



## Agenda

**MEETING TITLE** IMO Procedure Change and Development Working Group

**MEETING NO** 18

**DATE** Wednesday 22 April 2015

**TIME** 3:00 PM – 5:00 PM

**LOCATION** IMO Board Room, Level 17, 197 St Georges Terrace, Perth

Item	Responsibility	Duration
1. Welcome	Chair	2 min
2. Meeting apologies/attendance	Chair	2 min
3. Minutes of previous meeting	Chair	5 min
4. Actions arising	Chair	5 min
5. PC_2015_01: Changes to Market Operations Market Procedures	IMO	30 min
6. PC_2015_02: Changes to Market Procedure for Confidential Information	IMO	30 min
7. Next Meeting: TBA	Chair	2 min

Please note this meeting will be recorded to assist with the preparation of minutes.

## IMO Procedure Change and Development Working Group Minutes

<b>Meeting No.</b>	17
<b>Location:</b>	IMO Board Room Level 17, Governor Stirling Tower, 197 St Georges Terrace, Perth
<b>Date:</b>	1 May 2014
<b>Time:</b>	2.00 - 2.40pm

Attendees	Representing	Comment
Kate Ryan	IMO	Chair
Erin Stone	IMO	
John Nguyen	Perth Energy	
Brendan Clarke	System Management	Arrived 2:10PM
John Rhodes	Synergy	Proxy
Additional Attendees		
Aditi Varma	IMO	Presenter
Tim Middlehurst	IMO	Observer
Laura Koziol	IMO	Observer
Anne-Marie Foo	IMO	Minutes
Apologies		
Fiona Edmonds	Alinta Energy	
Steve Gould	Community Electricity	
Jacinda Papps	Synergy	

Item	Subject	Action
1.	<p><b>WELCOME AND APOLOGIES / ATTENDANCE</b></p> <p>The Chair opened the 17th meeting of the IMO Procedure Change and Development Working Group (IMOPWG) at 2:00 PM.</p> <p>The Chair noted apologies from Dr Steve Gould, Ms Fiona Edmonds and Ms Jacinda Papps.</p> <p>The Chair introduced the new members of the Market Development team, Ms Laura Koziol and Mr Tim Middlehurst and noted that Ms Anne-Marie Foo had joined the team on her graduate rotation.</p>	

2.	<p><b>MINUTES FROM PREVIOUS MEETING</b></p> <p>The Chair noted that the minutes from the last meeting (held on 6 February 2014) had been circulated for comment and subsequently published on the Market Web Site.</p>	
3.	<p><b>ACTIONS ARISING</b></p> <p>All actions arising were complete with the following exceptions:</p> <p><b>Item 138</b> Market Procedure for Notices and Communications: The Chair noted that this action item was still underway but close to finalisation.</p> <p><b>Item 152</b> Market Procedure for Balancing Market Forecasts: The Chair noted that after discussion at the previous meeting, the IMO conducted further investigation into the publication of Non-Scheduled Generators' forecast output and determined that the proposed amendments to step 2.7.1(c) were not required. As a result, the IMO now considered the remaining proposed amendments to be minor and therefore decided to progress this Procedure Change Proposal at a later date after more substantial amendments expected from two other Rule Change Proposals were included in the Market Procedure.</p> <p>The Chair provided the following updates on completed items:</p> <p><b>Item 150</b> Market Procedure for Certification of Reserve Capacity: The Chair noted that the IMO is awaiting Ministerial approval of the Rule Change Proposals: Incentives to Improve Availability of Scheduled Generators (RC_2013_09) and Harmonisation of Supply-Side and Demand-Side Capacity Resources (RC_2013_10) to publish the Procedure Change Report.</p> <p><b>Item 151</b> Market Procedure for Certification of Reserve Capacity: The Chair noted that the IMO is awaiting Ministerial approval of RC_2013_09 to publish the Procedure Change Report.</p> <p><b>Item 153</b> Market Procedure for Declaration of Bilateral Trades and Reserve Capacity Auction: The Chair noted that this procedure commenced on 16 April 2014.</p>	
3.	<p><b>PC 2013_05: MARKET PROCEDURE FOR RESERVE CAPACITY SECURITY</b></p> <p>The Chair invited Ms Aditi Varma to introduce the Market Procedure for Reserve Capacity Security and highlight the proposed amendments. Ms Varma noted that this Market Procedure was proposed to be amended as a result of the Amending Rules in the Rule Change Proposal: Prudential Requirements (RC_2012_23). Ms Varma also provided attendees with flowcharts intended to be included in the Market Procedure.</p> <p>The IMOPWG discussed the proposed amended Market Procedure. The following changes and actions were agreed:</p> <ul style="list-style-type: none"> <li>• Flowchart: The IMO to include the flowcharts in the Market Procedure to provide a visual process summary.</li> <li>• Steps 8.1.1(b) and 8.2.1(b): The IMO to include a cross reference to step 8.4 in relation to determining when a</li> </ul>	

	<p>Facility is in Commercial Operation for the purposes of the Market Rules.</p> <p>Mr John Rhodes questioned whether the statement in the Procedure Change Proposal that the maintenance of the list of entities meeting Acceptable Credit Criteria was removed from this Market Procedure because the head of power clause did not provide for it. Mr Rhodes noted that he did not believe this was the case. Ms Varma undertook to review the head of power clauses and revise as necessary.</p> <p>Mr John Nguyen queried whether a generator would have to provide Reserve Capacity Security if it failed a Reserve Capacity Test, had been assigned reduced capacity credits and had undergone recent operational upgrades to produce more capacity. Ms Varma clarified that it was dependant on whether it was during a capacity year or spanning two capacity years. A new Reserve Capacity Security could be required in the following Reserve Capacity Cycle if the Facility was assigned a higher level of Certified Reserve Capacity on the basis of upgrades to the Facility.</p> <p>Mr Nguyen also sought clarification on whether Reserve Capacity Security was still required for a new Facility that, for example, was certified for 70MW but demonstrated capability of producing 82MW. Ms Varma clarified that Reserve Capacity Security was required only for the quantity of Certified Reserve Capacity assigned to a Facility.</p> <p>Mr Rhodes also questioned whether the phrase “in writing” included email. The Chair clarified that it was included and noted that the standard forms of communications are outlined in the Market Procedure: Notices and Communications.</p> <p><i>Action Points:</i></p> <ul style="list-style-type: none"> <li>• <i>IMOPWG members to provide any further feedback on the flowcharts tabled at the meeting over the two weeks following the meeting; and</i></li> <li>• <i>The IMO to update the Market Procedure for Reserve Capacity Security, taking into account the suggestions made and the amendments agreed to at the 1 May 2014 meeting and to submit the updated Market Procedure into the formal Procedure Change Process.</i></li> </ul>	<p style="text-align: center;"><b>IMOPWG</b></p> <p style="text-align: center;"><b>IMO</b></p>
<p style="text-align: center;"><b>4.</b></p>	<p><b>PC_2014_03: MARKET PROCEDURE FOR DETERMINING THE BENCHMARK RESERVE CAPACITY PRICE</b></p> <p>Ms Varma introduced the Market Procedure for Determining the Benchmark Reserve Capacity Price and highlighted that the majority of the proposed amendments involved replacing the name Maximum Reserve Capacity Price with Benchmark Reserve Capacity Price to support the Rule Change Proposal: Changes to the Reserve Capacity Price and the Dynamic Reserve Capacity Refunds Regime (RC_2013_20).</p> <p>The IMOPWG discussed the IMO’s proposed amendments to the Market Procedure and noted the following changes:</p> <ul style="list-style-type: none"> <li>• Table 1: The IMO to amend the definition of Consumer Price</li> </ul>	

	<p>Index to include "...expenditure by metropolitan Australian households from the eight capital cities".</p> <ul style="list-style-type: none"> <li>• Step 2.1.1(f): Mr Brendan Clarke queried how the IMO formed its opinion of cost effectiveness. The Chair noted the IMO did not propose any change to its current approach of considering the requirement for 14 hours of operation, however this could be revisited in the next five yearly review of the methodology for determining the Maximum (to be renamed Benchmark) Reserve Capacity Price.</li> <li>• Step 2.1.1(f): The IMO to make a minor typographical amendment to change "water receiveal" to "water receipt".</li> </ul> <p>Mr Brendan Clarke questioned the inclusion of various assumptions with respect to the determination of a 'Power Station' and the associated costs used in the determination of the Maximum (to be renamed to Benchmark) Reserve Capacity Price. The Chair noted that these assumptions and costs were best considered as part of the next five yearly review and were therefore not proposed to be amended through this Procedure Change Process.</p> <p><i>Action Point: The IMO to update the Market Procedure for Determining the Benchmark Reserve Capacity Price to reflect the amendments agreed to at the 1 May 2014 meeting and to submit the updated Market Procedure into the formal Procedure Change Process.</i></p>	<b>IMO</b>
<b>7.</b>	<p><b>GENERAL BUSINESS</b></p> <p>Mr Clarke informed the members that Mr Adrian Theseira would be nominated to represent System Management at future IMOPWG meetings. The Chair noted that this change would need to be endorsed at the next Market Advisory Committee (MAC) meeting.</p>	



## Agenda Item 4: 2014 IMO Procedure Change and Development Working Group Action Items

22 April 2015

**Table 1: Legend**

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

#	Year	Action	Procedure arising	Status/progress
138	2014	The IMO to update the Market Procedure for Notices and Communications to reflect the amendments agreed to at the 27 November 2012 meeting.	Market Procedure for Notices and Communications	Underway.
152	2014	The IMO to update step 2.7.1(c) of the Market Procedure for Balancing Market Forecasts taking into account suggestions made at the 6 February 2014 IMOPWG meeting and circulate the revised Market Procedure to IMOPWG members for feedback.	Market Procedure for Balancing Market Forecasts	Underway. The IMO is developing further proposed amendments to this Market Procedure relating to RC_2014_06.
154	2014	IMOPWG members to provide any further feedback on the flowcharts tabled at the meeting over the two weeks following the meeting.	Market Procedure for Reserve Capacity Security	Completed.



#	Year	Action	Procedure arising	Status/progress
155	2014	The IMO to update the Market Procedure for Reserve Capacity Security, taking into account the suggestions made and the amendments agreed to at the 1 May 2014 meeting and to submit the updated Market Procedure into the formal Procedure Change Process.	Market Procedure for Reserve Capacity Security	Completed. Amended Market Procedure commenced 19 January 2015.
156	2014	IMOPWG members to provide any further feedback on the flowcharts tabled at the meeting over the two weeks following the meeting.	Market Procedure for Reserve Capacity Security	Completed.
157	2014	The IMO to update the Market Procedure for Determining the Benchmark Reserve Capacity Price to reflect the amendments agreed to at the 1 May 2014 meeting and to submit the updated Market Procedure into the formal Procedure Change Process.	Market Procedure for Determining the Benchmark Reserve Capacity Price	Under consideration. The IMO is currently progressing RC_2014_05 which proposes to remove the requirement for this Market Procedure.



## Procedure Change Proposal: PC\_2015\_01

### Change requested by:

<b>Name:</b>	Paul Tetley
<b>Organisation:</b>	IMO
<b>Phone:</b>	(08) 9254 4381
<b>Email:</b>	<a href="mailto:paul.tetley@imowa.com.au">paul.tetley@imowa.com.au</a>
<b>Address:</b>	Level 17, 197 St Georges Terrace, Perth
<b>Date submitted:</b>	TBC
<b>Urgency:</b>	Medium
<b>Procedure change title:</b>	Changes to Market Operation Market Procedures
<b>Market Procedure(s) affected:</b>	Market Procedure: Settlement, Market Procedure: Prudential Requirements, Market Procedure: Capacity Credit Allocation, Market Procedure: Intermittent Load Refunds, Market Procedure: Meter Data Submissions and Market Procedure: Determining Loss Factors.

### Introduction

The IMO or System Management, as applicable, may initiate the Procedure Change Process by developing a Procedure Change Proposal. Rule Participants may notify the IMO or System Management, as applicable, where they consider an amendment or replacement of a Market Procedure would be appropriate.

If an Amending Rule requires the IMO or System Management to develop new Market Procedures or to amend or replace existing Market Procedures, then the IMO or System Management, as applicable, is responsible for the development, amendment, or replacement of Market Procedures so as to comply with the Amending Rule.

Market Procedures:

(a) must:

- i. be developed, amended or replaced in accordance with the process in the Wholesale Electricity Market (WEM) Rules (Market Rules);
- ii. be consistent with the Wholesale Market Objectives;
- iii. be consistent with the Market Rules, the Electricity Industry Act and the Regulations; and



- (b) may be amended or replaced in accordance with clause 2.10 and must be amended or replaced in accordance with clause 2.10 where a change is required to maintain consistency with Amending Rules.

The Wholesale Market Objectives are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

## Details of Procedure Change Requested

### 1. Provide a reason for the proposed new, amended or replacement Market Procedure:

#### 1.1 Background

The IMO proposes to reflect changes included in a number of Rule Change Proposals, including:

- the Rule Change Proposal: Market Rule Changes Arising from the Merger of the Electricity Retail Corporation and Electricity Generation Corporation (RC\_2013\_18)<sup>1</sup>, to remove references to Verve Energy;
- the Rule Change Proposal: Removal of Resource Plans and Dispatchable Loads (RC\_2014\_06)<sup>2</sup>, to remove references to Dispatchable Loads; and
- the Rule Change Proposal: Removal of Market Operation Market Procedures (RC\_2015\_01)<sup>3</sup>, to remove a number of Market Procedures to consolidate and streamline the documentation with respect to particular processes.

The IMO has also reviewed the current head of power clauses and associated Market Procedures used in the daily operation of the market to determine if they continue to meet the requirements of the Market Rules and identify any opportunities to improve the quality of those procedures. In this review, the IMO determined that the Market Procedure: Settlement, Market Procedure: Prudential Requirements and the Market Procedure: Determining Loss Factors require updating to reflect the current market arrangements.

<sup>1</sup> Available at: [www.imowa.com.au/RC\\_2013\\_18](http://www.imowa.com.au/RC_2013_18).

<sup>2</sup> Available at: [www.imowa.com.au/RC\\_2014\\_06](http://www.imowa.com.au/RC_2014_06).

<sup>3</sup> Available at: [www.imowa.com.au/RC\\_2015\\_01](http://www.imowa.com.au/RC_2015_01).

## 1.2 Proposed Amendments

### Market Procedure: Settlement

Clause 9.2.1 of the Market Rules requires the IMO to document the settlement process, including the application of taxes and interest, in the Market Procedure: Settlement.

The IMO proposes to amend the Market Procedure: Settlement to reflect the Amending Rules or proposed Amending Rules including to:

- remove references throughout the procedure to Verve Energy in accordance with RC\_2013\_18; and
- remove references to Dispatchable Loads in steps 5.4.2 and 5.7.1 in accordance with the proposed changes in RC\_2014\_06.

The IMO proposes the following amendments to the Market Procedure: Settlement to ensure that all relevant settlement obligations on Rule Participants and the IMO are clearly documented:

- including a definition of the term Settlement Cycle Timeline in Table 1 of the procedure, which refers to clause 9.16 of the Market Rules;
- updating an incorrect timeline in the STEM Settlement process in Figure 2 of the procedure;
- including a Non-STEM Settlement timeline in Figure 4 of the procedure to add further information with regard to the data used to calculate the Non-STEM Settlement amount, when it is available to the IMO and the relationship to the Interval Meter Deadline;
- including information related to Suspension Notices and Rule Participant deregistration in step 8.2 of the procedure to document the processes that follow a Payment Default to align with the Market Rules;
- including information related to processing payments through Austraclear in Appendix A of the procedure to ensure that all relevant information to complete a market-related financial transaction is documented in one procedure;
- including an explanation of the process used to calculate Intermittent Load Refunds and the input variables involved in this process in Appendix B of the procedure (consistent with the proposed removal of Market Procedure: Intermittent Load Refunds); and
- making some minor and administrative changes throughout the procedure, including restructuring the procedure to improve the sequencing, adding new references to the Market Rules, updating references to the Market Web Site, moving the procedure to the new IMO format and deleting references to Market Procedures that the IMO proposes to remove.

### Market Procedure: Prudential Requirements

The IMO proposes the following amendments to the Market Procedure: Prudential Requirements to ensure that Rule Participants' obligations regarding Prudential Requirements are clearly documented:

- adding further information regarding how the IMO determines a minimum Credit Limit for a Market Participant in step 2.1.3 of the procedure;
- deleting sections of steps 2.2.2(b) and 2.2.3(b) of the procedure which specify the data the IMO can use to determine a Market Participant's Credit Limit as this is duplicated earlier in the relevant steps;
- adding further information in steps 2.2.3 and 2.2.4 about how a Market Participant's Credit Limit is determined;
- including further details in Table 3 of the procedure with respect to when an increased Credit Limit for an existing Market Participant takes effect;
- correct the explanation in step 5.1.1(b) of the procedure which provides details of how to calculate the estimated accrued exposure for STEM and Non-STEM Settlement amounts that have occurred but not been invoiced yet, as the number of days which has to be multiplied by the average daily value of the most recently invoiced STEM/Non-STEM Settlement amount was defined incorrectly; and
- making some minor, administrative and editorial improvements throughout the procedure.

### **Market Procedure: Determining Loss Factors**

The IMO proposes the following amendments to the Market Procedure: Determining Loss Factors to ensure that all relevant obligations on the IMO and the Network Operator are documented:

- introducing the new section 2.4.15 of the procedure to document the IMO's obligation to direct a Network Operator to correct an error in the assignment of a connection point to a Loss Factor Class;
- adding a number of rule references to existing sections of the procedure; and
- making some minor, administrative and editorial improvements throughout the procedure.

### **Removal of Market Procedures**

The IMO has identified that a number of Market Procedures can be removed to streamline the documentation of related processes. This will ensure the efficient and complete provision of information and will allow for some unnecessary Market Procedures to be removed, namely the Market Procedure: Capacity Credit Allocation, Market Procedure: Intermittent Load Refunds and Market Procedure: Meter Data Submissions.

The IMO proposes to remove the Market Procedure: Capacity Credit Allocation, because:

- the majority of the information contained in the Market Procedure is already well-documented in section 9.4 of the Market Rules;
- since the development of the Market Procedure, the IMO has also facilitated the Capacity Credit Allocation Submissions process in its IT systems. This means that the

process-related information is contained in the Market Participant Interface User Guide<sup>4</sup>; and

- there is no head of power clause in the Market Rules requiring this Market Procedure.

The IMO proposes to remove the Market Procedure: Intermittent Load Refunds and document this process in Appendix B of the Market Procedure: Settlement because:

- the current version of the Market Procedure: Intermittent Load Refunds does not include any further details than is currently provided in section 4.28A of the Market Rules; and
- the calculation of Intermittent Load Refunds is part of the Non-STEM Settlement process performed by the IMO's settlement system, therefore the explanation of the process and the input variables should instead be covered in the Market Procedure: Settlement.

The IMO proposes to remove the Market Procedure: Meter Data Submissions on the basis that the procedure is redundant because:

- the format of Meter Data Submissions is covered in clause 8.6.1 of the Market Rules, and a more specific description of the Meter Data File Format is included in the WA B2B Procedure: Meter Data Process (Version 0.4)<sup>5</sup> and subsidiary documents include further details regarding the format of NEM12 files;
- the timing of the provision of meter data is also included in the WA B2B Procedure: Meter Data Process;
- several provisions in the Market Procedure are duplicated from the Electricity Industry (Metering) Code 2012 (Metering Code)<sup>6</sup> which means that the Market Procedure does not add any value<sup>7</sup> and leads to the risk of inconsistent and out-dated information in the Market Rules and Market Procedure where the Metering Code is amended, and an unnecessary administrative burden associated with ensuring corresponding changes are made to the Market Rules and Market Procedure; and
- the only additional material in the Market Procedure is format requirements for non-interval or accumulation meter data. These requirements are redundant because this data is not used for any settlement purposes.

## Call for Submissions

The IMO is seeking submissions regarding this proposal. The submission period is 20 Business Days from the publication of this Procedure Change Proposal. Submissions must be delivered to the IMO **by 5:00 PM on DD Month 2015.**

The IMO prefers to receive submissions by email to [market.development@imowa.com.au](mailto:market.development@imowa.com.au) using the submission form available at: <http://www.imowa.com.au/wem-procedure-changes>.

<sup>4</sup> Available at: <http://www.imowa.com.au/home/electricity/market-participants/guides-and-useful-information>.

<sup>5</sup> The WA B2B Procedure: Meter Data Process Version No 0.4 is part of the Metering Code 2005 Communication Rules Build Pack.

<sup>6</sup> The comprehensive legislative instrument under the Electricity Industry Act 2004 containing the obligations of the Network Operator (who is the Metering Data Agent for the purpose of the Market Rules).

<sup>7</sup> The IMO is working with Western Power to improve the current data transfer processes for metering data and intends to document that new process in an appropriate form.

Submissions may also be sent to the IMO by post, addressed to:

**Independent Market Operator**

Attn: Group Manager, Development and Capacity  
PO Box 7096  
Cloisters Square, PERTH, WA 6850



## 2. Provide the wording of the amended Market Procedure

The proposed amended Market Procedures are provided as an attachment to this proposal in the following order:

- Market Procedure: Settlement (note due to the restructuring of the document, a marked-up version of the procedure has not been provided);
- Market Procedure: Prudential Requirements; and
- Market Procedure: Determining Loss Factors.

