the list of entities that meet the Acceptable Credit Criteria, the Market Participant must arrange for the completion of an Acceptable Credit Criteria Form, outlining that an entity meets the Acceptable Credit Criteria outlined in clause 2.38.6, from either:

1. the Market Participant's external solicitors; or
2. the entity's external solicitors.

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

A3.5 In arranging for the completion of the Acceptable Credit Criteria Form under step A3.4, the Market Participant is responsible for arranging for a firm of solicitors to undertake all necessary investigations to enable a partner of the firm to sign the Acceptable Credit Criteria Form. This may be the solicitors for the Market Participant or the solicitors for the entity providing the Reserve Capacity Security.

- A3.6 A completed Acceptable Credit Criteria Form is one that adheres to the Market Rules by:
- a) having an affirmative response to each of the six statements;
 - b) has been completed with the full details of the entity to which it applies; and
 - c) has been signed by a partner in a reputable firm of solicitors which is acceptable to the IMO.
- A3.7 Before submitting an Acceptable Credit Criteria Form, the Market Participant may no later than two Business Days before the Security Due Date submit a request to the IMO to confirm whether a particular firm of solicitors meets the requirements of step A3.6(c).
- A3.8 Where the IMO receives a request to confirm whether a particular firm of solicitors is acceptable to satisfy the requirements under the Acceptable Credit Criteria, the IMO must notify the Market Participant by the next Business Day, whether that firm of solicitors meets the requirements.
- A3.9 Market Participants must submit a completed Acceptable Credit Criteria Form to the IMO either in person or electronically to the following email address: imo@imowa.com.au
- A3.10 Within one Business Day of receiving an Acceptable Credit Criteria Form from a Market Participant, the IMO must assess the compliance and completeness of the Acceptable Credit Criteria Form in accordance step A3.6.
- A3.11 The IMO may at its discretion request a Market Participant to provide documents to support the responses to the statements in the Acceptable Credit Criteria Form.
- A3.12 Where the IMO requests further information under step A3.11 the Market Participant must provide all relevant documents within one Business Day or any other time agreed with the IMO.
- A3.13 If the IMO is satisfied that the Acceptable Credit Criteria Form has been submitted and completed in accordance with the steps in this Procedure, then the IMO must deem that the entity to which the Acceptable Credit Criteria Form applies meets the Acceptable Credit Criteria for a period of 12 months.
- A3.14 Where the IMO deems an entity to meet the Acceptable Credit Criteria under step A3.13, the entity will be included on the list of entities that meet the Acceptable Credit Criteria available on the Market Web Site for a period of 12 months **[MR2.38.7]**.

Appendix 4 Provision of a Security Deposit as a Reserve Capacity Security

- A4.1 This Appendix applies if the IMO consents under step 2.4.3 to the Market Participant providing a Security Deposit Deed as its Reserve Capacity Security .
- A4.2 A Market Participant providing a Security Deposit Deed as a Reserve Capacity Security must, by the Security Due Date:
- a) submit a completed Security Deposit Deed to the IMO; and
 - b) provide, in cleared funds, the amount of Reserve Capacity Security as described in step 2.3, to the IMO in accordance with the Security Deposit Instructions.
- A4.3 A completed Security Deposit Deed is one that:
- a) is in the form approved by the IMO from time to time; and
 - b) has been executed by the Market Participant.
- A4.4 A Market Participant must provide the completed Security Deposit Deed either by courier or in person to the IMO.
- A4.5 When delivering Reserve Capacity Security documents to the IMO, the Market Participant will be provided with a receipt from the IMO. The receipt must be signed by an appropriately Authorised Market Participant representative and an appropriately Authorised IMO representative.
- A4.6 If the Market Participant submits the required amount of Reserve Capacity Security to the IMO, determined under step 2.2.2 of this Procedure, later than five Business Days before the Security Due Date, and the IMO determines that the Reserve Capacity Security is not compliant with the Market Rules or this Procedure, then the Market Participant may submit a further Reserve Capacity Security that is compliant with the Market Rules and this Procedure on or before the Security Due Date.
- A4.7 If, by 5PM on the first Business Day following the deadline specified under clause 4.1.13, the Market Participant has not received notification of compliance of the Reserve Capacity Security, it is the obligation of the Market Participant to contact the IMO directly to request and receive confirmation whether the Reserve Capacity Security is compliant with the Market Rules and this Procedure.
- A4.8 If the IMO notifies the Market Participant that the Security Deposit Deed meets the requirements of the Market Rules and this Procedure (including but not limited to meeting the requirements of step 2.4) then the Market Participant must provide, in

cleared funds, the amount of Reserve Capacity Security to the IMO in accordance with the Security Deposit Instructions by the Security Due Date.