It should be noted that the Market Procedure: Capacity Credit Allocation, Market Procedure: Intermittent Load Refunds and Market Procedure: Meter Data Submissions are being removed as the relevant head of power clauses are proposed to be deleted.

The IMO has not provided these procedures as an attachment.

## 3. Describe how the proposed changes to the Market Procedure would be consistent with the Market Rules, the Electricity Industry Act and Regulations

The proposed amended Market Procedures have been reviewed as a whole by the IMO to ensure compliance of the Market Procedures with the relevant provisions in the:

- Electricity Industry Act;
- WEM Regulations; and
- Market Rules.

## 4. Describe how the proposed changes to the Market Procedures would be consistent with the Wholesale Market Objectives

The IMO considers that the proposed changes better achieve Wholesale Market Objectives (a), (b) and (d) and are consistent with the remaining objectives.

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system



The IMO considers that the proposed amendments:

- remove the unnecessary Market Procedures and streamline the market operations Market Procedures which would result in more efficient and less cumbersome administrative processes;
- support the operation of the Market Rules by making the procedure steps consistent with the Amending Rules or proposed Amending Rules, as appropriate;
- provide complete information on invoicing, payment, Payment Default and settlement in default, thereby improving transparency of current processes; and
- improve the overall readability and usability of the Market Procedures.

The IMO also notes that the steps are drafted in a way that does not change the operation of the Market Rules, but rather supports the Market Rules by outlining the obligations of various Rule Participants.



INDEPENDENT  
MARKET  
OPERATOR



## Market Procedure: Settlement

Version 4





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	21 September 2006	Market Procedure for Settlements
2	19 July 2011	Amendments to Market Procedure resulting from PA redevelopment
3	1 January 2014	Amendments to Market Procedure resulting from PC_2013_07
4	TBC	Amendments to Market Procedure resulting from PC_2015_01



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## **1. Procedure overview**

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

1.1.1 This Market Procedure: Settlement (Procedure) is made in accordance with clause 9.2.1 of the Wholesale Electricity Market Rules (Market Rules).

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

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

1.2.1 The purpose of this Procedure is to outline the following:

- (a) the settlement processes for:
  - i. STEM transactions, settled on a weekly basis;
  - ii. non-STEM transactions, settled on a monthly basis;
  - iii. Adjustments; and
  - iv. settlement of the market in the event that a Market Participant defaults on payment;
- (b) the application of taxes and interest to settlement transactions; and
- (c) the calculation and issuing of Settlement Statements, Participant Information Reports and Invoices, payment of Invoices and issuing Notices of Disagreement and Notices of Dispute.

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

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

### **1.4 Associated Market Procedures and market documents**

1.4.1 The following Market Procedures (available on the Market Web Site<sup>1</sup>) are associated with this Procedure:

- (a) Prudential Requirements; and
- (b) Individual Reserve Capacity Requirements.

1.4.2 The following market documents are also associated with this Procedure:

- (a) Market Participant Interface (MPI) User Guide
- (b) Settlement Cycle Timeline, available on the Market Web Site<sup>2</sup>; and

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<sup>1</sup> <http://www.imowa.com.au/home/electricity/procedures>

<sup>2</sup> <http://www.imowa.com.au/home/electricity/market-participants/settlement-information>

- (c) Product Configuration Spreadsheet (PCS), available on the WEMS Portal in the Settlement section under Download Files.

## 1.5 Conventions used

- 1.5.1 In this Procedure, the conventions specified in clauses 1.3 to 1.5 of the Market Rules apply.
- 1.5.2 The appendices contained within this Procedure form part of the Procedure and are legally enforceable.

## 1.6 Terminologies and definitions

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

**Table 1: Defined terms**

Term	Definition
<b>Adjustment</b>	The process undertaken by the IMO to recalculate the transactions in the market, in accordance with clause 9.16.3 of the Market Rules.
<b>Ancillary Service Settlement</b>	The process of calculating a Rule Participant's transactions pertaining to their Ancillary Service segment in accordance with clause 9.9 of the Market Rules and reflected in the Non-STEM Settlement Statement for the Trading Month.
<b>Austraclear</b>	The electronic funds transaction system used by the IMO and Rule Participants to settle market payments.
<b>Balancing Settlement</b>	The process of calculating a Rule Participant's transactions pertaining to their Balancing segment in accordance with clause 9.8 of the Market Rules and reflected in the Non-STEM Settlement Statement for the Trading Month.
<b>Default Levy Settlement</b>	The process of calculating and allocating a Rule Participant's share of a Payment Default amount.
<b>Market Participant Fee Settlement</b>	The process of calculating a Rule Participant's transactions pertaining to its fees associated with the services provided by the IMO, System Management, and the Economic Regulation Authority as described in clause 2.24 of the Market Rules, in accordance with clause 9.13 of the Market Rules and reflected in the Non-STEM Settlement Statement for the Trading Month.
<b>Non-STEM Settlement</b>	The process of calculating a Rule Participant's net settlement amount for all transactions and amounts other than those pertaining to the STEM, in accordance with clause 9.14 of the Market Rules.

<b>Term</b>	<b>Definition</b>
<b>Outage Compensation Settlement</b>	The process of calculating a Rule Participant's transactions pertaining to its Outage compensation segment in accordance with clause 9.10 of the Market Rules and reflected in the Non-STEM Settlement Statement for the Trading Month.
<b>Participant Information Report (PIR)</b>	A report produced by the IMO specifying the variable inputs and calculations for each transaction made by a Rule Participant during a Trading Day.
<b>Reconciliation Settlement</b>	The process of calculating a Rule Participant's transactions pertaining to their reconciliation segment as reflected in the NonSTEM Settlement Statement for the Trading Month.
<b>Reserve Capacity Settlement</b>	The process of calculating a Rule Participant's transactions pertaining to their Reserve Capacity segment as reflected in the Non-STEM Settlement Statement for the Trading Month.
<b>Settlement Cycle Timeline</b>	The Settlement Cycle Timeline document prepared and published annually by the IMO on the Market Web Site as required under section 9.16 of the Market Rules.
<b>Settlement Date</b>	The date upon which a Rule Participant must make a payment to the IMO for a settlement Invoice.
<b>Settlement Portal</b>	The interface within the WEMS that enables a Rule Participant to view and download its settlement documents.
<b>Shared Reserve Capacity Cost</b>	The monthly cost of acquiring Capacity Credits, in excess of the Reserve Capacity Requirement calculated in accordance with clause 4.28.4 of the Market Rules.
<b>STEM Settlement</b>	The process of calculating a Rule Participant's quantities cleared in the STEM and the respective settlement amount.
<b>Supplementary Capacity Payment</b>	Monthly payment from the IMO to a Rule Participant for a Supplementary Capacity Contract entered into if it considers there is inadequate Reserve Capacity to maintain Power System Security or Power System Reliability in the six months preceding the Capacity Year, in accordance with clause 4.24 of the Market Rules.
<b>Targeted Reserve Capacity Cost</b>	As calculated under clause 4.28.1(a) of the Market Rules, the monthly cost of acquiring Capacity Credits, up to the Reserve Capacity Requirement, after allowing for Capacity Credits traded bilaterally.
<b>Wholesale Electricity Market System (WEMS)</b>	The IMO's IT interface used to administer, operate and settle the Wholesale Electricity Market.

## 2. STEM Settlement

Figure 1: STEM Settlement process overview

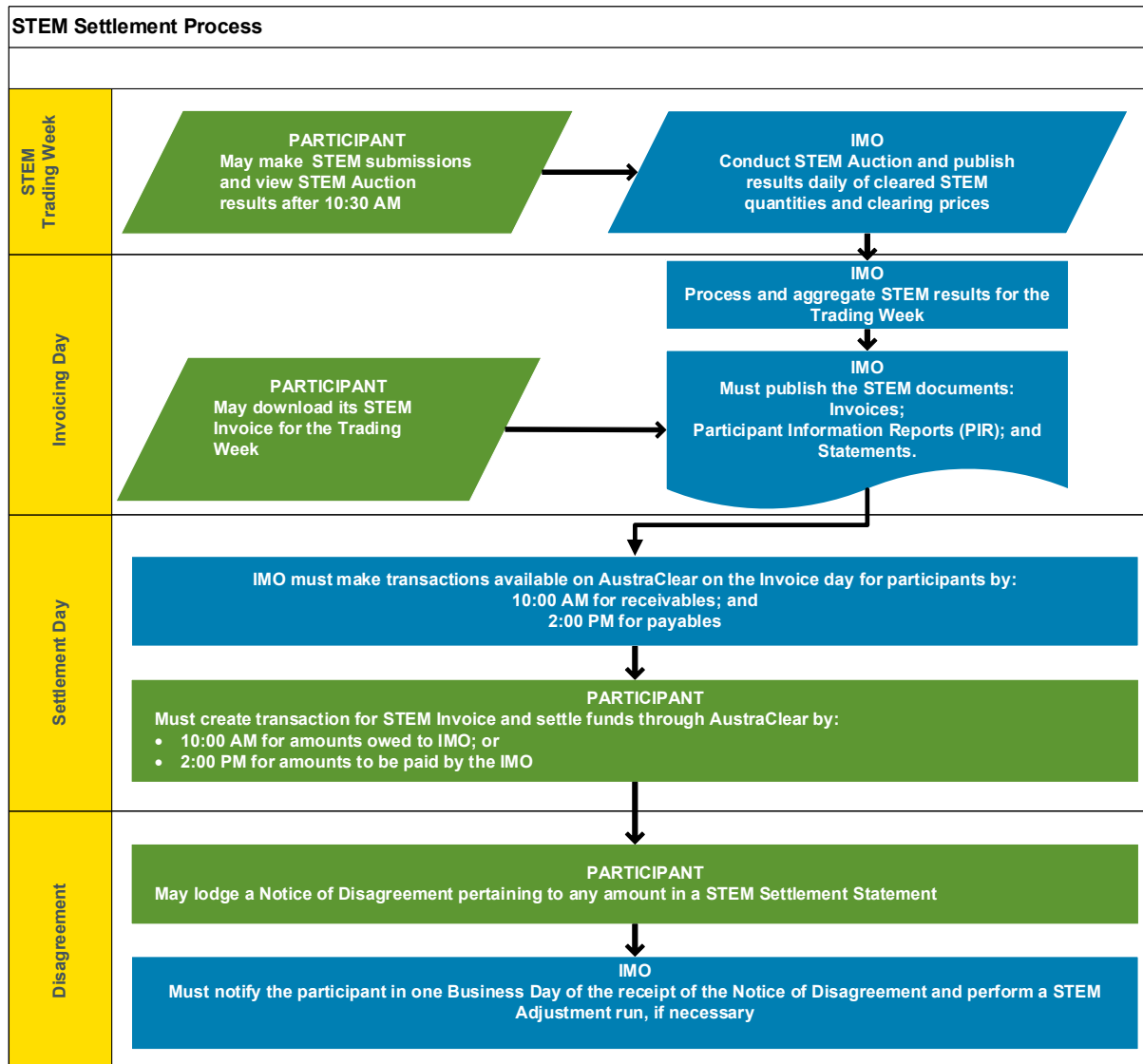
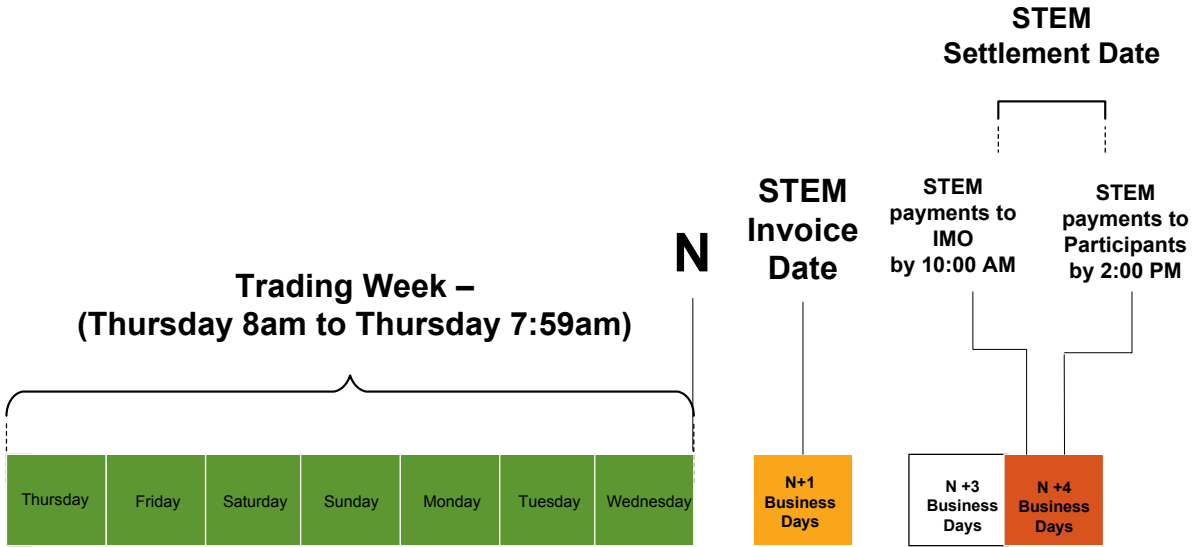


Figure 2: STEM Settlement Timeline



**2.1 STEM Settlement process**

2.1.1 The IMO must settle a STEM Trading Week in accordance with the Settlement Cycle Timeline. **[Clause 9.17.1]** The Settlement Cycle Timeline defines the applicable dates for each of the events for each STEM Trading Week, including:

- (a) the start of the Trading Week;
- (b) the end of the Trading Week;
- (c) the statement and Invoice date;
- (d) the Settlement Date; and
- (e) the STEM Settlement Disagreement Deadline.

2.1.2 During a STEM Trading Week, a Rule Participant may make submissions and participate in the STEM. The STEM Trading Week begins at the Trading Interval commencing at 8:00 AM on Thursday and ends on the Trading Interval commencing at 7:30 AM on the following Thursday.

2.1.3 After a Trading Week, the IMO must calculate a Rule Participant’s STEM Settlement amount for a Trading Week in accordance with clause 9.6.1 of the Market Rules.

2.1.4 On the first Business Day commencing after the end of a Trading Week, the IMO must issue to each Rule Participant that transacted in the STEM **[Clause 9.16.1(a)]**:

- (a) a STEM Settlement Statement for each of the Trading Days in the Trading Week in accordance with step 5.1;
- (b) a STEM PIR for each of the Trading Days in the Trading Week in accordance with step 5.2; and

- (c) an Invoice for the STEM Settlement Statements in the Trading Week in accordance with step 6.1.
- 2.1.5 On the second Business Day following the provision of STEM Settlement Statement, PIR and Invoice by the IMO to a Rule Participant under step 2.1.4, the IMO and the Rule Participant must settle each Invoice in accordance with step 7.2.6. **[Clause 9.16.1(b)]**
- 2.1.6 If a Rule Participant disagrees with any amount stated in the STEM Settlement Statement issued under step 2.1.4, the Rule Participant may issue a Notice of Disagreement to the IMO by the STEM Settlement Disagreement Deadline **[Clause 9.16.1]** in accordance with the steps in section 8 of this Procedure. **[Clause 9.17.3]**

### 3. Non-STEM Settlement

Figure 3: Non-STEM Settlement process overview

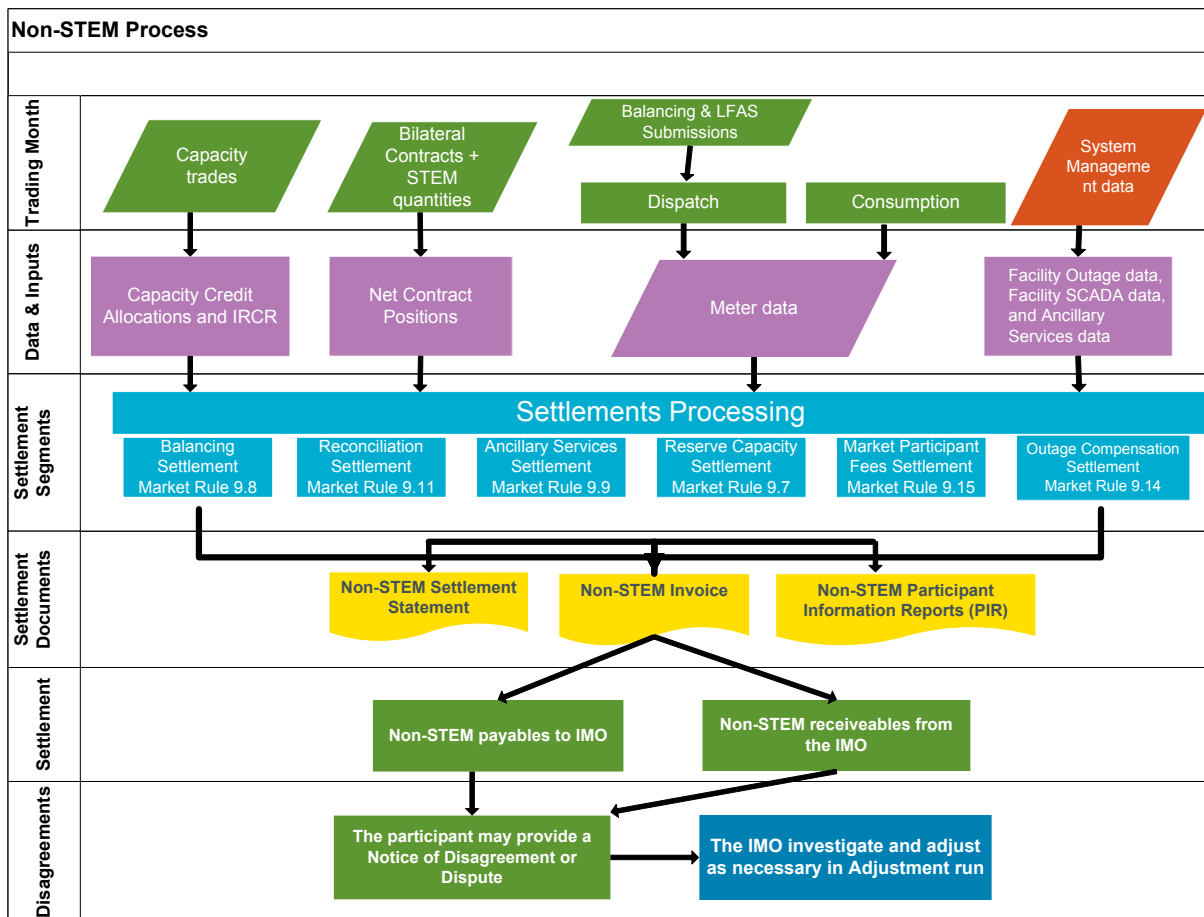
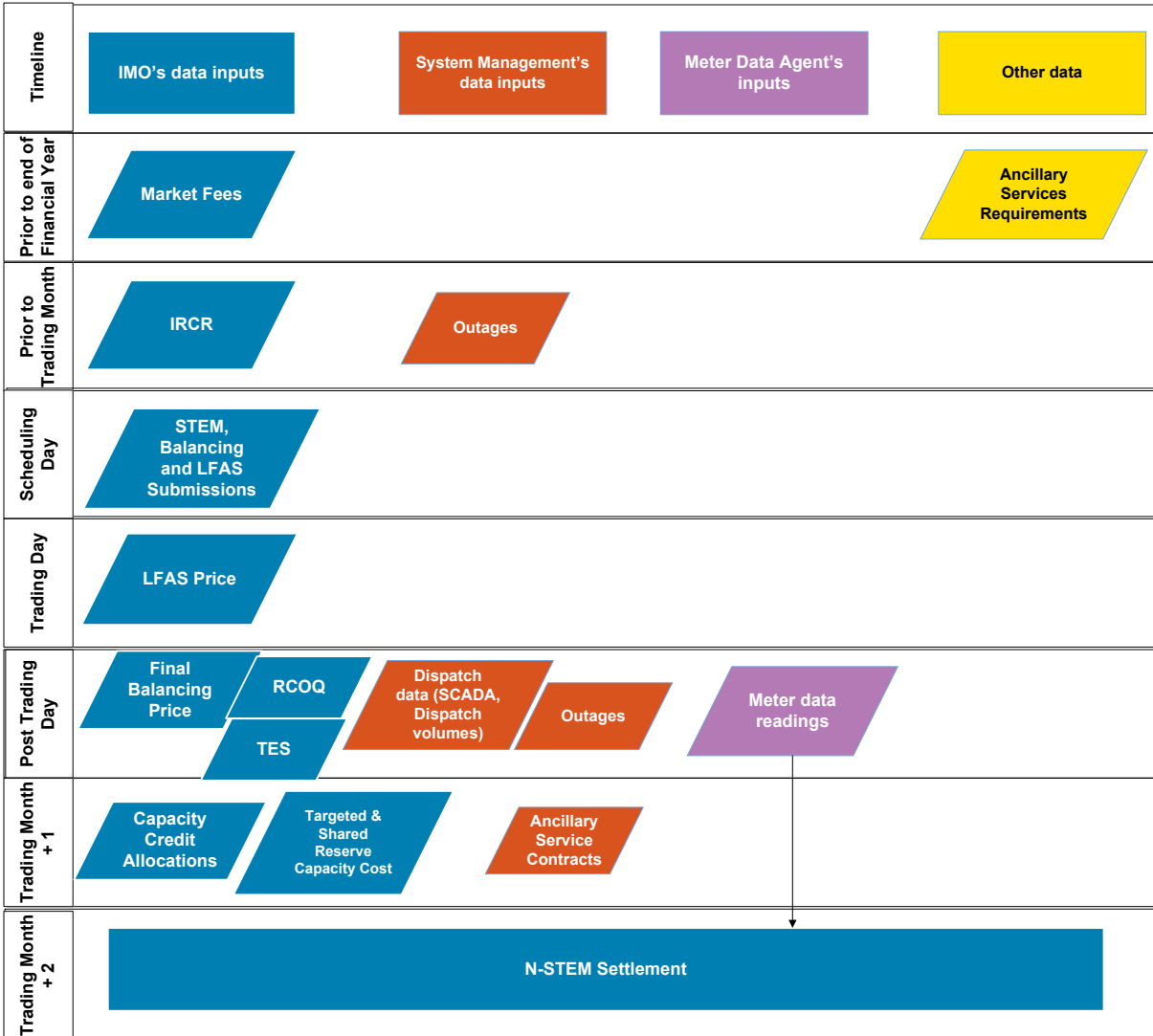




Figure 4: Non-STEM Settlement timeline



### 3.1 Non-STEM Settlement process

3.1.1 The IMO must process and settle all transactions other than those undertaken in the STEM for the Trading Month, in accordance with the dates specified in the Settlement Cycle Timeline. **[Clause 9.18.1]** The Settlement Cycle Timeline defines the applicable dates for:

- (a) the Interval Meter Deadline;
- (b) the Capacity Credit Allocation Submission timeline;
- (c) the Non-STEM Settlement Statement Date;
- (d) the Invoicing Date;
- (e) the Non-STEM Settlement Date; and
- (f) the Non-STEM Settlement Disagreement Deadline.

3.1.2 Non-STEM Settlement calculations for the Trading Month must use the Meter Data Submissions received up to the Interval Meter Deadline for the respective Trading

Month. The Interval Meter Deadline occurs on the first Business Day of the second month following the Trading Month. This deadline is the date that the Metering Data Agent must provide metering data to the IMO to settle for the Trading Month.

**[Clauses 8.4.1 and 9.16.2(a)]**

- 3.1.3 The IMO must commence calculations of each Non-STEM Settlement segment, (outlined in step 3.2 of this Procedure), after the Interval Meter Deadline, and complete the calculations not more than five Business Days after the Interval Meter Deadline of the Trading Month. **[Clause 9.16.2(c)]**
- 3.1.4 The IMO must issue a Non-STEM Settlement Statement for the Trading Month no later than five Business Days after the Interval Meter Deadline. **[Clause 9.16.2(c)]**
- 3.1.5 The IMO must issue a Non-STEM Settlement Invoice for the Trading Month five Business Days after the Interval Meter Deadline. **[Clause 9.16.2(d)]**
- 3.1.6 The IMO and Rule Participants must settle the amounts stated in the Non-STEM Settlement Invoice issued in step 3.1.5 on the seventh Business Day after the Interval Meter Deadline, and provide payment in accordance with the steps in section 6.2 of this Procedure. **[Clause 9.16.2(e)]**
- 3.1.7 If a Rule Participant disagrees with any amount stated in the Non-STEM Settlement Statement issued in step 3.1.3, the Rule Participant may issue a Notice of Disagreement to the IMO by the Non-STEM Settlement Disagreement Deadline in accordance with the steps in section 10 of this Procedure. **[Clause 9.18.4]**

### **3.2 Non-STEM Settlement segments**

- 3.2.1 The IMO must process and calculate all transactions other than those undertaken in the STEM for the Trading Month and attribute them to each of the following Non-STEM Settlement segments:
  - (a) Reserve Capacity Settlement (refer to section 3.3);
  - (b) Balancing Settlement (refer to section 3.4);
  - (c) Ancillary Service Settlement (refer to section 3.5);
  - (d) Outage Compensation Settlement (refer to section 3.6).
  - (e) Reconciliation Settlement (refer to section 3.7); and
  - (f) Market Participant Fee Settlement (refer to section 3.8).

### **3.3 Reserve Capacity Settlement**

- 3.3.1 The IMO must use the Reserve Capacity Settlement data described in section 4.29 of the Market Rules. **[Clause 9.3.1]**
- 3.3.2 To facilitate the Capacity Credit Allocation process for a Trading Month, the IMO must determine the Individual Reserve Capacity Requirement for each Rule Participant in accordance with the Market Procedure: Individual Reserve Capacity Requirements.

- 3.3.3 For the purpose of Reserve Capacity Settlement for a Trading Month, the IMO must use the Capacity Credit Allocation Submissions that have been submitted in accordance with the Capacity Credit Allocation Submission timeline. The Capacity Credit Allocation Submission timeline for each Trading Month is outlined in the Settlement Cycle Timeline.
- 3.3.4 A Rule Participant must make Capacity Credit Allocation Submissions through WEMS in the format prescribed by the IMO. Rule Participant and IMO obligations related to the Capacity Credit Allocation process are outlined in section 9.4 of the Market Rules.
- 3.3.5 For the purpose of the Reserve Capacity Settlement calculations for a Trading Month, the IMO must calculate:
- (a) the quantity and amount payable for any uncontracted Capacity Credits not covered by Special Price Arrangements and which are not allocated to another Rule Participant for the Trading Month and apply the Monthly Reserve Capacity Price;
  - (b) the quantity and amount payable for contracted Capacity Credits covered by Special Price Arrangements and which are not allocated to another Rule Participant for the Trading Month and apply the Monthly Special Reserve Capacity Price;
  - (c) the Capacity Cost Refund payable to the IMO by a Rule Participant for the Trading Month, in accordance with clause 4.26.2F of the Market Rules;
  - (d) the Intermittent Load Refund payable to the IMO by a Rule Participant for each Intermittent Load registered, for the Trading Month, in accordance with 4.28A.1 of the Market Rules. A detailed explanation of the Intermittent Load Refund calculation is covered in Appendix B;
  - (e) the Supplementary Capacity Payment to be made by the IMO to a Rule Participant for the supplementary capacity provided for the Trading Month, in accordance with the Supplementary Capacity Contract under clause 4.24.13 of the Market Rules;
  - (f) the Targeted Reserve Capacity Cost payment as defined under clause 4.28.1(a), for the cost of Reserve Capacity to be shared amongst those Market Customers who have not had sufficient Capacity Credits allocated to them for the Trading Month. The IMO must allocate the Target Reserve Capacity Cost to each Market Customer in accordance with clause 4.28.3 of the Market Rules;
  - (g) the Shared Reserve Capacity Cost amount for the Trading Month and allocate it to Market Customers in accordance with clause 4.28.4 of the Market Rules; and
  - (h) the “*LF\_Capacity\_Cost*” as the total Load Following Service capacity payment to be paid by a Rule Participant to the IMO for the Trading Month, in accordance with clause 9.9.2(q) of the Market Rules.

- 3.3.6 The IMO must calculate and allocate each Rule Participant's share of the Reserve Capacity Settlement segment for the Trading Month, in accordance with clause 9.7.1 of the Market Rules.
- 3.3.7 The IMO must use the calculated monthly value of each Rule Participant's Reserve Capacity Settlement amount to determine the net Non-STEM Settlement amount for the Trading Month, in accordance with step 3.9.1 of this Procedure.
- 3.3.8 Balancing Settlement The IMO must use the energy market settlement information described in clause 6.21.2 of the Market Rules. **[Clause 9.3.1]**
- 3.3.9 For the purpose of the Balancing Settlement calculations for a Trading Day, the IMO must calculate:
- (a) the Metered Balancing Quantity in accordance with clause 6.17.2 of the Market Rules;
  - (b) the Balancing Price in accordance with clause 7A.3.10 of the Market Rules;
  - (c) the payments for generators dispatched Out of Merit for constrained on or constrained off compensation payments in accordance with clause 6.17.3, 6.17.4, 6.17.5 and 6.17.5A of the Market Rules; and
  - (d) the payment for dispatch of any Demand Side Programmes dispatched by System Management based on the Standing Data price specified by the Rule Participant in the WEMS in accordance with clause 6.17.6 of the Market Rules.
- 3.3.10 The IMO must calculate each Rule Participant's Balancing Settlement amount for a Trading Day, in accordance with clause 9.8.1 of the Market Rules.
- 3.3.11 The IMO must calculate the monthly sum of each Rule Participant's Balancing Settlement amounts to determine the net Non-STEM Settlement amount for the Trading Month as outlined under step 3.9.1 of this Procedure.

### **3.4 Ancillary Services Settlement**

- 3.4.1 The IMO must use the settlement data described under clause 3.22.1 (a) – (g) of the Market Rules. **[Clause 9.3.1]**
- 3.4.2 For the purpose of the Ancillary Service Settlement calculations for a Trading Month, the IMO must calculate:
- (a) the Synergy Ancillary Service provider payment for the Trading Month, in accordance with clause 9.9.1 of the Market Rules;
  - (b) the "*ASP\_Payment*" to pay for contracted Ancillary Services provided by a Rule Participant, which is not Synergy, for the Trading Month, in accordance with clause 9.9.3 of the Market Rules;
  - (c) the "*ASP\_Balance\_Payment*" to pay for Contracted Ancillary Services for the Trading Month, in accordance with clause 9.9.3A of the Market Rules;

- (d) the “*LF\_Market\_Payment*” to pay a Rule Participant for providing Load Following Services to maintain system frequency, for the Trading Month, in accordance with clause 9.9.2(d) of the Market Rules;
- (e) the “*LF\_Capacity\_Cost\_Share*” for each Rule Participant, based on its market share of metered quantities for Non-Scheduled Generators, Non-Dispatchable and Interruptible Loads, for the Trading Month, in accordance with clause 9.9.2(p) of the Market Rules;
- (f) the “*LF\_Market\_Cost\_Share*” for each Rule Participant, based on its market share of metered quantities for Non-Scheduled Generators, Non-Dispatchable and Interruptible Loads, for the Trading Month, in accordance with clause 9.9.2(n) of the Market Rules; and
- (g) the “*SR\_Availability\_Cost\_Share*” for each Market Generator, based on its proportion of deemed risk that its generator(s) impose(s) on the system, for the Trading Month, in accordance with clause 9.9.2(l) of the Market Rules.

3.4.3 The IMO must allocate costs to each Market Customer for Load Rejection Reserve Service, System Restart Service and Dispatch Support Service in accordance with clause 3.22.1 of the Market Rules. The allocation is based on a Rule Participant’s consumption share for the Trading Month which is calculated in accordance with clause 9.3.7 of the Market Rules.

3.4.4 The IMO must calculate each Rule Participant’s share of the Ancillary Services Settlement segment for the Trading Month, in accordance with clause 9.9.1 of the Market Rules.

3.4.5 The IMO must use the calculated monthly value of each Rule Participant’s Ancillary Service Settlement amount to determine the net Non-STEM Settlement amount for the Trading Month as outlined under step 3.9.1 of this Procedure.

### **3.5 Outage Compensation Settlement**

3.5.1 The IMO must use the settlement data described under clause 3.22.1(h) of the Market Rules. **[Clause 9.3.1]**

3.5.2 The IMO must determine the Outage compensation amount in accordance with the timeline outlined in clause 3.19.12(e) of the Market Rules.

3.5.3 The IMO must allocate each Market Participant’s share of the Outage Compensation Settlement segment for the Trading Month, on the basis of the consumption share for the Trading Month, in accordance with 9.10.1 of the Market Rules.

3.5.4 The IMO must use the monthly value of each Market Participant’s Outage Compensation Settlement amount to determine the net Non-STEM Settlement amount for the Trading Month as outlined under step 3.9.1 of this Procedure.

3.5.5 Reconciliation Settlement The IMO must allocate the costs of the Reconciliation Settlement segment to each Market Participant based on its consumption share, to pay for the following:

- (a) Balancing Settlement segment imbalance for the Trading Month;

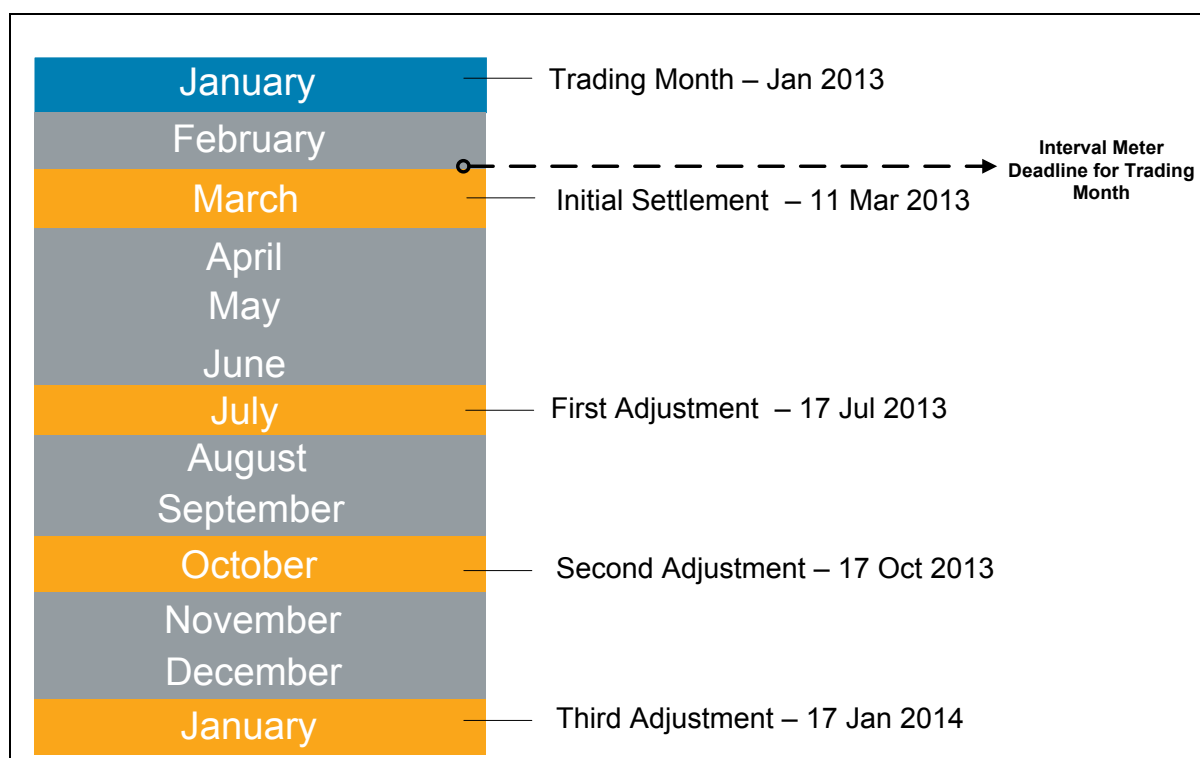
- (b) constrained on and constrained off compensation payments;
  - (c) differences in average marginal losses, from actual marginal losses;
  - (d) dispatch of any Demand Side Programmes; and
  - (e) shortfall in payment for Load Rejection Reserve Service, System Restart Service and Dispatch Support Service for the Trading Month.
- 3.5.6 The IMO must calculate the consumption share for each Market Customer based on its monthly energy usage, in accordance with clause 9.3.7 of the Market Rules.
- 3.5.7 The IMO must calculate each Rule Participant's share of the Reconciliation Settlement segment for the Trading Month, in accordance with clause 9.11.1 of the Market Rules.
- 3.5.8 The IMO must use the calculated monthly value of each Rule Participant's Reconciliation Settlement amount to determine the net Non-STEM Settlement amount for the Trading Month as outlined under step 3.9.1 of this Procedure.
- 3.5.9 Market Fee Settlement The IMO must charge a Market Participant Market Fees, System Operation Fees and Regulator Fees for the Trading Month, determined under clause 2.24.2 of the Market Rules.
- 3.5.10 The IMO must calculate each Rule Participant's share of the Market Participant Fee Settlement segment for the Trading Month, in accordance with clause 9.13.1 of the Market Rules.
- 3.5.11 The IMO must allocate each Rule Participant's share of the Market Participant Fee Settlement segment for the Trading Month, on the basis of the quantity of energy generated and consumed by the Market Participant, in accordance with clause 9.13 of the Market Rules.
- 3.5.12 The IMO must use the monthly value of each Market Participant's Market Participant Fee Settlement amount to determine the net Non-STEM Settlement amount for the Trading Month as outlined under step 3.9.1 of this Procedure.

### **3.6 Net Non-STEM Settlement**

- 3.6.1 The IMO must calculate the net Non-STEM Settlement amount for each Rule Participant, for the Trading Month, in accordance with clause 9.14.1 of the Market Rules.
- 3.6.2 The IMO must issue a Non-STEM Settlement Statement and a PIR for each Non-STEM Settlement segment amount in accordance with the steps in section 5.1 and section 5.2 of this Procedure.
- 3.6.3 The IMO must issue an Invoice to each Market Participant for the net Non-STEM Settlement amount in accordance with the steps in section 6.1 of this Procedure.
- 3.6.4 The IMO and Market Participants must settle the net Non-STEM Settlement amount, for the Trading Month, on the Settlement Date specified in the Settlement Cycle Timeline.

## 4. Adjustment Process

Figure 5: Adjustment Timeline example



### 4.1 Adjustments

- 4.1.1 The IMO must undertake an Adjustment for a STEM Settlement if a Rule Participant lodges a Notice of Disagreement with respect to a STEM Settlement amount and the IMO considers the STEM Settlement Statement to be inaccurate.
- 4.1.2 The IMO must undertake a monthly Adjustment for a Non-STEM Settlement in accordance with the Settlement Cycle Timeline.
- 4.1.3 Where an Adjustment is required for a:
- (a) STEM Settlement amount, the IMO must undertake the steps in section 4.2 of this Procedure; or
  - (b) Non-STEM Settlement amount, the IMO must undertake the steps in section 4.3 of this Procedure.

### 4.2 STEM Settlement adjustments

- 4.2.1 If the IMO undertakes a STEM Settlement Adjustment under step 4.1.1, the IMO must commence the Adjustment two Business Days after the respective Disagreement Deadline for the STEM Trading Week specified by the Settlement Cycle Timeline.
- 4.2.2 The IMO must recalculate the amounts in the relevant STEM Settlement segments in accordance with the steps in section 2, after first resolving any issues that may have caused the inaccuracy in the initial STEM Settlement Statement.



4.2.3 The IMO must issue an adjusted STEM Settlement Statement and PIR to each Rule Participant no later than 20 Business Days from commencing the STEM Adjustment process and in accordance with the steps in sections 5.1 and 5.2. **[Clause 9.16.4(b)]**

4.2.4 The IMO must issue an adjusted Invoice for the Trading Week two Business Days after the date of release of the adjusted STEM Settlement Statement and PIR in accordance with the steps in section 6.1. **[Clause 9.16.4(c)]**

4.2.5 The IMO must accrue interest on any adjusted STEM Settlement amount in accordance with the steps in section 7.2. **[Clause 9.19.3(a)]**

### **4.3 Non-STEM Settlement adjustments**

4.3.1 When the IMO undertakes a Non-STEM Settlement Adjustment, the IMO must recalculate the amounts in the relevant Non-STEM Settlement segments in accordance with the steps in section 3.

4.3.2 The IMO must recalculate the amounts in the relevant Non-STEM Settlement segments taking into account any of the following information provided in relation to the previous Non-STEM Settlement Statement issued for the Trading Month **[Clause 9.19.1(a)]**:

- (a) revised metering data provided by the Metering Data Agent;
- (b) actions arising from any Notice of Disagreement;
- (c) the resolution of any Notice of Dispute;
- (d) any determination of Out of Merit generation made in accordance with clauses 6.16A.1(b)(i), 6.16A.2(b)(i), 6.16B.1(b)(i) or 6.16B.2(b)(i) of the Market Rules;
- (e) revised Market Fees, System Operation Fees or Regulator Fees; and
- (f) any adjustment required for GST purposes under clause 9.1.2 of the Market Rules.

4.3.3 The IMO must follow the steps in section 3 to recalculate and reallocate the Non-STEM Settlement segment.

4.3.4 The IMO must issue an adjusted Non-STEM Settlement Statement and PIR no later than 20 Business Days after the date of commencement of the Adjustment for the respective Non-STEM Settlement Statement for a Trading Month, in accordance with the steps in sections 5.1 and 5.2. **[Clause 9.16.4(b)]**

4.3.5 The IMO must issue an adjusted Non-STEM Settlement Invoice two Business Days after the date of release of the adjusted Non-STEM Settlement Statement and PIR in accordance with the steps in section 6.1. **[Clause 9.16.4(c)]** The adjusted Invoice must only include a net amount to be paid by either the Rule Participant or the IMO to reflect the adjusted Non-STEM Settlement amount for the Trading Month. The adjusted Invoice must take into account any amount from previous Adjustments made under clause 9.19 of the Market Rules.