- A4.9 If the IMO notifies the Market Participant that the Security Deposit Deed does not meet the requirements of the Market Rules and this Procedure (including but not limited to meeting the requirements of step 2.4) then the Market Participant must, by the Security Due Date:
- a) submit a Security Deposit Deed that meets the requirements of the Market Rules and this Procedure (including but not limited to meeting the requirements of step 2.4) and provide, in cleared funds, the amount of Reserve Capacity Security to the IMO in accordance with the Security Deposit Instructions; or
 - b) provide another form of Reserve Capacity Security under this Market Procedure.
- A4.10 The Market Participant must provide to the IMO, at the time of submission of the Reserve Capacity Security, the account details into which the accrued interest is to be paid into at the end of each calendar month.
- A4.11 The Security Deposit will be held in an account specifically for the Market Participant with the IMO's nominated bank, which may change from time to time. Information concerning Security Deposits can be requested by emailing IMO's Finance Department at imo@imowa.com.au.
- A4.12 The Market Participant must notify the IMO of any changes it wishes made to its nominated bank account as soon as possible.
- A4.13 Where Reserve Capacity Security is provided as a Security Deposit detailed in clause 4.13.5(b), it will accrue interest daily at the IMO Deposit Rate, and the IMO must pay the Market Participant the interest accumulated at the end of each calendar month less any liabilities and expenses incurred by the IMO, including bank fees and charges.

Appendix 5 Exchanging a Reserve Capacity Security

- A5.1 The Market Participant must nominate to the IMO the date, at least 10 Business Days in advance, when they wish to exchange their Reserve Capacity Security (the **“Nominated Exchange Date”**).
- A5.2 If, by 5PM on the first Business Day following the notification to the IMO specified by step A5.1, the Market Participant has not received notification of acceptance of the Nominated Exchange Date, it is the obligation of the Market Participant to contact the IMO directly to request confirmation of acceptance of the Nominated Exchange Date.
- A5.3 If the date is not accepted by the IMO then the IMO will notify the Market Participant of the non-acceptance and will propose an alternative date. The Market Participant will then have no more than 10 Business Days, but no less than five Business Days, prior to that date to accept or reject the new Nominated Exchange Date.
- A5.4 The Market Participant must follow the relevant section of this Market Procedure when preparing the Reserve Capacity Security for exchange, except that every reference to the Security Due Date is to be read as a reference to the Nominated Exchange Date.
- A5.5 When delivering Reserve Capacity Security documents to the IMO, the Market Participant should ensure it is provided with a receipt from the IMO, signed by an appropriately Authorised Market Participant representative and an appropriately Authorised IMO representative.
- A5.7 The Market Participant will receive the superseded Reserve Capacity Security no later than two Business Days after the nominated exchange date either:
- a) by courier;
 - b) in person from an IMO representative; or
 - c) by electronic transfer, in the case where the superseded Reserve Capacity Security is in the form of a cash deposit.
- A5.8 The superseded Reserve Capacity Security will be accompanied by two copies of a letter of receipt, both of which should be signed and one returned to the IMO as soon as possible.

Agenda Item 5: Market Procedure for Registration of Demand Side Programmes and the association of Non-Dispatchable Loads (Transitional Arrangements)

1. BACKGROUND

After a comprehensive review of the Market Rules a number of issues relevant to Curtailable Loads were identified. To enact the outcomes of the IMO's review, proposed solutions to each of the issues were developed in conjunction with the Market Advisory Committee (MAC). A brief overview of the issues is presented as an Appendix to this cover paper. For full details of the issues and the proposed solutions refer to the Rule Change Notice available from: http://www.imowa.com.au/RC_2010_29.