- 4.3.6 The IMO must accrue interest on any adjusted Non-STEM Settlement amount in accordance with the steps in section 7.2. **[Clause 9.19.3(a)]**

## **5. Settlement documents**

### **5.1 Settlement Statements**

- 5.1.1 The IMO must issue a STEM Settlement Statement and Non-STEM Settlement Statement for each Rule Participant, for each period, in accordance with the Settlement Cycle Timeline.
- 5.1.2 The IMO must provide access to each Rule Participant to the Settlement Portal in the WEMS.
- 5.1.3 Each Rule Participant must ensure it is able to view the relevant settlement statements in the Settlement Portal in the WEMS.
- 5.1.4 The IMO must only generate a settlement statement for the relevant Rule Participant with respect to periods in which it has obligations or undertaken transactions.
- 5.1.5 The IMO must, for each STEM Settlement Statement, ensure it contains the information specified in clause 9.17.2 of the Market Rules.
- 5.1.6 The IMO must, for each Non-STEM Settlement Statement, ensure it contains the information specified in clause 9.18.3 of the Market Rules.
- 5.1.7 The IMO must publish the relevant settlement statements through the Settlement Portal in the WEMS, in accordance with the Settlement Cycle Timeline.
- 5.1.8 A Rule Participant may access its relevant list of settlement statements based on the transaction type and the date of publication through the Settlement Portal in the WEMS.

### **5.2 Participant Information Report**

- 5.2.1 The IMO must issue a PIR for each Rule Participant, for each STEM Settlement period or Non-STEM Settlement period in accordance with the Settlement Cycle Timeline. The PIR must contain the information and settlement input variables to enable a Rule Participant to validate the settlement data.
- 5.2.2 The IMO must only create a PIR for the relevant Rule Participant with respect to periods in which it has obligations or undertaken transactions.
- 5.2.3 The IMO must publish the relevant PIRs through the Settlement Portal in the WEMS, in accordance with the Settlement Cycle Timeline.
- 5.2.4 A Rule Participant may access its relevant PIRs through the Settlement Portal in the WEMS.

## **6. Invoicing and payment**

### **6.1 Invoicing**

- 6.1.1 The IMO must issue settlement Invoices for each Rule Participant, for each period, in accordance with the Settlement Cycle Timeline. **[Clause 9.22.1]**
- 6.1.2 The IMO must generate a settlement Invoice for the relevant Rule Participant with respect to periods in which it has obligations or undertaken transactions.
- 6.1.3 The IMO must publish settlement Invoices through the Settlement Portal in the WEMS, in accordance with clause 9.22.2 of the Market Rules.
- 6.1.4 A Rule Participant may access its relevant list of settlement Invoices based on the transaction type and the date of publication through the Settlement Portal in the WEMS.
- 6.1.5 A Rule Participant must check its settlement Invoice amount and notify the IMO if it does not agree with the settlement Invoice amount in accordance with the steps under section 10.1 of this Procedure.

## **6.2 Payment**

- 6.2.1 In accordance with clause 9.22.4 of the Market Rules, the IMO has nominated Austraclear as the electronic funds transfer facility to be used by all Rule Participants for all settlements under these Market Rules.
- 6.2.2 The IMO and Rule Participants must settle any outstanding Invoice, in full, through Austraclear. Rule Participants must refer to Appendix A of this Procedure to undertake various processes and tests to complete settlement transaction processes.
- 6.2.3 The IMO and Rule Participants may agree in writing on an alternative method of payment if Austraclear is temporarily unavailable. The IMO may direct the Rule Participant to use real time gross settlement with its bank to complete the transaction on the payment due date mentioned on the Invoice.
- 6.2.4 If an Invoice indicates that a Rule Participant owes an amount greater than one dollar to the IMO, the Rule Participant must pay the amount owed to IMO by 10:00 AM, on the Settlement Date in accordance with the relevant settlement Invoice. The Rule Participant must make the payment, even if the Rule Participant disagrees with the settlement amount. **[Clause 9.22.6]**
- 6.2.5 If the Rule Participant does not pay the amount owed to the IMO by 10.00 AM in accordance with step 6.2.4, a Payment Default and Suspension Event will be triggered. **[Clause 9.23.1]** The IMO must follow section 8.1 of this Procedure to address the Payment Default.
- 6.2.6 If an Invoice indicates that the IMO owes an amount greater than one dollar to a Rule Participant, the IMO must pay that amount owed to a Rule Participant by 2:00 PM on the Settlement Date, in accordance with the relevant settlement Invoice. The IMO must make the payment even if the Rule Participant disagrees with a settlement amount. **[Clause 9.22.8]**
- 6.2.7 If the Rule Participant defers collection of the Invoice amount payable by the IMO, it must advise the IMO in writing and confirm the collection for another date.

## 7. Application of GST and interest

### 7.1 Application of GST

7.1.1 With respect to prices, fees and charges, the IMO must apply taxes in accordance with clause 9.1.2 of the Market Rules and the GST Act.

7.1.2 The IMO must include GST on any Invoice issued to a Rule Participant as appropriate. **[Clause 9.1.2(d)]**

7.1.3 The IMO must apply GST on the following taxable supplies:

- (a) the net STEM Settlement amount;
- (b) the net Balancing Settlement amount;
- (c) the net Reconciliation Settlement amount;
- (d) the net Ancillary Service Settlement amount;
- (e) the net Reserve Capacity Settlement amount; and
- (f) the net Outage Compensation Settlement amount.

7.1.4 The IMO must not apply GST to the following non-taxable supplies:

- (a) the net Market Participant Fee Settlement amount;
- (b) the net Default Levy Settlement amount; and
- (c) interest accrued on any settlement amount.

7.1.5 The IMO must apply GST to all taxable supplies in accordance with the following formula:

$$GST\ inclusive\ amount\ (p) = \left( \sum TS(p, m) \times 0.1 \right) + \sum TS(p, m)$$

Where:

TS = taxable supplies in accordance with step 7.1.3 of this Procedure;

p = Rule Participant; and

m = Trading Month in which the taxable supplies were made to the Market Participant.

### 7.2 Application of interest

7.2.1 The IMO must calculate and accrue interest on the following transactions:

- (a) Adjustments to STEM Settlement and Non-STEM Settlement amounts;
- (b) payments made by Rule Participants after the Settlement Date; and
- (c) Default Levy Settlement amount for a Rule Participant.

- 7.2.2 With regard to payments made after the Settlement Date, the IMO must accrue interest, compounded daily at the Bank Bill Rate, from the initial Settlement Date, up to and including the date when payment is made.
- 7.2.3 With regard to STEM Settlement and Non-STEM Settlement adjusted Invoices, the IMO must accrue interest, compounded daily at the Bank Bill Rate, from and including the initial Settlement Date. The IMO must accrue interest up to, but not including, the date on which the Rule Participant makes the payment to the IMO of the amount issued under the relevant adjusted Invoice.
- 7.2.4 With regard to Default Levy Settlement amount, the IMO must apply interest, compounded daily at the Bank Bill Rate, up to but excluding, the date on which the Rule Participant makes the payment to the IMO of the Default Levy Settlement amount.
- 7.2.5 The IMO must publish the Bank Bill Rate used to calculate interest applied to any Invoice issued to a Rule Participant on the Market Web Site.
- 7.2.6 The IMO must calculate interest on adjusted STEM Settlement and Non-STEM Settlement amounts as:

$$Total\ interest\ on\ Adjustment = (S + GST) \times \sum_{p=1}^n \frac{[BBR(p)]}{D} \times N(p)$$

Where:

S = settlement amount payable;

GST = any GST applicable to the relevant settlement amount;

p = a period in which the settlement amount was outstanding and a particular Bank Bill Rate applied, where periods are referred to as 1,...,n;

n = number of periods for which the amount was outstanding, from (and including) the initial Invoice Settlement Date, up to (but excluding) the date of payment;

BBR(p) = Bank Bill Rate applicable for period p;

D = number of days in the calendar year in which the Invoice is due; and

N(p) = Number of days the settlement amount was outstanding, during period p, including the initial Invoice Settlement Date, but excluding the date of payment for the adjusted Invoice.

- 7.2.7 The IMO must calculate interest on late payments by Rule Participants as:

$$Interest\ on\ late\ payment = (L + GST) \times \sum_{p=1}^n \frac{[BBR(p)]}{D} \times N(p)$$

Where:

L = late payment amount;

GST = any GST applicable to the late payment amount;

p = a period in which the payment was late and a particular Bank Bill Rate applied, where periods are referred to as 1, ..., n;

n = number of periods for which the amount was late, from (and including) the initial Invoice Settlement Date, up to (but excluding) the date of payment;

BBR(p) = Bank Bill Rate applicable for period p;

D = number of days in the calendar year in which the Invoice is due; and

N(p) = number of days the payment amount was late, during period p, including the initial Invoice Settlement Date, but excluding the date of payment of the late amount.

7.2.8 The IMO must calculate interest on the Default Levy Settlement amount as:

$$\text{Interest on Default Levy} = (DL) \times \sum_{p=1}^n \frac{[BBR(p)]}{D} \times N(p)$$

DL = Default Levy Settlement amount;

p = a period from the date of the Payment Default, up to the date of payment for the Default Levy Settlement Invoice, in which a particular Bank Bill Rate applied, where periods are referred to as 1, ..., n;

n = number of periods from (and including) the date of the Payment Default, up to (but excluding), the date of payment of the Default Levy Settlement Invoice;

BBR(p) = Bank Bill Rate applicable for period p;

D = number of days in the calendar year in which the Default Levy Settlement Invoice is due; and

N(p) = number of days from (and including) the date of the Payment Default, up to (but excluding) the date of payment for the Default Levy Settlement Invoice.

## 8. Payment Default

### 8.1 Payment Default

8.1.1 Where a Rule Participant fails to make a payment by the due date and time as required under the Market Rules, a Payment Default and Suspension Event occurs. **[Clause 9.23.1(a)]**

8.1.2 Upon the IMO being aware of a Suspension Event and where the Suspension Event has not already been remedied, the IMO must, as soon as practicable:

- (a) issue a Cure Notice in writing requiring that the Suspension Event be remedied within 24 hours of the Cure Notice being issued; and
- (b) follow the steps outlined in the Market Procedure for Prudential Requirements to Draw Upon Credit Support. **[Clause 9.23.4]**

8.1.3 Where the IMO issues a Cure Notice under step 8.1.2(a) and the IMO considers that the Rule Participant:

- (a) can pay all outstanding amounts, and comply in full with the Prudential Obligations; and
- (b) is unable to remedy the Suspension Event within 24 hours;

then the IMO may extend the deadline for remedying the Suspension Event by up to five Business Days and the IMO must notify the Rule Participant of the new deadline in writing. **[Clause 9.23.5]**

8.1.4 If a Rule Participant does not remedy a Suspension Event before the deadline of 24 hours under step 8.1.2(a) or as extended under step 8.1.3 of this Procedure, the IMO may issue a Suspension Notice in writing, and apply section 2.32 of the Market Rules. **[Clause 9.23.7]**

### 8.2 Suspension Notice and deregistration

8.2.1 The IMO may specify in a Suspension Notice any directions that the relevant Rule Participant must comply with to give effect to that suspension. **[Clause 2.32.3]** Such directions may include:

- (a) trading or ceasing to trade in the WEM; and
- (b) continuing to meet any existing Reserve Capacity Obligations.

8.2.2 The IMO may do any of the following to give effect to a Suspension Notice:

- (a) reject any submissions and cancel any existing submissions from the Rule Participant; and
- (b) withhold any payments owed to the defaulting Rule Participant. **[Clause 2.32.4]**

8.2.3 If the IMO issues a Suspension Notice to a Rule Participant under step 8.1.4 of this Procedure, the IMO must notify all Rule Participants in writing. **[Clause 2.32.2]**

- 8.2.4 Once the IMO is satisfied that the Suspension Event has been remedied and no other circumstances exist that warrant the continuation of the Suspension Notice, the IMO must withdraw the Suspension Notice by notifying the Rule Participant in writing. **[Clause 2.32.5(a)]**
- 8.2.5 If the IMO withdraws a Suspension Notice under step 8.2.4 of this Procedure, the IMO must notify all Rule Participants in writing. **[Clause 2.32.2]**
- 8.2.6 If a Rule Participant remains suspended for 90 days after the issuance of a Suspension Notice under step 8.1.4 of this Procedure, the IMO may apply to the Electricity Review Board in accordance with the Regulations to deregister the Rule Participant. **[Clause 2.32.6]**
- 8.2.7 Where the IMO receives notice that the Electricity Review Board has made a decision in accordance with the Regulations that a Rule Participant will be deregistered, the relevant Rule Participant ceases to be a Rule Participant from the time specified in the notice. The IMO must then deregister all of the Facilities registered by the Rule Participant by the time specified in the notice, in accordance with the Market Procedure: Facility Registration, Deregistration and Transfer. **[Clause 2.32.7]**

## **9. Settlement in Default**

### **9.1 Total amount**

- 9.1.1 If at any time the Total Amount of payments received by the IMO in cleared funds is not sufficient to make the payments the IMO is required to make under the Market Rules (for example, because of a Payment Default), then the IMO's liability is only limited to the Total Amount. **[Clause 9.24.3]**
- 9.1.2 The IMO must apply the Total Amount in accordance with clause 9.24.3A of the Market Rules.
- 9.1.3 Where the Total Amount is not sufficient to satisfy the payments to be made under clause 9.24.3A(a) of the Market Rules, the IMO must reduce those payments proportionally. **[Clause 9.24.3A]**
- 9.1.4 The IMO must notify all Rule Participants in writing, no later than 1:30 PM on the Business Day of the Payment Default, the expected reduction in payment for the STEM Settlement or Non-STEM Settlement amounts.

### **9.2 Receipt of payment within five Business Days of a Payment Default**

- 9.2.1 If the IMO has reduced any payment under step 9.1.3 of this Procedure and within five Business Days of the Payment Default, the Rule Participant makes full or partial payment of any outstanding amounts to the IMO, the IMO must, within one Business Day of receiving the payment, apply the amount received, in accordance with clause 9.24.4 of the Market Rules.
- 9.2.2 The IMO must accrue interest on any late payment amounts in accordance with the steps in section 7.2 of this Procedure. **[Clause 9.22.7]**

### **9.3 Non-payment after five Business Days of a Payment Default**

9.3.1 If the Rule Participant has not made the payment in full, of any outstanding amounts within five Business Days of the Payment Default, the IMO must raise a Default Levy from all Rule Participants (other than those Rule Participants with unrecovered Payment Defaults) to cover the remaining shortfall including any interest. **[Clause 9.24.5]**

9.3.2 A Rule Participant Default Levy Settlement amount is calculated as:

$$\text{Default Levy Settlement amount} = \frac{\text{Payment Default Amount} \times \left[ \left( \text{ABS}(C(p, m)) \right) + \left( \text{ABS}(G(p, m)) \right) \right]}{\text{ABS}(\text{Total Market } C(p, m)) + \text{ABS}(\text{Total Market } G(p, m)) - \text{ABS}(C(d, m)) - \text{ABS}(G(d, m))}$$

Where:

C = consumption quantities determined in accordance with Metered Schedules;

G = generation quantities determined in accordance with Metered Schedules;

p = Rule Participant paying the Default Levy;

d = Rule Participant incurring the Payment Default; and

m = most recent Trading Month for which Settlement Statements were published.

9.3.3 The IMO must notify each Rule Participant of the Default Levy Settlement amount, in writing, within six Business Days of the Payment Default occurring. **[Clause 9.24.6]**

9.3.4 The IMO must provide each Rule Participant with an Invoice pertaining to the Default Levy Settlement amount within six Business Days of the Payment Default, through the Settlement Portal in the WEMS, in accordance with the steps in section 6.1 of this Procedure.

9.3.5 A Rule Participant must pay the full amount, notified by the IMO in the Invoice under step 9.3.4 to the IMO by 10:00 AM, eight Business Days after the date of the Payment Default. A Rule Participant must make this payment whether or not it disputes the Default Levy Settlement amount.

9.3.6 The IMO must allocate the total of the Default Levy Settlement amounts received under step 9.3.5 of this Procedure, by 2:00 PM on the eighth Business Day after the date of the Payment Default, in accordance with clause 9.24.8 of the Market Rules.

9.3.7 The IMO must reallocate any Default Levies raised during a Financial Year by the end of August following the end of that Financial Year in accordance with the methodology outlined in clause 9.24.9 of the Market Rules.

9.3.8 Where after raising the Default Levy, the IMO recovers any outstanding amount from the defaulting Rule Participant, the IMO must refund the Default Levy to the Rule Participants that paid under step 9.3.5 of this Procedure, in accordance with clause 9.24.10 of the Market Rules.



## 10. Notices of Disagreements and Dispute

### 10.1 Notice of Disagreement

- 10.1.1 In accordance with section 9.20 of the Market Rules, a Rule Participant may issue a Notice of Disagreement in writing to the IMO in respect of an amount in a settlement statement by the deadline specified in clause 9.16.4(e) of the Market Rules. The Rule Participant must issue the notice by email to [operations@imowa.com.au](mailto:operations@imowa.com.au).
- 10.1.2 The Notice of Disagreement must include all of the details specified in clause 9.20.4 of the Market Rules.
- 10.1.3 The IMO must acknowledge receipt of the Notice of Disagreement from the Rule Participant, in writing, within one Business Day.
- 10.1.4 If a Rule Participant has not received an acknowledgement from the IMO under step 10.1.3 within one Business Day of it issuing the Notice of Disagreement, the Rule Participant must contact the IMO either via email or phone within one Business Day to confirm receipt. The Rule Participant may be required to make arrangements to resubmit the Notice of Disagreement. **[Clause 9.20.3]**
- 10.1.5 A Rule Participant may only issue a Notice of Disagreement in respect of information in a settlement statement that:
- (a) in the case of an initial STEM Settlement Statement or Non-STEM Settlement Statement, the Rule Participant believes the settlement amount differs from the expected results under the Market Rules;
  - (b) in the case of an adjusted settlement statement, the Rule Participant believes the settlement amount incorrectly differs from the initial settlement amount; and
  - (c) a settlement statement has not been changed in accordance with the resolution of a Notice of Disagreement or Notice of Dispute which the Rule Participant issued to the IMO.
- 10.1.6 A Rule Participant must not issue a Notice of Disagreement with respect to a STEM Settlement Statement or Non-STEM Settlement Statement more than 20 Business Days after the IMO issues the initial settlement statement. **[Clauses 9.16.2(f), 9.16.4.(e) and 9.17.3]**
- 10.1.7 A Rule Participant must not issue a Notice of Disagreement with respect to an adjusted STEM Settlement Statement or Non-STEM Settlement Statement more than nine calendar months after the IMO issues the initial settlement statement. **[Clause 9.19.7]**
- 10.1.8 Where a Rule Participant issues a Notice of Disagreement to the IMO in relation to information provided by a Metering Data Agent or System Management, the IMO must notify the Metering Data Agent or System Management of the disagreement in writing, in accordance with clause 9.20.5 of the Market Rules.

- 10.1.9 The Metering Data Agent and System Management must comply with any request for information from the IMO regarding a Notice of Disagreement, in accordance with clause 9.20.5 of the Market Rules.
- 10.1.10 Where a Rule Participant issues a Notice of Disagreement to the IMO in relation to information developed by the IMO, the IMO must review and revise that information as applicable in accordance with clause 9.20.6 of the Market Rules.
- 10.1.11 The IMO must, as soon as practicable, but no later than three months after acknowledging receipt of a Notice of Disagreement under step 10.1.3, provide a response to the Rule Participant in writing. This response must detail the actions the IMO will undertake to address the Notice of Disagreement, for example, those prescribed in clause 9.20.7(a) to (c) of the Market Rules.

## **10.2 Notice of Dispute**

- 10.2.1 Where a Rule Participant is not satisfied with the IMO's response with regard to a Notice of Disagreement in step 10.1.11, the Rule Participant may issue a Notice of Dispute, in writing, to the IMO.
- 10.2.2 A Rule Participant must ensure that the Notice of Dispute contains the information specified in clauses 2.19.2 and 2.19.3 of the Market Rules.
- 10.2.3 A Rule Participant must only issue a Notice of Dispute to the IMO in relation to a settlement statement after:
- (a) a Notice of Disagreement was raised in accordance with the steps in section 10.1; and
  - (b) the IMO provided a response to the Rule Participant under step 10.1.11 and in accordance with clause 9.20.7 of the Market Rules, and the Rule Participant is not satisfied with the outcome.
- 10.2.4 A Rule Participant must not raise a Notice of Dispute with respect to a STEM Settlement Statement or Non-STEM Settlement Statement more than 12 calendar months after the IMO issues the initial settlement statement. **[Clause 2.19.1]**
- 10.2.5 A Rule Participant receiving a Notice of Dispute must acknowledge the receipt of a Notice of Dispute, in writing, within two Business Days of receipt of the notice. **[Clause 2.19.4]**
- 10.2.6 In the first instance, the Dispute Participants must progress the Notice of Dispute through the dispute resolution process in accordance with clauses 2.19.5 to 2.19.7 of the Market Rules.
- 10.2.7 Where a Notice of Dispute is escalated to the second stage of the dispute resolution process the Dispute Participants must progress the dispute in accordance with clause 2.20 of the Market Rules.

## **Appendix A. Settlement through Austraclear**

This Appendix outlines the Austraclear and bank interactions that Rule Participants must understand and control in order to meet settlement requirements under the Market Rules.

Steps 6.2.4 and 6.2.6 of this Procedure outline the payment due times for Rule Participants. All Rule Participants are required to complete the following processes required by Austraclear and Rule Participant banks in order to progress an entered transaction into cleared funds.

It is the Rule Participant's responsibility to oversee Austraclear and bank processes and to ensure that cleared funds are provided to the IMO by 10:00 AM on the Settlement Date. When it is able, the IMO will provide general prompts and assistance to Rule Participants where it is suspected that payments may be running late, however, the responsibility for meeting all requirements of the Market Rules and this Procedure, as relevant, lies with the relevant Rule Participant.

### **A.1 Austraclear processes and tests**

There are a number of processes and tests that need to be performed by Rule Participants, the IMO, Austraclear, the Rule Participant's bank and the Reserve Bank in order to complete the settlement transaction process. This section provides a high level explanation of these processes and indicates where possible delays to the process may originate.

#### **A.1.1 Transaction initiation**

To initiate a transaction between a Rule Participant and the IMO, both the Rule Participant and the IMO must enter and authorise the transaction in the Austraclear Exigo interface. Once either party has entered the transaction, the record will be assigned the status "Unmatched". Once both parties have entered the transaction (with equal amounts as either "Payable" or "Receivable") the record will be assigned the status "Matched".

Rule Participants must understand that a "Matched" transaction does not mean that cleared funds have been provided to the receiving party. The tests outlined below must also be successfully finalised before the transaction is given the status "Completed" and the cleared funds are provided.

#### **A.1.2 Cash limit test**

Once the transaction has been initiated and assigned the Exigo status "Matched", the transaction will be queued with an internal status of "Pending Cash Limit Test". The Rule Participant's bank sets the Rule Participant's cash limit. At regular intervals an external process runs through all queued transactions that are "Pending Cash Limit Test" and checks the transaction amount against the Rule Participant's cash limit. Where the transaction amount exceeds the cash limit, the transaction will fail until the Rule Participant's bank increases the Rule Participant's cash limit. Where a settlement transaction amount is unusually high, it is possible that the transaction can become "stuck" at this point.

#### **A.1.3 Real Time Gross Settlement test**

Once the transaction has passed the cash limit test, it is assigned the internal status “Pending RTGS Test”, indicating that the transaction between the Rule Participant’s bank and the Reserve Bank is not yet completed. The RTGS test involves a check on the Rule Participant’s bank limit, which is set by the Reserve Bank. If the transactions to be processed by the Rule Participant’s bank exceed the bank limit, transactions may stall. To minimise the risk of a stalled transaction, Rule Participants should contact their bank to ensure that their transactions are always given a “Priority” status (as discussed in the next section A2).

## A.2 Austraclear queue management

Transactions can be placed in the queue with the following statuses:

**Priority:** This is the highest status level given. All “priority” transactions will be sent to the cash limit test first. All of these transactions need to be settled before the systems attempt to settle any “active” transactions. Priority transactions are progressed provided the limit is not exceeded by more than a fixed amount determined by a loan provision from the Reserve Bank specifically for this purpose.

**Active:** These are medium priority transactions. These will be processed after there are no more “priority” transactions, but subject strictly to the limits. It follows that a steady influx of priority transactions can cause active transactions to fail.

**Deferred:** These transactions will not be submitted to the settlement process while holding this status.

All transactions that must be complete by 10:00 AM should be given priority status. Active status is not suitable for transactions that must be completed by a certain time in the day. Rule Participants must ensure that their banks routinely give payable transactions the Priority Status as they must be successfully completed by 10:00 AM WST, as required by the Market Rules. This requires that the transaction is assigned the status “completed” by 10:00 AM WST on the Settlement Date.

If a transaction cannot progress past any of the “pending” stages explained in the previous section, the Rule Participant must rectify the situation with their bank immediately.

Failure by a Rule Participant to facilitate payment by the due time and date constitutes a Payment Default and a Suspension Event in accordance with section 9 of the Market Rules.

## A.3 Advance payment

Rule Participants that continue to experience issues with their settlement responsibilities may consider the option of early payment. Under this option, Rule Participants that owe monies to the IMO on a particular Settlement Date may elect to pay this money one Business Day early.

Where a Rule Participant elects to make an early payment, it must notify the IMO in writing to [operations@imowa.com.au](mailto:operations@imowa.com.au), by 9:00 AM on the Business Day before the Settlement Date to allow the IMO to initiate Austraclear transactions on that Business Day. This should be organised through one of the following:

### **A.3.1 Early payment**

Where the IMO receives a written notification from a Rule Participant requesting early payment, the IMO must enter the corresponding transaction into Austraclear with a transaction date for the Business Day before the Settlement Date. The Rule Participant must then authorise the payment to be completed on that Business Day before the Settlement Date.

### **A.3.2 Standing early payment**

A Rule Participant may nominate itself for a standing early payment by notifying the IMO in writing to [operations@imowa.com.au](mailto:operations@imowa.com.au).

Where the IMO receives a written notification from a Rule Participant requesting a standing early payment, the IMO must enter a relevant transaction into Austraclear for each STEM and Non-STEM Settlement Statement that results in payments from the Rule Participant to the IMO, with a transaction date for the Business Day before the Settlement Date. The Rule Participant must authorise the standing early payment to be completed on each such Business Day before the Settlement Date.

### **A.3.3 No interest payable on early payments**

No interest is payable by the IMO on any Invoiced amount that is settled through an early payment by any Rule Participant.

## Appendix B. Intermittent Load Refunds

A load or part of a load is an Intermittent Load (IL) if it is supplied by a generation system and therefore the IL part of the load, under normal circumstances, does not draw electricity from the SWIS. The IL can draw electricity from the network for up to 4320 Trading Intervals during a Capacity Year to account for periods when the generation is inadequate. **[Clause 2.30B.2(b)]** Due to the fact that an IL is mostly independent from the network to supply the IL part of the load, it receives a discounted Individual Reserve Capacity Requirement ratio compared to other loads. **[Appendix 4A]** A Market Participant incurs Intermittent Load Refunds **[Clause 4.28A.1]** if the IL consumes more electricity than nominated in its Standing Data **[Appendix 1 (f)(viii)]** or the IL cannot be supplied by the generation system due to inadequate generation.

This Appendix describes how the IMO calculates Intermittent Load Refunds in accordance with. **[Clause 4.28A.1]**

### B.1 Calculation of Intermittent Load Refunds for a Trading Month

The Intermittent Load Refund amount for an Intermittent Load is the sum of all Intermittent Load Refund amounts for the Trading Intervals in the Trading Month.

Formula:

$$IL\ Refund(m) = \sum_{\forall t \in m} IL\ Refund(t)$$

Where:

IL Refund [\$] = Intermittent Load Refund amount for an Intermittent Load over a specified period. The calculation and input variables of IL Refund(t) are described in more detail under section B.1.1.

m = Trading Month for which the settlement is calculated for

t = specific Trading Interval in the Trading Month m

#### B.1.1 Calculation of an Intermittent Load Refund amount for a specific Trading Interval and Intermittent Load

The Intermittent Load Refund amount for one specific Trading Interval (t) for an Intermittent Load is calculated as follows. **[Clause 4.28A.1]**

Formula:

$$IL\ Refund(t) = Capacity\ Refund\ Rate(t) * Capacity\ Shortfall\ Volume(t)$$

Where:

IL Refund(t) [\$] = Intermittent Load Refund amount for an Intermittent Load for Trading Interval (t).

Capacity Refund Rate(t) [\$/MW] = For all facilities, except Intermittent Generators, the Capacity Refund Rate is determined by multiplying a factor determined from

clause 4.26.1 of the Market Rules with a factor Y which is calculated by dividing the Monthly Reserve Capacity Price which is available on the IMO web site (calculated in accordance with clause 4.29.1 of the Market Rules) by the number of Trading Intervals in the relevant Trading Month. The Capacity Refund Rate is Trading Interval specific, therefore must be calculated for each Trading Interval of the Trading Month.

Capacity Shortfall Volume(t) [MW] =

$$\begin{aligned} & MAX\{0, [-1 \times (NLMQ(t) \times 2)] - [MAX(0, ILOUTFLG(t) \times NMCRQIL)] \\ & - (NMCRQIL \times 0.03) - (ILGREDQ)\} \end{aligned}$$

Where:

NLMQ = is the non-loss adjusted meter schedule quantity [MWh] which is a measurement for energy consumption. To derive at the average load over the Trading Interval, the NLMQ energy value must be multiplied by two to convert the MWh value into an average MW value. By definition consumption values are negative in the settlement system and generation values are positive. **[Clause 2.30B.10(a)(i)]** The NLMQ value has to be multiplied by negative one to derive at a positive consumption value. This value can be found in the PIR which is published with the Non-STEM Settlement Statement. **[Clause 9.16.2]**

ILOUTFLG = stands for Intermittent Load generator outage flag and considers if the generating system which is associated with the Intermittent Load is on a Planned Outage or Consequential Outage. **[Clause 4.28A.1(c)(ii)]** If the generator is on outage the value is set to one.

NMCRQIL [MW] = stands for Nominated Capacity Requirement for Intermittent Load which is nominated by the Market Participant in accordance with clause 4.28.8(c) of the Market Rules. The nominated quantity cannot exceed the greater of the maximum allowed level of Intermittent Load specified in Standing Data for the Intermittent Load at the time of providing the data **[Clause 4.28.8(c)(i)]**, and the maximum Contractual Maximum Demand expected to be associated with the Intermittent Load during the Capacity Year to which the nomination relates. **[Clause 4.28.8(c)(ii)]**

NMCRQIL x 0.03 [MW] = represents a tolerance to take into account a small degree of overconsumption of up to three percent of the Nominated Capacity Requirement for the Intermittent Load. **[Clause 4.28A.1(c)(iii)]**

ILGREDQ [MW] = stands for Intermittent Load generator capacity reduction quantity which accounts for reduced generation output due to temperatures above 41°C while the generator system is not undergoing a Planned Outage, Forced Outage or Consequential Outage. **[Clause 4.28A.1(c)(iv)]** To enable the IMO to determine if a generator capacity reduction quantity is applicable to a generation system the Market Participant must specify the method to be used to measure the ambient temperature at the site of the generation system. **[Clause 2.30B.3(b)(ii)]** If no method is specified to measure the ambient temperature, a temperature of 41°C will be assumed and the Market Participant will not derive a generation capacity reduction quantity for the IL. **[Clause 2.30B.3(b)(ii)]**

The generator capacity reduction quantity equals the anticipated reduction, measured in MW, in the maximum capacity specified under clause 2.30B.3(a) of the Market Rules when the ambient temperature is 45°C. **[Clause 2.30B.3(b)(i)]** In any Trading

Interval where the temperature exceeds 41°C the generator capacity reduction quantity equals the nominated reduction quantity. If the specified temperature data is not available to the IMO before the date specified under clause 4.28A.2(b) of the Market Rules the assumed ambient temperature will be 41°C. The Market Participant may raise a Non-STEM Settlement Disagreement within the deadline outlined in clause 9.19.7 of the Market Rules and the IMO will request the missing data from System Management and incorporate it in the following Non-STEM Settlement Adjustment.





INDEPENDENT  
MARKET  
OPERATOR



## Market Procedure: Prudential Requirements

Version 4



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	12 September 2006	Market Procedure for Prudential Requirements
2	15 October 2008	Amendments to Market Procedure resulting from PC_2008_08
3	1 May 2014	Amendments to Market Procedure resulting from PC_2013_04
<a href="#">4</a>	<a href="#">TBC</a>	<a href="#">Amendments to Market Procedure resulting from PC_2015_01</a>

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## **1. Procedure overview**

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

1.1.1 This Market Procedure: Prudential Requirements (Procedure) is made in accordance with clause 2.43.1 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 **[Clause XX]** are current as of **TBC**. These references are included for convenience only and are not part of this Procedure.

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

1.2.1 This Procedure outlines:

- (a) how the IMO will determine Credit Limits;
- (b) the arrangements for Credit Support, 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 upon from Credit Support in respect of amounts owed by the relevant Market Participant to the IMO;
- (c) how the IMO will assess persons against the Acceptable Credit Criteria;
- (d) how the IMO will calculate Trading Margins;
- (e) how the IMO will issue Margin Calls;
- (f) the factors to be taken into account to determine the expected value of transactions; and
- (g) other matters relating to clauses 2.37 to 2.42 of the Market Rules.

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

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

### **1.4 Associated Market Procedures and market documents**

1.4.1 The following Market Procedures are associated with this Procedure:

- (a) Rule Participant Registration and Deregistration;
- (b) Settlement; and
- (c) Reserve Capacity Security.

1.4.2 The following market documents available on the Market Web Site, are associated with this Procedure:

- (a) Proforma deeds for:
  - i. Bank undertaking for Credit Support;
  - ii. Guarantee for Credit Support;
  - iii. Security Deposit for Credit Support;
  - iv. Security Deposit for Credit Support (provided by third party);
  - v. Voluntary prepayments;
- (b) Change of contact details form;
- (c) Contact details of guarantee/bank undertakings form;
- (d) Security Deposit instructions;
- (e) Acceptable Credit Criteria form; and
- (f) List of entities meeting the Acceptable Credit Criteria.

1.4.3 The following user guides available on the Market Web Site, are associated with this Procedure:

- (a) Market Participant Registration user guide.

## **1.5 Conventions used**

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

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

## **1.6 Terminologies and definitions**

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

Table 1 – Defined terms

Term	Definition
<b>Ancillary Service Settlement</b>	The process of calculating a Rule Participant's transactions pertaining to their Ancillary Service segment in accordance with clause 9.9 of the Market Rules and reflected in the Non-STEM Settlement Statement for the Trading Month.
<b>Balancing Settlement</b>	The process of calculating a Rule Participant's transactions pertaining to their Balancing segment in accordance with clause 9.8 of the Market Rules and reflected in the Non-STEM Settlement Statement for the Trading Month.
<b>Credit Support Effective Date</b>	For a Market Participant, the date determined by the IMO by which the Market Participant's Credit Support must become duly effective.
<b>Due Date</b>	The date specified by the IMO in respect of a step in this Market Procedure.
<b>Market Participant Fee Settlement</b>	The process of calculating a Rule Participant's transactions pertaining to its fees associated with the services provided by the IMO, System Management, and the Economic Regulation Authority as described in clause 2.24 of the Market Rules, in accordance with clause 9.13 of the Market Rules and reflected in the Non-STEM Settlement Statement for the Trading Month.
<b>Non-Short Term Energy Market (Non-STEM) Settlement</b>	The process of calculating a Rule Participant's net settlement amount for all transactions and amounts other than those pertaining to the STEM, in accordance with clause 9.14 of the Market Rules.
<b>Outage Compensation Settlement</b>	The process of calculating a Rule Participant's transactions pertaining to its Outage compensation segment in accordance with clause 9.10 of the Market Rules and reflected in the Non-STEM Settlement Statement for the Trading Month.
<b>Reconciliation Settlement</b>	The process of calculating a Rule Participant's transactions pertaining to their reconciliation segment in accordance with clause 9.11 of the Market Rules and as reflected in the Non-STEM Settlement Statement for the Trading Month.
<b>Reserve Capacity Settlement</b>	The process of calculating a Rule Participant's transactions pertaining to their Reserve Capacity segment in accordance with clause 9.7 of the Market Rules and as reflected in the Non-STEM Settlement Statement for the Trading Month.
<b>STEM Settlement</b>	The process of calculating a Rule Participant's transactions pertaining to their STEM segment in accordance with clause 9.6 of the Market Rules and reflected in the STEM Settlement Statement for the Trading Week.
<b>Treasury Corporation</b>	A central borrowing authority of an Australian State or Territory, which authority has been established by an Act of Parliament of that State or Territory.

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Term	Definition
<b>Wholesale Electricity Market System (WEMS)</b>	The IMO's IT interface used to administer, operate and settle the Wholesale Electricity Market.

## 1.7 Amendments to proforma documents

- 1.7.1 The IMO may, in its absolute discretion, amend and publish on the Market Web Site any market documents and user guides listed in steps 1.4.2 and 1.4.3.
- 1.7.2 A Market Participant wishing to use any market document listed in step 1.4.2 must ensure that it downloads the current version from the Market Web Site.
- 1.7.3 If the IMO amends and publishes a market document prior to a Market Participant's provision of Credit Support under this Procedure, the IMO must apply the amended and published version of that market document to assess compliance of the Credit Support.

## 2. Credit Limits - application of clause 2.37.4

### 2.1 Credit Limit determination

- 2.1.1 When determining, reviewing and revising a Market Participant's Credit Limit in accordance with clauses 2.37.2 and 2.37.3 of the Market Rules, the IMO must take into account the principles laid out in clause 2.37.4. **[Clause 2.37.1]**
- 2.1.2 The IMO must apply clause 2.37.4 of the Market Rules as follows:
  - (a) For a Market Participant for which at least three full months of data from the Non-STEM Settlement process are available, the IMO must determine a Credit Limit in accordance with step 2.2 of this Procedure.
  - (b) For a Market Participant for which less than three full months of data from the Non-STEM Settlement process are available, the IMO must determine an initial Credit Limit in accordance with step 2.3 of this Procedure.

2.1.3 When determining a Market Participant's Credit Limit the IMO takes into consideration clause 2.37.6 in which the Credit Limit is set to a minimum amount of \$5,000.

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### 2.2 Credit Limit determination for a Market Participant for which at least three full months of Non-STEM Settlement data are available

- 2.2.1 When reviewing or revising a Market Participant's Credit Limit in accordance with clauses 2.37.2 and 2.37.3 of the Market Rules, the IMO must determine the Credit Limit as the sum of the anticipated maximum exposure (AME) determined in step 2.2.4 and any amount determined in step 2.2.5.
- 2.2.2 The IMO must determine a Market Participant's Non-STEM AME using up to 24 months of available Non-STEM Settlement data from the period preceding the date on which the Credit Limit is determined, as follows:

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- (a) For each invoiced Trading Month for Non-STEM Settlement Statements, the IMO must calculate the Trading Day Non-STEM Settlement exposure for each Trading Day of the Trading Month for the Market Participant. This Trading Day Non-STEM Settlement exposure is calculated as:

$$\left\{ \frac{[RCSA(p,m) + ASSA(p,m) + COCSA(p,m) + RSA(p,m) + MPFSA(p,m) + \sum_{i=1}^n BSA(p,d,t)]}{n} \right\}$$

where:

$RCSA(p,m)$  is the Reserve Capacity Settlement amount for Market Participant  $p$  for Trading Month  $m$  calculated in accordance with clause 9.7.1 of the Market Rules and the Market Procedure: Settlement;

$ASSA(p,m)$  is the Ancillary Service Settlement amount for Market Participant  $p$  for Trading Month  $m$  calculated in accordance with clause 9.9.1 of the Market Rules and the Market Procedure: Settlement;

$COCSA(p,m)$  is the Outage Compensation Settlement amount for Market Participant  $p$  for Trading Month  $m$  calculated in accordance with clause 9.10.1 of the Market Rules and the Market Procedure: Settlement;

$RSA(p,m)$  is the Reconciliation Settlement amount for Market Participant  $p$  for Trading Month  $m$  calculated in accordance with clause 9.11.1 of the Market Rules and the Market Procedure: Settlement;

$MPFSA(p,m)$  is the applicable Market Participant Fee Settlement amount for Market Participant  $p$  for Trading Month  $m$  calculated in accordance with clause 9.13.1 of the Market Rules and the Market Procedure: Settlement;

$\sum_{i=1}^n BSA(p,d,t)$  is the sum over  $n$  days, of the Balancing Settlement amounts for Market Participant  $p$  for all Trading Intervals  $t$  of Trading Day  $d$  calculated in accordance with clause 9.8.1 of the Market Rules and the Market Procedure: Settlement; and

$n$  is the number of Trading Days in Trading Month  $m$ .

- (b) Using the Trading Day Non-STEM Settlement exposure, the IMO must calculate the total running 70-day exposure, for all consecutive 70-day periods.
- (c) The IMO must determine the highest running 70-day exposure as the Market Participant's maximum exposure in the Non-STEM Settlement process.

**Deleted:** from the last day of the most recently settled Trading Month up to a maximum of 24 months prior to the time of calculation

2.2.3 The IMO must determine a Market Participant's STEM AME using up to 24 months of available STEM Settlement data from the period preceding the date on which the Credit Limit is determined, as follows:

- (a) If the Market Participant participated in STEM over that period, the IMO must also calculate the Trading Day STEM exposure for the Market Participant. This is calculated as:

$$\left\{ \frac{STEMSA(p, w)}{m} \right\}$$

where:

$STEMSA(p, w)$  is the STEM settlement amount for Market Participant  $p$  for Trading Week  $w$  calculated in accordance with clause 9.6.1 of the Market Rules and the Market Procedure: Settlement; and

$m$  is the number of Trading Days in Trading Week  $w$ .

- (b) Using the Trading Day STEM exposure, the IMO must calculate the total running 15-day exposure, for all consecutive 15-day periods.

- (c) The IMO must determine the highest running 15-day exposure as the Market Participant's maximum exposure in the STEM Settlement process.