The IMO's proposed solution to the current issues associated with the registration of Curtailable Loads (CLs) (Issue 1) will amend the way that Demand Side Programmes (DSPs) and CLs are registered. In particular all obligations, rights and liabilities currently belonging to a CL will be transferred to a DSP and all CLs will be deemed to be Non-Dispatchable Loads (NDLs) from 1 October 2011 (clause 2.29.5J). To ensure that this can occur:

- each Market Customer which has a registered CL that is not currently linked with a DSP, will need to link that CL to a registered DSP prior to the proposed Amending Rules taking effect. Note that a Market Participant will not be able to transfer Capacity Credit obligations between DSPs indefinitely; and
- where a Market Customer with a registered CL does not also have a registered DSP it must apply to the IMO to register a DSP for these purposes. There will be no registration fees applied by the IMO in these cases¹.

To facilitate these processes, a number of transitional arrangements have been proposed by the IMO for existing CLs and DSPs prior to the proposed commencement of the Amending Rules on 1 October 2011. These include the development of a Market Procedure for Registration of Demand Side Programmes and association of Non-Dispatchable Loads in accordance with new clause 2.31.23A (refer to the Draft Rule Change Report for further details).

Subject to the IMO Board's final decision (to be presented in the Final Rule Change Report) any transitional Amending Rules resulting from RC_2010_29 would commence at the same time as the new Market Procedure (provisionally 1 June 2011), to ensure sufficient time is provided to complete any transfer or registration activities required prior to 1 October 2011.

¹ Note that provision has been made for associating new NDLs to a DSP in section 2.3 of the proposed Market Procedure.



2. NEW MARKET PROCEDURE

The new Market Procedure for Registration of Demand Side Programmes and the association of Non-Dispatchable Loads will be an interim Market Procedure specifying the processes to be followed by the IMO and Market Customers between 1 June 2011 and 1 October 2011, for:

- Registering a DSP;
- Linking a CL to a DSP;
- Associating an NDL to a DSP; and
- Reassigning Capacity Credits from one DSP to one or more other DSPs.

The association of any NDLS to a DSP resulting from following the processes outlined in the proposed Market Procedure will have an effective date no earlier than 1 October 2011. Note that during this transitional phase a Market Customer will be required to register new DSPs and CLs in accordance with the Market Procedure for Facility Registration, De-registration and Transfer. These registration activities will not be subject to the delayed effective date.

Further details of the ongoing process for associating NDLS to DSPs will be specified in the Market Procedure for Facility Registration, De-Registration and Transfer.

3. RECOMMENDATIONS

The IMO recommends that the IMO Procedure Change and Development Working Group (Working Group):

- **Discuss** the new Market Procedure for Registration of Demand Side Programmes and association of Non-Dispatchable Loads; and
 - **Note** that the IMO will formally submit these changes into the Procedure Change Process, subject to any comments from the Working Group.
-

APPENDIX 1: CURTAILABLE LOADS: ISSUES AND PROPOSED SOLUTIONS (RC_2010_29)

Issue identified in the Rule Change Proposal	Proposed Solution
Registration of CLs (Issue 1)	Updates to remove the concept of a CL as a Registered Facility from the Market Rules and replace this with the concept of the Demand Side Programme (DSP) being the Registered Facility. The DSP will have Non-Dispatchable Loads (NDLs) associated with it for the purposes of capacity obligations, dispatch and settlements.
Facility Definition (Issue 2)	Solved via the solution outlined to Issue 1, i.e. if a DSP is the Registered Facility System Management will be able to dispatch the Facility itself and not each of the CLs comprising the DSP. Updates to allow for the possibility that a programme will be over-subscribed. This solution is outlined in further detail in the proposed solution to Issue 4 below.
Market Fees (Issue 3)	No updates to the current Market Rules required as the MAC agreed that DSPs should not be required to pay Market Fees. Presented for completeness only.
Measurement of CL Performance (Issue 4);	Solved via the solutions to Issues 1 and 2 (which will ensure that only the DSP is visible to the market and not the comprising loads) combined with the RD level being calculated based on the aggregated output of the DSP (not by aggregating the RD of each CL associated with a DSP). This will ensure the correct measurement of the DSP as a whole.
Capacity Cost Refunds (Issue 5)	Updates to ensure a DSP consisting of one or more CLs is liable to pay refunds (for the amount by which the DSP falls short of its capacity requirements) if at any time the DSP is not filled completely, including times where a component Facility is on a Forced Outage.
Reserve Capacity Security (Issue 6)	No updates to the Market Rules proposed under RC_2010_29. Updates to ensure that a DSP is considered as a single Facility for the purpose of evaluating a request for the return of Reserve Capacity Security has been incorporated by the IMO in the Rule Change Proposal: Required Level and Reserve Capacity Security (RC_2010_12). Presented for completeness only.
Stipulated Default Loads (SDLs) (Issue 7)	Updates to combine the concept of a CL and SDLs into the DSP concept.
Potential Double Payment (Issue 8)	Updates to ensure that a DSP is not paid for any energy reduced during either a Reserve Capacity test or Verification Test.