2.2.4 The IMO must determine the Market Participant's AME as the maximum of the following:

- (a) The Non-STEM AME is the sum of the 70-day maximum Non-STEM exposure as determined in step 2.2.2; or

- (b) The STEM AME is the sum of the 15-day maximum STEM exposure as determined in step 2.2.3; or

- (c) The minimum amount outlined in step 2.1.3.

2.2.5 In addition to the amount determined in step 2.2.4, the IMO may, in its absolute discretion, decide to apply an amount determined in accordance with:

- (a) clause 2.37.5(k) of the Market Rules which outlines that the IMO may take into account any factor (in addition to those listed in clause 2.37.5(a) to (j)), if it considers the factor relevant in determining the Market Participant's Credit Limit; or

- (b) clause 2.37.6 of the Market Rules which outlines that the IMO may, to the extent it considers relevant, take into account a minimum amount if it considers that its inclusion will adequately protect the market if a Suspension Event were to occur in relation to that Market Participant.

### 2.3 Credit Limit determination for a Market Participant for which less than three months of Non-STEM Settlement data are available

2.3.1 For a Market Participant for which less than three full months of Non-STEM Settlement data or no data<sup>1</sup> is available, the IMO must determine an initial Credit Limit for that Market Participant in accordance with step 2.3.2.

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**Moved down [2]:** The IMO must determine the Market Participant's AME as the maximum of the following:

**Moved down [1]:** The IMO must determine the highest running 15-day exposure as the Market Participant's maximum exposure in the STEM Settlement process.

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**Moved (insertion) [2]**

**Deleted:** The AME is the sum of the 70-day maximum Non-STEM exposure and 15-day maximum STEM exposure. The IMO must determine the highest running 15-day exposure as the Market Participant's maximum exposure in the STEM Settlement process.

**Moved (insertion) [1]**

**Deleted:** 2.2.2

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<sup>1</sup> All new Market Participants will fall into this category and will have an initial Credit Limit determined for them in accordance with step 2.3.2.

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2.3.2 The IMO must determine the type of Market Participant in accordance with [Table 2](#) and set the Market Participant's initial Credit Limit as the sum of:

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- (a) The amount determined under steps 2.4, 2.5 or 2.6 as applicable; and
- (b) Any amount that the IMO may in its absolute discretion, decide to apply in accordance with:
  - i. clause 2.37.5(k) of the Market Rules which outlines that the IMO may take into account any factor (in addition to those listed in clause 2.37.5(a) to (j)), if it considers the factor relevant in determining the Market Participant's Credit Limit; or
  - ii. clause 2.37.6 of the Market Rules which outlines that the IMO may, to the extent it considers relevant, take into account a minimum amount if it considers that its inclusion will adequately protect the market if a Suspension Event were to occur in relation to that Market Participant

**Table 2 – Credit Limit determination steps by type of Market Participant**

	Type of Market Participant	Sections in this Procedure
(a)	Market Generator adding one or more new Facilities	Section <a href="#">2.4</a>
(b)	Market Customer adding one or more new end-consumers or Loads	Section <a href="#">2.5</a>
(c)	Market Participant that is both a Market Generator and a Market Customer and is adding one or more new Facilities, end-consumers or Loads	Sum of the amounts determined at (a) and (b) in this table (after offsetting positive and negative amounts)
(d)	Market Participant with a Demand Side Programme (DSP) <sup>2</sup> adding one or more new DSPs	Sum of the amounts determined at (a), (b) and (c) in this table if applicable and Section <a href="#">2.6</a> (after offsetting positive and negative amounts)

2.3.3 For a new Market Participant or an existing Market Participant adding one or more new Facilities, Loads or DSPs, if the IMO determines that at least three full months of Non-STEM Settlement data have become available and a Credit Limit review or revision is required, the IMO must determine the Market Participant's Credit Limit under step 2.2.

## 2.4 Credit Limit determination for a Market Generator adding one or more new Facilities

2.4.1 If not already submitted at the time of Facility registration or not readily available to the IMO, a new or existing Market Generator adding one or more new Facilities must, by the agreed Due Date, provide the following data to the IMO:

<sup>2</sup> Note that under the Market Rules, a Market Participant electing to register a Demand Side Programme must register itself as a Market Customer. More details on Market Participant registration are available in the Market Procedure: Rule Participant Registration and De-registration.

- (a) The MW value for the minimum stable generation and the maximum Sent Out Capacity for each Facility;
- (b) The MW quantity of Certified Reserve Capacity for each Facility;
- (c) The actual or estimated quantity of energy in MWh to be sold under Bilateral Contracts;
- (d) The MW quantity corresponding to the number of actual or estimated Capacity Credits it intends to trade bilaterally; and
- (e) The actual or estimated quantity of energy in MWh to be provided for Ancillary Services.

2.4.2 The IMO must reasonably estimate the following:

- (a) The average Balancing Price over the 70 Trading Days prior to the Credit Limit determination;
- (b) The Ancillary Service Settlement amount, as applicable to the Market Generator;
- (c) The percentage of time that each Facility is expected to run;
- (d) The Monthly Reserve Capacity Price;
- (e) The percentage of Forced Outages that each Facility is likely to experience; and
- (f) The applicable refund factor in clause 4.26.1 of the Market Rules.

2.4.3 Based on the data provided in step 2.4.1 and estimates determined in step 2.4.2, the IMO must reasonably estimate the following:

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- (a) The maximum quantity of the energy to be bought in the STEM or Balancing Market over 70 Trading Days;
- (b) The maximum amount of Market Participant Fees and Ancillary Service payments over 70 Trading Days; and
- (c) The maximum quantity of capacity potentially on an Outage over 70 Trading Days.

2.4.4 Using the assumptions in step 2.4.3, the IMO must determine an initial amount for the new or existing Market Generator adding one or more new Facilities.

## 2.5 Credit Limit determination for a Market Customer adding one or more new end-consumers or Loads

2.5.1 If not already submitted at the time of Participant registration or not readily available to the IMO, a Market Customer must, by the agreed Due Date, provide the following data to the IMO:

- (a) The actual or forecast quantity of energy in MWh contracted to sell to Load(s);

- (b) The actual or estimated quantity of energy in MWh to be purchased under Bilateral Contracts; and
- (c) The MW quantity corresponding to the number of actual or estimated Capacity Credits it intends to trade bilaterally.

2.5.2 The IMO must reasonably estimate the following:

- (a) The average Balancing Price over the 70 Trading Days prior to the Credit Limit determination;
- (b) The Ancillary Service Settlement amount, as applicable to the Market Customer;
- (c) The Monthly Reserve Capacity Price; and
- (d) The Individual Reserve Capacity Requirement for the Market Customer.

2.5.3 Based on the data provided in step 2.5.1 and estimates determined in step 2.5.2, the IMO must reasonably assume the following:

- (a) The maximum quantity of energy to be bought in the STEM or Balancing Market over 70 Trading Days;
- (b) The maximum amount of Market Participant Fees and Ancillary Service payments over 70 Trading Days; and
- (c) The maximum quantity of Capacity Credits to be bought from the IMO over 70 Trading Days.

2.5.4 Using the assumptions in step 2.5.3, the IMO must determine an initial amount for the new or existing Market Customer adding one or more new end-consumers or Loads.

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## 2.6 Credit Limit determination for a Market Participant adding one or more new DSPs

2.6.1 If not already submitted at the time of Participant registration or not readily available to the IMO, a Market Participant adding one or more new DSPs must, by the agreed Due Date, provide the following data to the IMO:

- (a) The sum of the expected minimum consumption of all Associated Loads for the DSP in MW and the meter identification number of each Load to be associated;
- (b) The MW value of Certified Reserve Capacity for the DSP that the IMO reasonably expects is likely to be available during its nominated availability periods after netting off capacity required to serve minimum consumption;
- (c) The nominated availability periods of the DSP; and
- (d) The MW quantity corresponding to the number of actual or estimated Capacity Credits it intends to trade bilaterally.

2.6.2 The IMO must reasonably estimate the following:

- (a) The total MW value of Capacity Credits assigned to all of the Market Participant's DSPs;
- (b) The total MW value of Reserve Capacity Deficit of all of the Market Participant's DSPs;
- (c) The total MW value of potentially unavailable capacity of all of the Market Participant's DSPs over 70 Trading Days;
- (d) The Monthly Reserve Capacity Price; and
- (e) The applicable refund factor in clause 4.26.1 of the Market Rules.

2.6.3 Using the estimates in step 2.6.2, the IMO must determine an initial amount for a Market Participant adding one or more new DSPs.

## 2.7 Notifying a Market Participant of its Credit Limit

2.7.1 As soon as practicable after determining a Market Participant's Credit Limit, the IMO must notify the Market Participant in writing:

- (a) of the amount of its Credit Limit;
- (b) the basis for the determination with specific references to the factors that the IMO must take into account when determining the Market Participant's Credit Limit as listed in clauses 2.37.5 and 2.37.6 of the Market Rules; **[Clause 2.37.7]**
- (c) whether it is required to submit Credit Support and a Due Date by which a Credit Support arrangement must be submitted; and
- (d) the Credit Support Effective Date determined by the IMO under step 3.3.1 by which the Market Participant's Credit Support must become duly effective.

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## 2.8 Changes in circumstances affecting a Market Participant's Credit Limit

2.8.1 In accordance with clause 2.37.8(a) of the Market Rules, a Market Participant must notify the IMO as soon as practicable, in writing, where it becomes aware that any change in its circumstances may justify an increase in its Credit Limit. Such circumstances include, but are not limited to:

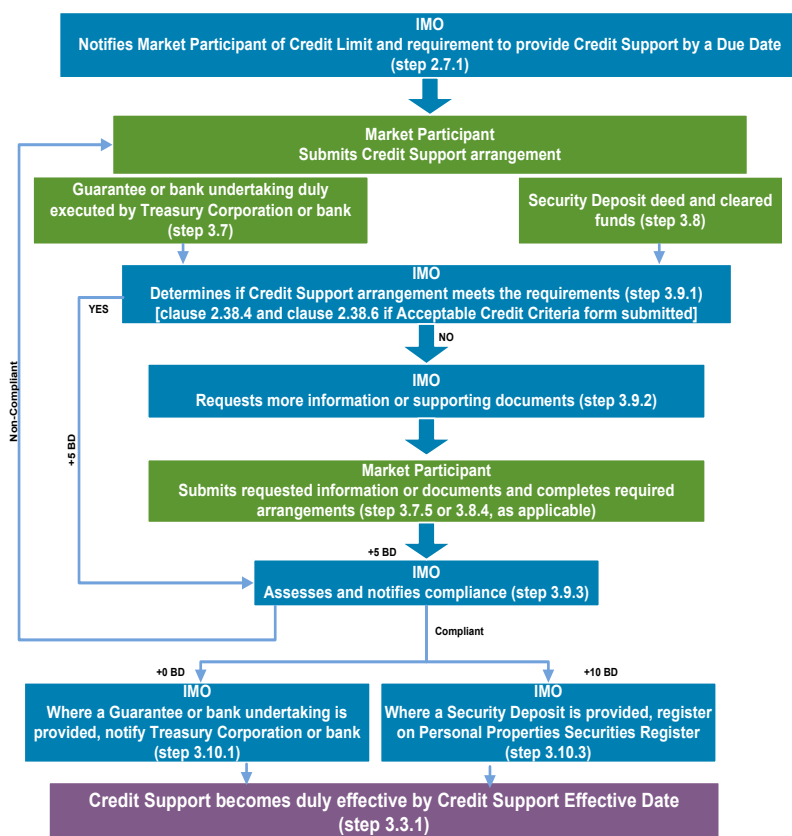
- (a) For a Market Customer:
  - i. Expected increases in metered consumption quantities;
  - ii. Acquisition of new end-consumers, Loads or DSPs; or
  - iii. Expected decreases in the quantity of electricity purchased bilaterally;
- (b) For a Market Generator:
  - i. Expected decreases in metered generation quantities;
  - ii. Acquisition of new Facilities;
  - iii. Expected decreases in the quantity of electricity sold bilaterally; or

- iv. Material fuel supply disruptions; or
  - (c) Any other event that may affect a Market Participant's commercial position in the market.
- 2.8.2 In accordance with clause 2.37.8(b) of the Market Rules, a Market Participant may notify the IMO in writing, of any change in its circumstances that may justify a decrease in its Credit Limit. The Market Participant must provide reasons and evidence for requesting a decrease in its Credit Limit.
- 2.8.3 Within five Business Days of the receipt of a notification under step 2.8.1 or step 2.8.2, the IMO must decide whether to:
- (a) revise a Market Participant's Credit Limit, in which case the IMO must, within 30 Business Days, determine the revised Credit Limit in accordance with step 2.2 or step 2.3, as applicable; or
  - (b) reject a Market Participant's request for revision of its Credit Limit, in which case the IMO must notify the Market Participant of its reasons for rejecting the request in writing.

### 3. Credit Support

#### 3.1 Credit Support delivery process

Figure 1: Credit Support delivery process



#### 3.2 Amount of Credit Support

3.2.1 Where a Market Participant receives a notification in step 2.7.1 requesting the submission of Credit Support, the Market Participant must ensure that the **total** amount of Credit Support provided is no less than the most recent Credit Limit determined and notified by the IMO. **[Clause 2.38.1(b)]**

#### 3.3 Credit Support Effective Date

3.3.1 Before a Market Participant transacts in the market, it must meet its obligations under the Market Rules and this Procedure such that its Credit Support becomes duly effective by the Credit Support Effective Date.

3.3.2 In accordance with Table 3, the IMO must determine the Credit Support Effective Date by which a Market Participant's Credit Support must become duly effective.



**Table 3 – Credit Support Effective Date determination**

	Type of Market Participant	Credit Support Effective Date
(a)	New Market Generator	Before the Facility undertakes a Commissioning Test
(b)	Existing Market Generator adding one or more new Facilities	Before the new Facility undertakes a Commissioning Test
(c)	New Market Customer	After evidence of an approved Electricity Transfer Access Contract is provided to the IMO and before the Market Customer participates in the market
(d)	Existing Market Customer adding one or more new end-consumers or Loads	Before the date notified by the IMO (which the IMO determines based on the Market Participant's notification of an expected increase in consumption in step 2.8.1(a))
(e)	New or existing Market Participant adding one or more DSPs	Before the DSP's Reserve Capacity Obligation Quantity becomes applicable as per clause 4.1.26 of the Market Rules
(f)	<a href="#">Existing Market Participant where the IMO calculates an increased Credit Limit</a>	<a href="#">The Market Participant has to provide additional Credit Support within a period of 30 Business Days, commencing on the day following the date stated in the Credit Limit review letter.</a>

### 3.4 Maintaining Credit Support

- 3.4.1 Where a Market Participant's Credit Support is due to expire or cease to have effect for any reason, the Market Participant must provide replacement Credit Support that becomes effective at or prior to the expiry of the existing Credit Support. **[Clause 2.38.2]**
- 3.4.2 Where a Market Participant becomes aware that its Credit Support is affected by any of the circumstances as laid out in step 3.4.4, it must:
- (a) notify the IMO in writing immediately; and
  - (b) provide duly effective replacement Credit Support in an amount not less than its most recently determined Credit Limit, before the end of the next Business Day or within any longer period that the IMO has approved in writing under step 3.4.6. **[Clause 2.38.3]**
- 3.4.3 Where the IMO becomes aware of any circumstance (as specified in step 3.4.4) in relation to a Market Participant, it must:
- (a) notify the Market Participant in writing immediately; and
  - (b) require the Market Participant to provide duly effective replacement Credit Support in an amount not less than its most recently determined Credit Limit, before the end of the next Business Day or within any longer period that the IMO has approved in writing under step 3.4.6. **[Clause 2.38.3]**

- 3.4.4 For the purposes of clause 2.38.3 of the Market Rules, circumstances that may require replacement Credit Support in step 3.4.2 or 3.4.3 include, but are not limited to where:
- (a) existing Credit Support is no longer current or valid;
  - (b) the Credit Support provider no longer meets any one of the Acceptable Credit Criteria;
  - (c) some or all of the existing Credit Support has been drawn upon by the IMO;
  - (d) the Credit Support provider ceases to or threatens to cease to carry on providing Credit Support in relation to the Market Participant; or
  - (e) the Credit Support provider in relation to the Market Participant becomes insolvent or is dissolved.
- 3.4.5 A Market Participant requesting the IMO to provide the replacement Credit Support after the end of the next Business Day under steps 3.4.2(b) or 3.4.3(b), must request an extension of the Due Date for providing replacement Credit Support in writing.
- 3.4.6 The IMO may, in its absolute discretion, approve or reject a Market Participant's request for an extension in step 3.4.5. The IMO must provide its decision in writing to the Market Participant as soon as practicable. **[Clause 2.38.3(c)]**

### 3.5 Withdrawing Credit Support

- 3.5.1 If the IMO's review of a Market Participant's Credit Limit under step 2.1.1 results in the IMO notifying the Market Participant that the required Credit Support is lower than its existing Credit Support held with the IMO, the Market Participant may elect to withdraw an amount to decrease its Credit Support held with the IMO to not less than its most recently determined Credit Limit amount.
- 3.5.2 A Market Participant must request the IMO in writing for withdrawal of its Credit Support. The processes to be followed by the IMO and the Market Participant will be agreed upon following the Market Participant's request for withdrawal.

### 3.6 Credit Support arrangements

- 3.6.1 A Market Participant must ensure that its Credit Support arrangement meets the requirements of clause 2.38.4 of the Market Rules.
- 3.6.2 A Market Participant must provide Credit Support in the form of either a:
- (a) guarantee or bank undertaking, in accordance with the process detailed in the steps in section 3.7 of this Procedure and in accordance with clause 2.38.4(a) of the Market Rules; or
  - (b) Security Deposit, in accordance with the process detailed in the steps in section 3.8 of this Procedure and in accordance with clause 2.38.4(b) of the Market Rules.
- 3.6.3 A Market Participant must ensure that the contact details it submits for its Credit Support arrangements are current at all times. This includes contact details for

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persons at the Treasury Corporation or the bank to be provided in the contact details of guarantee/bank undertakings form. The Market Participant must update these contact details by completing the change of contact details form and emailing it to [accounts@imowa.com.au](mailto:accounts@imowa.com.au).

### **3.7 Submitting guarantees or bank undertakings**

3.7.1 On receiving the IMO's notification to provide Credit Support in step 2.7.1, a Market Participant must download a copy of the following documents from the Market Web Site:

- (a) Proforma deed for a guarantee or bank undertaking, as applicable; and
- (b) Acceptable Credit Criteria form (this is required if the Treasury Corporation or bank is not on the list of entities meeting the Acceptable Credit Criteria, as published on the Market Web Site).

3.7.2 A Market Participant must then submit to the IMO a signed original hard copy of:

- (a) the proforma deed for guarantee or bank undertaking, as applicable, which:
  - i. is for an amount not less than the most recently determined Credit Limit for the Market Participant;
  - ii. is in the form approved by the IMO and published on the Market Web Site; and
  - iii. has been executed by a Treasury Corporation (in the case of a guarantee) or a bank (in the case of a bank undertaking), that meets the Acceptable Credit Criteria; and
- (b) the Acceptable Credit Criteria form for the Credit Support provider (where applicable), completed in accordance with step 4.1.

3.7.3 The IMO must not accept a proforma deed that does not meet the criteria in step 3.7.2(a).

3.7.4 At the same time as providing the guarantee or bank undertaking to the IMO, a Market Participant must also provide to the IMO:

- (a) A completed Contact details of guarantee/bank undertakings form which provides the contact details of at least two individuals representing the Market Participant and two individuals representing the Treasury Corporation or bank for the IMO to contact when making a call on its Credit Support; and
- (b) any procedure that the Treasury Corporation or bank requires the IMO to follow when making a call on the Credit Support.

3.7.5 A Market Participant providing Credit Support in the form of a guarantee or a bank undertaking must ensure that processes are in place for the Treasury Corporation or the bank to release funds within 90 minutes of the IMO making a call on the Credit Support. Failure by the Treasury Corporation or bank to release funds within 90 minutes of the IMO making a call on the Credit Support constitutes a breach of

clause 2.38.4(a) of the Market Rules and triggers a Suspension Event in relation to that Market Participant under clause 9.23.1 of the Market Rules.

- 3.7.6 The Market Participant must provide a hard copy of the guarantee or bank undertaking to the IMO either in person or by courier or registered mail, requiring a signature on receipt.

### **3.8 Submitting Security Deposits**

- 3.8.1 On receiving the IMO's notification to provide Credit Support in step 2.7.1, a Market Participant must download a copy of the following documents from the Market Web Site:

- (a) Proforma deed for Security Deposit or Proforma deed for Security Deposit (provided by Third Party) as applicable; and
- (b) Security Deposit instructions.

- 3.8.2 A Market Participant must then submit a signed original hard copy of the completed Security Deposit deed to the IMO which:

- (a) is in the form approved by the IMO and published on the Market Web Site; and
- (b) has been executed by or on behalf of the Market Participant.

- 3.8.3 The IMO must not accept a proforma deed that does not meet the criteria in step 3.8.2.

- 3.8.4 A Market Participant providing Credit Support in the form of a Security Deposit must provide the amount of Credit Support in cleared funds by 5:00 PM on the date on which the accompanying Security Deposit deed is made, in accordance with the Security Deposit instructions. Failure by a Market Participant to provide both the completed Security Deposit deed and cleared funds constitutes a breach of clause 2.38.4 of the Market Rules and triggers a Suspension Event in relation to that Market Participant under clause 9.23.1 of the Market Rules.

- 3.8.5 The Market Participant must provide a hard copy of the Security Deposit deed to the IMO either in person or by courier or registered mail, requiring a signature on receipt.

- 3.8.6 The IMO must sign the original of the Security Deposit deed and return a copy of the signed original to the Market Participant.

### **3.9 The IMO's process of reviewing Credit Support arrangements**

- 3.9.1 On receiving completed documentation for Credit Support from a Market Participant, the IMO must review the Credit Support arrangement to:

- (a) determine whether it is compliant with clause 2.38.4(a) of the Market Rules and the steps in section 3.7 of this Procedure, if the Credit Support arrangement is in the form of a guarantee or bank undertaking; or

- (b) determine whether it is compliant with clause 2.38.4(b) of the Market Rules and the steps in section 3.8 of this Procedure, if the Credit Support arrangement is in the form of a Security Deposit.
- 3.9.2 The IMO may at its discretion, request more information from the Market Participant to support its Credit Support arrangement, by a Due Date determined by the IMO. The Market Participant must provide the relevant information by that Due Date.
- 3.9.3 Within five Business Days of the later of the dates on which the IMO receives completed documents under steps 3.9.1 and 3.9.2, the IMO must, subject to step 3.9.4, notify the Market Participant in writing that the Credit Support arrangement is either:
- (a) compliant with the Market Rules and this Procedure; or
  - (b) not compliant with the Market Rules and/or this Procedure and provide reasons as to why the Credit Support is not compliant.
- 3.9.4 The IMO must only notify a Market Participant of the compliance of its Credit Support arrangement in step 3.9.3(a) after the following actions have been completed by the Market Participant:
- (a) For a guarantee or bank undertaking, the Market Participant must have issued instructions to the Treasury Corporation or the bank to release funds for the IMO to Draw Upon within 90 minutes of the IMO making a call on the Credit Support; and
  - (b) For a Security Deposit, the Market Participant must have provided cleared funds by the date on which the accompanying Security Deposit deed is made.
- 3.9.5 If a Market Participant receives a notification of non-compliance under step 3.9.3(b), the Market Participant must re-submit a Credit Support arrangement in accordance with clause 2.38.4 of the Market Rules and step 3.6 of this Procedure.

### **3.10 Further steps by the IMO with respect to Credit Support arrangements**

- 3.10.1 Where the Credit Support arrangement is a guarantee or bank undertaking, then at the same time as the IMO issues notice of compliance to the Market Participant in step 3.9.3(a), the IMO must also notify the Treasury Corporation or the bank, as applicable, in writing, that the Credit Support arrangement has been provided in accordance with clause 2.38.4(a) of the Market Rules and this Procedure.
- 3.10.2 After the IMO notifies the Market Participant and the Treasury Corporation or the bank, as applicable, in step 3.10.1, the IMO must place the completed guarantee or bank undertaking in a bank safe box, as soon as practicable.
- 3.10.3 Where the Credit Support arrangement is provided as a Security Deposit, then within 10 Business Days of cleared funds having been received by the IMO, the IMO must complete the process for registration of the security interest on the Personal Property Securities Register in accordance with the *Personal Property*

*Securities Act 2009 (Cth)*<sup>3</sup>. As part of this process the IMO must deduct any fees incurred in registering the security interests from the balance of the Security Deposit and send a notice of the verification statement containing the details of the registration to the Credit Support provider and the Market Participant, as soon as practicable.

3.10.4 Upon completion of step 3.10.3, the IMO must place the completed Security Deposit deed in a bank safe box, as soon as practicable.

3.10.5 The IMO must update the Credit Support information for the Market Participant in WEMS as soon as practicable after the Credit Support has become duly effective.

### **3.11 Replacing a Credit Support arrangement**

3.11.1 A Market Participant may replace the Credit Support arrangement provided (for example from a Security Deposit to a bank undertaking) by notifying the IMO in writing prior to the replacement.

3.11.2 A Market Participant must include in its notification provided in step 3.11.1:

- (a) The form of replacement Credit Support arrangement to be provided;
- (b) Evidence that the replacement Credit Support arrangement will meet the requirements of clause 2.38.4 of the Market Rules; and
- (c) The date on which documents regarding the replacement Credit Support arrangement will be provided to the IMO, where the date must be at least 10 Business Days before the expiry date of the existing Credit Support held by the IMO, as applicable.

3.11.3 The IMO must assess the replacement Credit Support arrangement in accordance with step 3.9.

### **3.12 Holding Security Deposits and associated costs**

3.12.1 Where the IMO receives Credit Support in the form of a Security Deposit, it must:

- (a) invest any Security Deposit payments on behalf of the relevant Market Participant; and
- (b) maintain individual accounts for Security Deposits separate from any IMO operating funds accounts.

3.12.2 The IMO must credit the interest earned daily at the Bank Bill Rate on the balance of the Security Deposit to the relevant Market Participant's bank account on a monthly basis and deduct any costs and fees associated with holding the Security Deposit from the balance of the Security Deposit, including bank fees and charges.  
**[Clause 2.38.5]**

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<sup>3</sup> The Personal Property Securities Act 2009 (Cth) enables any person to register its security interests on the Personal Property Securities Register (Register). The Register is a real-time electronic notice board which allows individuals and organisations to search and register security interests in personal property (see [www.ppsr.gov.au](http://www.ppsr.gov.au) for more information). For the purposes of the Act, any cash in a bank account (Security Deposit) under the control of the IMO pursuant to a Security Deposit deed that is provided to the IMO for the purposes of Credit Support (Clause 2.38.4(b)) or Reserve Capacity Security (Clause 4.13), is a form of "personal property". The IMO's interest in the Security Deposit is a "security interest", and the Security Deposit deed secures payment and performance obligations of a Market Participant.

- 3.12.3 The IMO may provide written advice to a Market Participant on a monthly basis regarding the interest earned at the Bank Bill Rate and the deduction of any accrued costs and fees.

## **4. Acceptable Credit Criteria**

### **4.1 Completing the Acceptable Credit Criteria form**

- 4.1.1 Where a Market Participant elects to provide a Credit Support other than a Security Deposit and the Credit Support provider is not included on the current list of entities meeting the Acceptable Credit Criteria, the Market Participant must arrange for the completion of an Acceptable Credit Criteria form, providing evidence that the entity providing the Credit Support meets the Acceptable Credit Criteria outlined in clause 2.38.6 of the Market Rules, from either:

- (a) the Market Participant's external solicitors; or
- (b) the entity's external solicitors.

- 4.1.2 In completing the Acceptable Credit Criteria form under step 4.1.1, a Market Participant is responsible for arranging a firm of solicitors to undertake all necessary investigations to enable a partner of the firm to sign the Acceptable Credit Criteria form.

- 4.1.3 Before submitting an Acceptable Credit Criteria form, a Market Participant may submit a request to the IMO to confirm whether its particular firm of solicitors is acceptable to the IMO.

- 4.1.4 The IMO must respond in writing to a request received under step 4.1.3 within one Business Day of receiving the request.

- 4.1.5 A completed Acceptable Credit Criteria form is one that adheres to clause 2.38.6 of the Market Rules, in that the form:

- (a) has 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 from a reputable commercial law firm which is acceptable to the IMO.

- 4.1.6 A Market Participant submitting a completed Acceptable Credit Criteria form must submit it together with its Credit Support arrangement.

### **4.2 Maintaining the list of entities meeting the Acceptable Credit Criteria**

- 4.2.1 In accordance with clause 2.38.7 of the Market Rules, the IMO must publish and maintain on the Market Web Site, a list of entities meeting the Acceptable Credit Criteria. **[Clause 2.38.7]**

- 4.2.2 To determine whether the entities mentioned on the list meet the Acceptable Credit Criteria, the IMO may assess any evidence provided by any Market Participants in

the previous 12 months or may make its own judgment at any time. **[Clause 2.38.7 (a) or (b)]**

- 4.2.3 Where the IMO assesses an Acceptable Credit Criteria form received from a Market Participant in the previous 12 months and deems the entity to meet the Acceptable Credit Criteria, then the IMO must include that entity in the list of entities meeting the Acceptable Credit Criteria.
- 4.2.4 Every quarter the IMO will review whether the entities included on the list continue to have acceptable credit ratings as specified in clause 2.38.6(f) of the Market Rules. The IMO must update the date and make any required changes in the list as soon as practicable after it is satisfied that the list contains the most current information. **[Clause 2.38.8]**
- 4.2.5 Where the IMO assesses that an entity no longer meets the Acceptable Credit Criteria, it may at any time remove the entity from the list of entities meeting the Acceptable Credit Criteria. **[Clause 2.38.9]**
- 4.2.6 Where the IMO removes an entity from the list of entities meeting the Acceptable Credit Criteria, it must notify affected Market Participants in writing, within one Business Day of its removal. If a Market Participant's Credit Support is affected by the notification, it must provide valid replacement Credit Support in accordance with step 3.4.2(b).

## 5. Prudential Security

### 5.1 Outstanding amount

- 5.1.1 In accordance with clause 2.40.1 of the Market Rules, the IMO must calculate the Outstanding Amount for a Market Participant as the total of:
  - (a) Unpaid Invoices representing the sum of all Invoices that have been issued to the Market Participant but remain unpaid on the current date, after subtracting any cleared voluntary prepayments; and
  - (b) Estimated accrued exposure representing all transactions in relation to STEM and Non-STEM Settlement that have occurred but have not yet been invoiced to the Market Participant. This is calculated as the sum of:
    - i. the average daily value of the most recently invoiced STEM Settlement amount multiplied by the number of days from the previous Invoicing Date for the STEM Settlement Statement until the current date; and
    - ii. the average daily value of the most recently invoiced Non-STEM Settlement amount multiplied by the number of days from the previous Invoicing Date for the Non-STEM Settlement Statement until the current date.
- 5.1.2 The IMO may also determine a Market Participant's forecast exposure (not included in the Outstanding Amount) to represent the maximum liability that may be reached until the next Invoicing Date for Non-STEM Settlement. This is calculated as a projection of the Market Participant's maximum Outstanding

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Amount between the date when the Outstanding Amount is calculated and the next Invoicing Date for Non-STEM Settlement.

- 5.1.3 In determining amounts under steps 5.1.1 and 5.1.2, the IMO must use actual amounts or a reasonable estimate where actual amounts are not available. **[Clause 2.40.2]**

## **5.2 Voluntary prepayment**

- 5.2.1 A Market Participant may make a voluntary prepayment to the IMO, at any time, to reduce its Outstanding Amount and thereby increase its Trading Margin. The Market Participant must provide a completed profoma deed for voluntary prepayments and cleared funds to the IMO. **[Clause 2.40.1(c)]**
- 5.2.2 The IMO must apply the amount of the voluntary prepayment as a reduction to a Market Participant's Outstanding Amount in the next Invoices until the prepayment is exhausted or until the IMO's reconciliation of accounts, whichever occurs first.
- 5.2.3 Once the amount has been received as cleared funds by the IMO in step 5.2.1, the Market Participant is unable to withdraw the prepaid amount.
- 5.2.4 The IMO may, in its absolute discretion, apply a fee to cover the administrative costs in facilitating voluntary prepayments.

## **5.3 Trading Margin**

- 5.3.1 The IMO must calculate the Trading Margin for a Market Participant as the amount by which its Trading Limit exceeds its Outstanding Amount. **[Clause 2.41.1]**
- 5.3.2 Notwithstanding any other factors and analyses, a Market Participant electing to make a submission in the market should take into account the factors set out in Appendix 1 of this Procedure to determine whether that transaction could result in the Market Participant's Trading Margin being exceeded.
- 5.3.3 If a Market Participant determines that the assessment conducted in step 5.3.2 could result in its Trading Margin being exceeded, the Market Participant must not make such a submission in the market. **[Clause 2.41.2]**
- 5.3.4 The IMO may reject a submission from a Market Participant if the IMO's assessment, taking into account the factors listed in Appendix 1 of this Procedure, indicates that the transaction could result in the Market Participant's Trading Margin being exceeded. **[Clause 2.41.3]**

## **5.4 Margin Call**

- 5.4.1 On any day that a Market Participant's Trading Margin is less than zero, the IMO may decide to make a Margin Call by issuing a Margin Call Notice in writing. **[Clause 2.42.1]**
- 5.4.2 The IMO must specify the following in the Margin Call Notice:
- (a) The Margin Call amount determined as that amount which will increase the Market Participant's Trading Margin to zero, at the time the Margin Call Notice is issued; **[Clause 2.42.3]**

- (b) The date of the Margin Call Notice determined as follows:
  - i. Where the Margin Call Notice is issued before noon, then the notice is deemed to have been issued the same day; and
  - ii. Where the Margin Call Notice is issued after noon, then the notice is deemed to have been issued on the next Business Day; and
- (c) The deadline by which the Market Participant must provide the Margin Call amount which is before noon of the next Business Day following the deemed date of notice. **[Clause 2.42.4]**

5.4.3 A Market Participant must respond to the Margin Call by:

- (a) providing a Security Deposit in cleared funds to the IMO, equivalent to the amount of the Margin Call and the Security Deposit must be made in accordance with step 3.8 of this Procedure and clause 2.38.4(b) of the Market Rules; or
- (b) providing additional Credit Support in the form of a guarantee or bank undertaking equivalent to the amount of the Margin Call and the guarantee or bank undertaking must be made in accordance with step 3.7 of this Procedure and clause 2.38.4(a) of the Market Rules. **[Clause 2.42.4]**

5.4.4 If a Market Participant fails to comply with clause 2.42.4 of the Market Rules, then a Suspension Event is triggered in relation to Market Participant under clause 9.23.1 of the Market Rules. **[Clause 2.42.6]**

5.4.5 The IMO may cancel a Margin Call Notice at any time, by notifying the Market Participant in writing. The IMO reserves the right to issue a further Margin Call Notice for the same reasons that gave rise to the cancelled Margin Call Notice. **[Clause 2.42.5]**

5.4.6 Where the IMO issues a Margin Call Notice, it must review the Credit Limit of the Market Participant within 30 Business Days from the date on which the Margin Call Notice was issued. **[Clause 2.42.7]** The IMO must review the Credit Limit in accordance with the steps in section [2.2](#) or [2.3](#), as applicable.

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## 5.5 Prudential risk report

5.5.1 The IMO must ensure that the prudential risk report for a Market Participant is updated daily on the 'Market Participant Interface' in WEMS<sup>4</sup>. The prudential risk report must have updated values for the Market Participant's:

- (a) Unpaid Invoices, after offsetting cleared voluntary prepayments;
- (b) Outstanding Amount; and
- (c) Trading Margin.

<sup>4</sup> Access to the Market Participant Interface in WEMS is only available upon login to authorised users nominated by that Market Participant.

- 5.5.2 Where applicable, the IMO may provide updated values for a Market Participant's Margin Call amount (calculated in step 5.4.2(a)) and forecast exposure (calculated in step 5.1.2) on the 'Market Participant Interface' in WEMS.

## **6. Application of monies drawn down**

### **6.1 Drawing upon Credit Support**

- 6.1.1 Where a Suspension Event is triggered under clause 9.23.1 of the Market Rules in relation to a Market Participant, the IMO must act in accordance with clauses 9.23.4, 9.23.5 and 9.23.6 of the Market Rules with respect to issuing Cure Notices and drawing upon Credit Support.
- 6.1.2 Where a Market Participant is unable to remedy a Suspension Event under clause 9.23.7 of the Market Rules, the IMO must issue a Suspension Notice to that Market Participant and proceed with the suspension and de-registration rules as outlined in clause 2.32 of the Market Rules.
- 6.1.3 Where a Market Participant remains suspended for 90 days, the IMO may initiate the de-registration of that Market Participant in accordance with clause 2.32.6 of the Market Rules and the Market Procedure: Rule Participant Registration and De-registration.
- 6.1.4 The IMO may Draw Upon the Credit Support it holds, for the benefit of:
- (a) applying it to satisfy amounts owing by the relevant Market Participant, in relation to a Security Deposit; or
  - (b) exercising the IMO's rights under the Market Rules, which include drawing or claiming an amount to satisfy amounts owing by the relevant Market Participant, in relation to guarantees or bank undertakings.
- 6.1.5 Where the IMO draws upon Credit Support, it may apply the monies under clause 9.24.2(a) of the Market Rules in relation to the amounts that the Market Participant is required to disgorge, pay or repay in accordance with clauses 9.24.3A to 9.24.10 of the Market Rules and the processes described in the Market Procedure: Settlement.
- 6.1.6 Where the IMO is unable to recover all or part of the Repaid Amount under clause 9.24.2(b) of the Market Rules, then the IMO must account for this Repaid Amount in the Reconciliation Settlement calculation under clause 9.11.1 of the Market Rules.

## **Appendix A. Factors to be taken into account in determining the expected value of a transaction [clause 2.41.5]**

These factors are intended to provide guidance to enable a Market Participant or the IMO to determine the expected value of a transaction that would, were the transaction to be assessed taking into account the expected value factors:

- (a) enable a Market Participant to ascertain that a contemplated transaction could result in the Market Participant's Trading Margin being exceeded and therefore that the submission must not be made; **[Clause 2.41.2]** or
- (b) enable the IMO to ascertain that a contemplated transaction could result in the Market Participant's Trading Margin being exceeded and therefore that the submission may be rejected. **[Clause 2.41.3]**

Where a Market Participant or the IMO is assessing whether a transaction contemplated by a submission could result in a Market Participant's Trading Margin being exceeded, Market Participants and the IMO must:

- (a) Take into account all information that is readily available, making reasonable assumptions and estimates where necessary, based on the Market Participant's normal commercial position and trading activities and any unusual circumstances that may exist at the time; and
- (b) Arrive at a value using reasonable estimates of the Market Participant's current and forecast STEM and Non-STEM Settlement exposure, taking into account relevant prevailing, recent and/or anticipated (including but not limited to):
  - i. Outstanding Amounts as calculated in clause 2.40.1 of the Market Rules and the steps in section 5.1 of this Procedure;
  - ii. transactions in relation to STEM and Non-STEM Settlement;
  - iii. STEM, Balancing and Reserve Capacity Prices;
  - iv. Ancillary Service Settlement amount;
  - v. Reconciliation Settlement amount;
  - vi. Forced Outages and the applicable refund factor determined in clause 4.26.1 of the Market Rules; and
  - vii. Material changes in market conditions.

In terms of assessing whether a proposed transaction contemplated by a submission could result in a Market Participant's Trading Margin being exceeded, the IMO would consider it reasonable if, for example:

- (a) A Market Participant used actual Outstanding Amounts and unpaid Invoices when considering the contemplated submission to assess current and expected liabilities arising from transactions in relation to STEM and Non-STEM Settlement;
- (b) A Market Participant used recent actual or average daily, weekly or monthly prices over the preceding three month period when considering the contemplated submission to

assess current and expected liabilities arising from STEM, Balancing Market and Reserve Capacity Prices;

- (c) A Market Participant used recent actual or average Ancillary Service and Reconciliation Settlement amounts over the preceding three month period when considering the contemplated submission to assess current and expected Ancillary Service and Reconciliation Settlement amounts;
- (d) A Market Participant used prevailing refund factor and actual time on Forced Outage when considering the contemplated submission to assess current and expected Capacity Cost Refunds; or
- (e) A Market Participant took reasonable account of changes in market conditions, including but not limited to fuel availability, system demand, market prices, or any circumstance that was having or could reasonably be expected to have a material effect on market conditions.



INDEPENDENT  
MARKET  
OPERATOR



## Market Procedure: Determining Loss Factors

Version 23



ELECTRICITY INDUSTRY ACT 2004  
ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY MARKET) REGULATIONS 2004  
WHOLESALE ELECTRICITY MARKET RULES

COMMENCEMENT:

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

**Version history**

Version	Effective Date	Notes
1	21 September 2006	Market Procedure for Determining Loss Factors
2	20 May 2013	Amendments to Market Procedure resulting from PC_2012_09
<u>3</u>	<b>TBC</b>	<a href="#">Amendments to Market Procedure resulting from PC_2015_01</a>

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# 1. Procedure overview

## 1.1 Relationship with the Market Rules

1.1.1 This Market Procedure for Determining Loss Factors (Procedure) is made in accordance with clause 2.27.17 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 **[Clause XX]** are current as of **TBC**. These references are included for convenience only and are not part of this Procedure.

## 1.2 Purpose of this Procedure

1.2.1 This Procedure outlines the standards, methodologies, classification systems and procedures to be used in determining Loss Factors.

## 1.3 Application of this Procedure

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

1.3.2 A Network Operator is not required to comply with obligations prescribed in section 5 of this Procedure if it has no Required Connection Points.

## 1.4 Associated Market Procedures

1.4.1 The following IMO Market Procedure is associated with this Procedure:

(a) Notices and Communications.

## 1.5 Conventions used

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

## 1.6 Terminologies and definitions

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

**Table 1 – Defined terms**

Term	Definition
<b>Access Contract</b>	Has the meaning given to it in the Electricity Networks Access Code 2004.