MARKET PROCEDURE for the Registration of Demand Side
Programmes and the association of Non-Dispatchable
Loads(Transitional arrangements)
VERSION: 1

ELECTRICITY INDUSTRY ACT 2004

ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY MARKET) REGULATIONS 2004

WHOLESALE ELECTRICITY MARKET RULES

COMMENCEMENT:

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

VERSION HISTORY

VERSION	EFFECTIVE DATE	NOTES
1	Xxxx	Market Procedure for the Registration of Demand Side Programmes and the association of Non-Dispatchable Loads (Transitional Arrangements)

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1 PROCEDURE OVERVIEW

1.1 Relationship with the Market Rules

1.1.1 This Registration of Demand Side Programmes and the association of Non-Dispatchable Loads Market Procedure (Procedure) should be read in conjunction with clauses 2.29.5I – 2.29.5K of the Wholesale Electricity Market (WEM) Rules (Market Rules).

1.1.2 Reference to particular Market Rules within the Procedure in bold and square brackets **[MR XX]** are current as of 1 June 2011. These references are included for convenience only, and are not part of this Procedure.

1.2 Background to Market Procedure

1.2.1 This Procedure has been developed in conjunction with the Rule Change Proposal: Curtailable Loads and Demand Side Programmes (RC_2010_29) which is proposed to become effective as of 1 October 2011. Note that a number of transitional arrangements that will facilitate the processes described in this Procedure are proposed to become effective as of 1 June 2011. For further details refer to the IMO Web Site: http://www.imowa.com.au/RC_2010_29

1.2.2 From 1 October 2011 where a Load that was registered as a Curtailable Load that has Capacity Credits associated with it for a future Reserve Capacity Year, the Load will be deemed to be a Non-Dispatchable Load under clause 2.29.5J.

1.2.3 To allow for existing Curtailable Loads to transition to the new arrangements, a Market Customer with a registered Curtailable Load must have registered a Demand Side Programme prior to 1 October 2011. **[MR2.29.5K]**.

1.2.4 A Market Customer with a Curtailable Load will be required to link each its Curtailable Loads to a registered Demand Side Programme (where this is currently not the case) prior to 1 October 2011. This will facilitate the transition of Curtailable Loads to Non-Dispatchable Loads and the cessation of the concept of a Curtailable Loads in the Market Rules.

1.3 Purpose

1.3.1 The Procedure outlines the process to be followed between 1 June 2011 and 1 October 2011, for:

- a) Registering a Demand Side Programme;
- b) Linking a Curtailable Load to a Demand Side Programme;

- c) Associating a Non-Dispatchable Load to a Demand Side Programme; and
- d) Reassigning Capacity Credits from one Demand Side Programme to another Demand Side Programme (s).

Any changes to registration resulting from following the processes outlined in this Procedure will have an effective date no earlier than 1 October 2011.

1.3.2 This Procedure provides the processes to be followed by:

- a) the IMO in processing applications to register a Demand Side Programme and associated a Load registered as a Curtailable Load to that Demand Side Programme; and
- b) Market Customers in applying to:
 - i) Register a Demand Side Programme;
 - ii) Associate and cease to associate a Load registered as a Curtailable Load with that Demand Side Programme; or
 - iii) Disaggregate Curtailable Loads currently associated with a Demand Side Programme.

1.4 Application

1.4.1 This Procedure applies to the IMO and Market Customers who have Capacity Credits assigned to Curtailable Loads or Demand Side Programme(s) for future Reserve Capacity Cycles.

1.5 Associated Market Procedures

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

- a) Facility Registration, De-Registration and Transfer;
- b) Registration and De-Registration of Rule Participants; and
- c) Notices and Communications.

1.6 Interpretation

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

2 PROCEDURE STEPS

This section outlines the procedure steps for registering a Demand Side Programme and linking Curtailable Loads to that Demand Side Programme.

2.1 Registration of a Demand Side Programme for Market Customers with registered Curtailable Loads

2.1.1 Where a Market Customer has Capacity Credits assigned to a Curtailable Load for a future Reserve Capacity Cycle which is not currently linked to a Demand Side Programme, it must register a Demand Side Programme in accordance with the process outlined in the Market Procedure for Facility Registration, De-Registration and Transfer.

2.1.2 On 1 October 2011 the IMO must associate the Non-Dispatchable Load (“Associated Non-Dispatchable Load”), previously the Curtailable Load in step 2.1.1, to the registered Demand Side Programme in step 2.1.1.

2.1.3 On 1 October 2011 when the IMO associates the Non-Dispatchable Load with the Demand Side Programme under step 2.1.2, the IMO must transfer the Reserve Capacity obligations, rights and liabilities previously belonging to the Curtailable Load to the Demand Side Programme.

2.1.4 Where a Market Customer registers a new Demand Side Programme under step 2.1.1 prior to 1 October 2011 it will not be subject to the Facility Registration Application fee. Further details are available on the IMO Web Site: http://www.imowa.com.au/registration_information for further information.

2.1.5 A Market Customer registering a Demand Side Programme under step 2.1.1 must complete the “Application to Register a Facility Name” application form and provide this to the IMO. A copy of the application form is available on the IMO Web Site: <http://www.imowa.com.au/n158.html>

Confirmation of Non-Dispatchable Loads associated with a Demand Side Programme

2.1.7 Where the IMO becomes aware under step 2.1.2 that a Non-Dispatchable Load (currently a Curtailable Load) will be associated with a Demand Side Programme, the IMO may request the Market Customer to provide the information specified in steps 2.3.3(a)-(e).

2.1.8 A Market Customer must provide any information requested by the IMO under step 2.1.7 within 10 Business Days.

2.1.9 Where the requested information is not provided to the IMO under step 2.1.9, the IMO must cease to associate a Non-Dispatchable Load with a Demand Side Programme with an effective date no earlier than 1 October 2011.

2.2 Disaggregation of Curtailable Loads currently associated with a Demand Side Programme

2.2.1 Prior to 1 October 2011 where a Market Customer has a registered Demand Side Programme with Curtailable Loads currently meeting the Reserve Capacity Obligations for that Demand Side Programme, it may register other Demand Side Programmes in accordance with the process outlined in the Market Procedure for Facility Registration, De-Registration and Transfer.

2.2.2 Where a Market Customer registers a Demand Side Programme under step 2.2.1 it must, in accordance with the processes outlined in the Market Procedure for Notices and Communications, inform the IMO:

- a) how the Capacity Credits currently associated with the Demand Side Programme will be re-assigned to the new Demand Side Programme(s); and
- b) which Curtailable Loads will be associated with each Demand Side Programme as a Non-Dispatchable Load,

with an effective date no earlier than 1 October 2011.

2.2.3 A Market Customer registering a Demand Side Programme under step 2.2.1 must complete the "Application to Register a Facility Name" application form and provide this to the IMO. A copy of the application form is available on the IMO Web Site: <http://www.imowa.com.au/n158.html>

2.2.4 Where a Market Customer does not inform the IMO of a change in the structure of its Demand Side Programmes under step 2.2.2, from 1 October 2011 the Curtailable Loads currently associated with those Demand Side Programmes will be deemed to be Associated Non-Dispatchable Loads with the same Demand Side Programmes and the IMO must transfer the Reserve Capacity obligations, rights and liabilities previously belonging to the Curtailable Load to the Demand Side Programme.

Confirmation of Non-Dispatchable Loads associated with a Demand Side Programme

2.2.5 Where the IMO becomes aware under step 2.2.4 that a Market Customer does not intend to restructure its Demand Side Programmes, the IMO may request the Market Customer to provide the information specified in steps 2.3.3(a)-(e).

2.2.6 A Market Customer must provide any information requested by the IMO under step 2.2.5 within 10 Business Days.

2.2.7 Where the requested information is not provided to the IMO under step 2.2.6, the IMO must cease to associate a Non-Dispatchable Load with a Demand Side Programme with an effective date no earlier than 1 October 2011.

2.3 Association and cessation of association of Non-Dispatchable Loads with Registered Demand Side Programmes

Association of Non-Dispatchable Loads with Demand Side Programmes

2.3.1 Prior to 1 October 2011 a Market Customer with a registered Demand Side Programme may apply to the IMO to associate one or more Loads with the Demand Side Programme as an Associated Non-Dispatchable Load. An Associated Non-Dispatchable Load will have an effective date no earlier than 1 October 2011.

2.3.2 A Market Customer that applies under step 2.3.1 must complete and submit to the IMO an “Application to Associate a Non-Dispatchable Load” form, available on the IMO Web Site: <http://www.imowa.com.au/n158.html>

2.3.3 A completed application form under step 2.3.2 must be provided to the IMO, along with the following supporting evidence:

- a) evidence that the applicant has entered into a contract with the person who owns, operates or controls the Non-Dispatchable Load to provide curtailment on request by the applicant;
- b) the connection point of the Non-Dispatchable Load;
- c) Minimum Load of the Non-Dispatchable Load;
- d) Contract Start Date; and
- e) Contract End Date.

2.3.4 The IMO must notify the applicant of receipt of the application within one Business Day of receipt of an application form under step 2.3.2.

2.3.5 The IMO must confirm that the Non-Dispatchable Load has not been assigned to another Market Customer with the contract dates specified in steps 2.3.3(d) and 2.3.3(e).

2.3.6 The IMO may, at its discretion, request additional information to be provided to support an application. The date at which the requested information is submitted to the IMO in full will become the date of receipt of the application for the purpose of step 2.3.4.

- 2.3.7 Within 10 Business Days of receipt of an application the IMO must advise the Market Customer whether the application to associate a Non-Dispatchable Load has been accepted or rejected.
- 2.3.8 The IMO must accept an application to associate a Non-Dispatchable Load with a Demand Side Programme if is satisfied with steps 2.3.3 and 2.3.5.
- 2.3.9 Where the IMO accepts the application under step 2.3.8, the IMO must advise the applicant of the date and time from which the Non-Dispatchable Load will be associated with the Demand Side Programme and update the Wholesale Electricity Market Systems to reflect any approved changes to the name of the Non-Dispatchable Load. This date must not be earlier than 1 October 2011.
- 2.3.10 Where the IMO rejects the application under step 2.3.8, the IMO must provide reasons for the rejection to the Market Customer.

Cessation of Association of Non-Dispatchable Loads with Demand Side Programmes

- 2.3.11 The IMO must cease to associate a Non-Dispatchable Load with a Demand Side Programme:
- a) where the IMO has approved an application under step 2.3.15;
 - b) on the contract end date for a Non-Dispatchable Load as provided to the IMO under clause 2.29.5B(e); or
 - c) where the information requested by the IMO under step 2.2.7 is not provided.
- 2.3.12 A Market Customer may apply to the IMO to cease to associate a Non-Dispatchable Load with a Demand Side Programme with an effective date after 1 October 2011.
- 2.3.13 The IMO must notify the applicant of receipt of the application within one Business Day of receipt of an application under step 2.3.12.
- 2.3.14 The IMO may, at its discretion, request additional information to be provided to support an application. The date at which the requested information is submitted to the IMO in full will become the date of receipt of the application for the purpose of step 2.3.15.
- 2.3.15 Within 10 Business Days of receipt of an application the IMO must advise the Market Customer where the application to cease to associate a Non-Dispatchable Load has been accepted or rejected.