<b>Term</b>	<b>Definition</b>
<b>Connection Point</b>	Has the meaning given to it in the Electricity Networks Access Code 2004. Typically each Connection Point in the WEM is identified by a National Meter Identifier (NMI), but in some cases Western Power may treat a number of NMIs as a single logical Connection Point in an Access Contract. This means that a Connection Point as defined by Western Power may relate to several Loads in the WEM (each identified by a NMI) or to several Scheduled Generators or Non-Scheduled Generators (each of which may relate to one or more NMIs).
<b>Distribution System</b>	Has the meaning given to it in the Electricity Networks Access Code 2004.
<b>DLF</b>	Means Distribution Loss Factor.
<b>DLF Analysis Period</b>	In respect of the annual recalculation of Distribution Loss Factors, the 12 month period ending on 31 December immediately prior to the 1 June by which the recalculated Distribution Loss Factors must be provided to the IMO.
<b>DLF Class</b>	Means Distribution Loss Factor Class.
<b>Entry Point</b>	Has the meaning given to it in the Electricity Networks Access Code 2004.
<b>Exit Point</b>	Has the meaning given to it in the Electricity Networks Access Code 2004.
<b>Market Operations</b>	The group within the IMO responsible for day to day administration of Loss Factors. Contact details for Market Operations are available on the Market Web Site.
<b>Peak Consumption</b>	Means the Contracted Maximum Demand (CMD) for an Exit Point declared in an Access Contract, or where no CMD is declared, it means the peak demand that is likely to occur at an exit point over a 12 month period as determined by the Network Operator, acting as a reasonable and prudent person.
<b>Pricing Zone</b>	A grouping of several Substations based on their location, as defined in the Price List approved by the Economic Regulation Authority from time to time.
<b>Reference Service</b>	Has the meaning given to it in the Electricity Networks Access Code 2004.
<b>Registered Market Participant</b>	In respect of a Required Connection Point, the Market Participant to which the Facility connected at that Connection Point is registered.
<b>Required Connection Point</b>	In respect of a Network Operator, a Connection Point in the Network Operator's Network identified under clause 2.27.1(a) of the Market Rules, for which the Network Operator must determine a Loss Factor.

Term	Definition
<b>Substation</b>	Means a network facility at which lines are switched for operational purposes, and which may include one or more transformers so that some connected lines operate at different nominal voltages to others. Substations are identified in the SWIS by a Transmission Node Identifier (TNI).
<b>TLF</b>	Means Transmission Loss Factor.
<b>TLF Analysis Period</b>	In respect of the annual recalculation of Transmission Loss Factors, the 12 month period ending on the last day of February immediately prior to the 1 June by which the recalculated Transmission Loss Factors must be provided to the IMO.
<b>TLF Calculation Program</b>	Means an appropriate industry standard package used by a Network Operator to calculate Transmission Loss Factors.
<b>TLF Class</b>	Means Transmission Loss Factor Class.
<b>Total Losses</b>	Means the total kWh losses from Western Power's distribution system over a DLF Analysis Period, used by Western Power in the calculation of DLFs for its Required Connection Points.
<b>Total Sales</b>	Means the total net kWh consumption from Western Power's distribution system over a DLF Analysis Period, used by Western Power in the calculation of DLFs for its Required Connection Points.
<b>Transmission SWIN Average TLF Class</b>	Means the TLF Class defined for the transmission system as a whole.
<b>Transmission System</b>	Has the meaning given to it in the Electricity Networks Access Code 2004.
<b>Transmission Urban Average TLF Class</b>	Means the TLF Class defined for the group of Substations assigned to the Urban and CBD Pricing Zones.
<b>Zone Substation</b>	Means a Substation connecting the Transmission and Distribution System.

## 2. Determination and provision of Loss Factors

### 2.1 Assignment of Connection Points to Loss Factor Classes

2.1.1 When a Network Operator becomes aware of a new Required Connection Point in its Network (including a Connection Point for a Non-Dispatchable Load that is upgraded from basic to interval metering), the Network Operator must, as soon as practicable but before the information is required for use in calculations under the Market Rules:

- (a) determine the Transmission Loss Factor Class (TLF Class) and Distribution Loss Factor Class (DLF Class) for the Required Connection Point in accordance with the classification system prescribed for that Network Operator in section 0 of this Procedure; **[Clause 2.27.12]** and

- (b) provide to the IMO and the Registered Market Participant:
  - i. the Loss Factor Classes for the Required Connection Point; and
  - ii. the Trading Day from which the Loss Factor Classes will have effect. ~~[Clause 2.27.14].~~

2.1.2 When a change occurs to a Required Connection Point that might alter its applicable Loss Factor Classes, the Network Operator must, as soon as practicable but before the information is required for use in calculations under the Market Rules:

- (a) re-determine the Loss Factor Classes for the Required Connection Point in accordance with the classification system prescribed for that Network Operator in section 0 of this Procedure; ~~[Clause 2.27.13].~~ and
- (b) if the re-determination results in a change to the TLF Class or DLF Class, provide to the IMO and the Registered Market Participant:
  - i. the new TLF Class or DLF Class (as applicable) for the Required Connection Point; and
  - ii. the Trading Day from which the new Loss Factor Class will have effect, which must as far as practicable reflect the time of the change that triggered the re-determination. ~~[Clause 2.27.14].~~

2.1.3 When a Network Operator becomes aware of a change of the Registered Market Participant for a Required Connection Point, the Network Operator must as soon as practicable provide to the new Registered Market Participant the Loss Factor Classes for the Required Connection Point.

## 2.2 Annual recalculation of Loss Factors

2.2.1 Each year by 1 June each Network Operator must:

- (a) recalculate the Loss Factors for its Required Connection Points, in accordance with the methodology prescribed for that Network Operator in section **Error! Reference source not found.** of this Procedure; [\[Clause 2.27.6\]](#)
- (b) provide by email to Market Operations:
  - i. updated Transmission Loss Factors (TLFs) and Distribution Loss Factors (DLFs) as applicable for each Loss Factor Class in the Network Operator's classification system; ~~[Clause 2.27.6].~~ and
  - ii. a written explanation of any change of more than 0.025 between an updated TLF or DLF and the previous value assigned to that Loss Factor Class.

2.2.2 Within two Business Days after receiving the updated TLFs and DLFs from a Network Operator under step 2.2.1(b), the IMO must publish on the Market Web Site:

- (a) the updated TLFs and DLFs received from the Network Operator; [\[Clause 2.27.7\]](#)
- (b) any written explanation of changes to TLFs or DLFs received from the Network Operator; and
- (c) the Trading Day from which the updated TLFs and DLFs will apply, which must allow sufficient time for Rule Participants to identify and update any submission or forecast data that is dependent on Loss Factors. **[Clauses 2.27.8 and 2.27.9]**

## 2.3 Creation of new Loss Factor Classes

2.3.1 If a Network Operator must develop a new Loss Factor Class to comply with its prescribed classification system then the Network Operator must, as soon as practicable but before a Required Connection Point is assigned to the new Loss Factor Class:

- (a) calculate the initial TLF or DLF for the new Loss Factor Class in accordance with the methodology prescribed in section **Error! Reference source not found.** of this Procedure;
- (b) provide by email to Market Operations the details of the new Loss Factor Class, including its initial TLF or DLF (as applicable). **[Clause 2.27.10]**

2.3.2 If the IMO receives details of a new Loss Factor Class from a Network Operator under step 2.3.1(b), the IMO must within two Business Days publish the details of the new Loss Factor Class and its initial TLF or DLF on the Market Web Site. **[Clause 2.27.11]**

## 2.4 Reassessment of Loss Factors

2.4.1 Where a Market Participant believes that:

- (a) the TLF for a TLF Class has been calculated incorrectly;
- (b) the DLF for a DLF Class has been calculated incorrectly; or
- (c) a Required Connection Point has been assigned to the wrong TLF Class or DLF Class,

the Market Participant may apply to the IMO for reassessment. **[Clause 2.27.15(b)]**

2.4.2 A Market Participant may seek reassessment for any TLF or DLF applying to a Required Connection Point for which it is the Registered Market Participant.

2.4.3 To seek a reassessment the Market Participant must apply by email to Market Operations within 15 Business Days of the Market Participant receiving notification of the TLF or DLF it believes to be in error. The application must outline:

- (a) the TLF or DLF believed to be in error; and
- (b) the Market Participant's reasons for believing the TLF or DLF should be a different value.

- 2.4.4 The IMO must acknowledge receipt of an application for reassessment by email within one Business Day.
- 2.4.5 Within two Business Days after receiving an application for reassessment, the IMO must provide by email to the relevant Network Operator a notification which includes:
- (a) details of the Market Participant's application; and
  - (b) the levels of audit that the IMO considers likely to be required, which may include any one or more of the following:
    - i. Level 1 - reviewing the reasons provided by the Market Participant for believing the TLF or DLF should be a different value and any reasons provided by the Network Operator for the TLF or DLF value as calculated;
    - ii. Level 2 - reviewing or analysing the data used to calculate the TLF or DLF; and
    - iii. Level 3 - reviewing, replicating or rerunning the models or calculation processes used to calculate the TLF or DLF.
- 2.4.6 Within two Business Days after receiving a notification under step 2.4.5, the Network Operator must advise the IMO by email:
- (a) whether or not the Network Operator agrees that the relevant TLF or DLF is in error; and
  - (b) if the Network Operator does not consider the TLF or DLF is in error, the Network Operator's estimate of the reasonable costs it would expect to incur assisting the IMO with an audit.
- 2.4.7 If the Network Operator advises the IMO under step 2.4.6(a) that it agrees the TLF or DLF is in error, then the IMO must within one Business Day notify the Market Participant by email of the Network Operator's agreement.
- 2.4.8 If the Network Operator advises the IMO under step 2.4.6(a) that it does not consider the relevant TLF or DLF to be in error, then the IMO must within two Business Days provide by email to the Market Participant an indicative estimate of the likely costs of an audit, which must include:
- (a) the estimated costs provided by the Network Operator under step 2.4.6(b); and
  - (b) any reasonable costs, not otherwise included in the IMO's budget, that the IMO expects to incur in conducting an audit.
- 2.4.9 Within five Business Days after receiving an estimate of audit costs the Market Participant must confirm by email to the IMO whether or not it requires the IMO to proceed with the audit.
- 2.4.10 If the IMO receives confirmation from the Market Participant that the Market Participant requires the IMO to proceed with an audit, then the IMO must within

two Business Days notify the Network Operator that the IMO will be conducting an audit. The notification must include:

- (a) details of the Market Participant's application for reassessment;
- (b) a request for access to the relevant data and calculations used in producing the TLF or DLF for the Loss Factor Class, or determining the Loss Factor Class for the Connection Point (as applicable), which may include:
  - i. provision of written information to the IMO by the Network Operator; and
  - ii. access to the Network Operator's premises, systems and personnel for the IMO to review relevant data and calculations, including the Network Operator providing a demonstration of any systems and processes used to calculate Loss Factors or replication of the process used to calculate the Loss Factors in dispute; and
- (c) a date by which the Network Operator must comply with the request, which must be at least five Business Days from the date of the IMO's notification.

2.4.11 The IMO may, at its discretion, aggregate its audit of Loss Factor calculations that are the subject of Market Participant applications for reassessment under section 2.4 of this Procedure, provided the IMO adheres to the timing parameters outlined in this Procedure for each individual Market Participant's application for reassessment.

2.4.12 The Network Operator must comply with a request received under step 2.4.10(b) by the date set out in step 2.4.10(c).

2.4.13 Within 20 Business Days after receiving confirmation to proceed with an audit under step 2.4.9, the IMO must:

- (a) conduct the audit; and
- (b) notify by email to the Network Operator and to the Market Participant the findings of the audit.

2.4.14 Where an error in the calculation of a TLF or DLF for a Loss Factor Class is identified through an audit conducted under step 2.4.13(a) or is confirmed by a Network Operator under step 2.4.6(a), the IMO must direct the relevant Network Operator by email to recalculate the TLF or DLF. The IMO may also direct the Network Operator to recalculate any other TLFs or DLFs, where the IMO is of the view that a recalculation is warranted. **[Clause 2.27.15(d)]**

2.4.15 Where a review conducted under step 2.4.13(a) reveals an error in the assignment of a connection point to a Loss Factor Class, the IMO must direct the relevant Network Operator to correct the error and re-determine the Loss Factor Class for the connection point in accordance with the classification system prescribed by the IMO for that Network Operator specified in clause 2.27.4 of the Market Rules. **[Clause 2.27.15(f)]**



2.4.142.4.16 The Network Operator must provide any recalculated TLFs or DLFs to the IMO as soon as practicable after receipt of the IMO's direction to recalculate. [\[Clause 2.27.15\(g\)\]](#)

2.4.152.4.17 Within two Business Days after receiving a recalculated TLF or DLF from a Network Operator under step 2.4.14, the IMO must publish on the Market Web Site:

- (a) the recalculated TLF or DLF; and
- (b) the Trading Day from which the recalculated TLF or DLF will apply, which must allow sufficient time for Rule Participants to identify and update any forecast or submission data that is dependent on Loss Factors.

2.4.162.4.18 Where an error in the assignment of a Required Connection Point to a Loss Factor Class is identified through a review conducted under step 2.4.13(a) or is confirmed by a Network Operator under step 2.4.6(a), the IMO must direct the relevant Network Operator by email to correct the error and re-determine the Loss Factor Class.

2.4.172.4.19 Where directed by the IMO under step 2.4.18, a Network Operator must as soon as reasonably practicable:

- (a) correct the error which caused the incorrect assignment;
- (b) re-determine the Loss Factor Class for the Required Connection Point; and
- (c) provide to the IMO and the Registered Market Participant:
  - i. the new TLF Class or DLF Class (as applicable) for the Required Connection Point; and
  - ii. the Trading Day from which the new Loss Factor Class will apply.

2.4.182.4.20 The costs of a review conducted by the IMO under step 2.4.13(a), including any costs incurred by the Network Operator and any costs, not otherwise included in the IMO's budget, incurred by the IMO, are payable by the Market Participant who made the application for reassessment, unless the review reveals:

- (a) an error of more than 0.0025 in a TLF or DLF calculation; or
- (b) an incorrect assignment of a Connection Point to a Loss Factor Class,

in which case all costs are payable by the relevant Network Operator.

## **2.5 Failure to provide Loss Factors**

2.5.1 In the event a Network Operator fails to provide the IMO with a TLF or DLF, as required in accordance with this Procedure or the Market Rules, the IMO must use the equivalent TLF or DLF from the previous year. [\[Clause 2.27.16\]](#)

2.5.2 Where a Network Operator subsequently provides an updated TLF or DLF, the previous year's TLF or DLF will continue to apply until the commencement of the applicable Trading Day published by the IMO for the updated value. [\[Clause 2.27.16\]](#)



### **3. Loss Factor classification system**

#### **3.1 Transmission Loss Factor Classes – Western Power**

3.1.1 Western Power must define a unique TLF Class for:

- (a) subject to step 3.1.2, each Connection Point on its transmission system at which a Scheduled Generator, Non-Scheduled Generator or Load is connected;
- (b) each Zone Substation on its network;
- (c) its transmission system as a whole (“Transmission SWIN Average”); and
- (d) the group of Substations assigned to the Urban and CBD Pricing Zones (“Transmission Urban Average”).

3.1.2 Where multiple physical transmission connections at a Substation are identified as a single Connection Point by Western Power in an Access Contract, Western Power may define a single TLF Class to apply to each Scheduled Generator, Non-Scheduled Generator or Load connected through that Connection Point.

3.1.3 Western Power must assign each Required Connection Point on its network to a TLF Class in accordance with the following:

- (a) if the Connection Point is on the transmission system it must be assigned to the specific TLF Class for the Connection Point prescribed in step 3.1.1(a); or else
- (b) if the Connection Point:
  - i. is contracted on any of the following Reference Services:
    1. A1 – Anytime Energy (Residential) Exit Service;
    2. A2 – Anytime Energy (Business) Exit Service;
    3. A3 – Time of Use Energy (Residential) Exit Service;
    4. A4 – Time of Use Energy (Business) Exit Service;
    5. A5 – High Voltage Metered Demand Exit Service;
    6. A6 – Low Voltage Metered Demand Exit Service;
    7. C1 – Anytime Energy (Residential) Bi-directional Service;
    8. C2 – Anytime Energy (Business) Bi-directional Service;
    9. C3 – Time of Use Energy (Residential) Bi-directional Service; or
    10. C4 – Time of Use Energy (Business) Bi-directional Service; or

- ii. is an Exit Point with Peak Consumption less than 1000 kVA,  
it must be assigned to the Transmission SWIN Average TLF Class prescribed in step 3.1.1(c); or else
  - (c) if the Connection Point has Peak Consumption greater than or equal to 1000 kVA and:
    - i. the associated Substation identified in an Access Contract; or
    - ii. the electrically closest Substation (if a Substation is not identified in the Access Contract),  
is in the Urban or CBD Pricing Zones, the Connection Point must be assigned to the Transmission Urban Average TLF Class prescribed in step 3.1.1(d); or else
  - (d) if a specific Substation is identified in the Access Contract for the Connection Point, the Connection Point must be assigned to the TLF Class prescribed in step 3.1.1(b) for that Substation; or else
  - (e) the Connection Point must be assigned to the TLF Class prescribed in step 3.1.1(b) for the electrically closest Substation.
- 3.1.4 Western Power must assign the Notional Wholesale Meter to the Transmission SWIN Average TLF Class prescribed in step 3.1.1(c).

## **3.2 Distribution Loss Factor Classes – Western Power**

- 3.2.1 Western Power must define a unique DLF Class for:
- (a) Connection Points on the transmission system (“Transmission Connected”);
  - (b) Connection Points connected to the network at the distribution busbar of a Zone Substation (“Zone Substation Connected”);
  - (c) each Connection Point on the distribution system for which Western Power determines under step 3.2.3 that a specific DLF Class is required;
  - (d) each of the Reference Services listed in step 3.1.3(b)(i); and
  - (e) the Notional Wholesale Meter.
- 3.2.2 Where a site that is supplied by multiple distribution feeders is identified as a single Connection Point by Western Power in an Access Contract and Western Power defines a specific DLF Class for the Connection Point, then that DLF Class will be assigned to each NMI associated with the Connection Point.
- 3.2.3 Western Power must assign each Required Connection Point on its network to a DLF Class in accordance with the following:
- (a) if the Connection Point is on the transmission system then it must be assigned to the Transmission Connected DLF Class prescribed in step 3.2.1(a); or else

- (b) if the Connection Point is connected to the network at the distribution busbar of a Zone Substation, it must be assigned to the Zone Substation Connected DLF Class prescribed in step 3.2.1(b); or else
- (c) if a Scheduled Generator, Non-Scheduled Generator, Dispatchable Load or Interruptible Load is connected through the Connection Point, then the Connection Point must be assigned to a specific DLF Class defined for it in step 3.2.1(c); or else
- (d) if the Connection Point is contracted on one of the Reference Services listed in step 3.1.3(b) then it must be assigned to the DLF Class prescribed for the relevant Reference Service in step 3.2.1(d); or else
- (e) if the Connection Point is:
  - i. an Exit Point with Peak Consumption greater than 7000 kVA; or
  - ii. an Entry Point,
 it must be assigned to a specific DLF Class defined for it in step 3.2.1(c); or else
- (f) if the Connection Point has Peak Consumption less than 1000 kVA then:
  - i. if the Connection Point is connected to the distribution system at low voltage (nominally 415 volts or less) and is located at a residential premise or a premise occupied by a voluntary/charitable organisation, it must be assigned to the Anytime Energy (Residential) Exit Service DLF Class prescribed in step 3.2.1(d); or
  - ii. if the Connection Point is connected to the distribution system at low voltage (nominally 415 volts or less) and is located at a commercial premise, it must be assigned to the Anytime Energy (Business) Exit Service DLF Class prescribed in step 3.2.1(d); or
  - iii. if the Connection Point is connected to the distribution system at high voltage (nominally greater than 415 volts), it must be assigned to the High Voltage Metered Demand Exit Service DLF Class prescribed in step 3.2.1(d); or else
- (g) if the Connection Point is located greater than 10 km from:
  - i. the associated Substation identified in an Access Contract; or
  - ii. the electrically closest Substation (if a Substation is not identified in the Access Contract),
 it must be assigned to a specific DLF Class defined for it in step 3.2.1(c); or else
- (h) if the Registered Market Participant has requested Western Power to calculate a specific DLF for the Connection Point at the Market Participant's expense in step 3.2.5 or step 3.2.7, the Connection Point must be assigned to a specific DLF Class defined for it in step 3.2.1(c); or else

- (i) if the Connection Point is connected to the distribution system at high voltage (nominally greater than 415 volts) it must be assigned to the High Voltage Metered Demand Exit Service DLF Class prescribed in step 3.2.1(d); or else
  - (j) the Connection Point must be assigned to the Low Voltage Metered Demand Exit Service DLF Class prescribed in step 3.2.1(d).
- 3.2.4 Western Power must assign the Notional Wholesale Meter to the Notional Wholesale Meter DLF Class prescribed in step 3.2.1(e).

### **Requests for individual DLF calculations for eligible Connection Points**

- 3.2.5 If a Required Connection Point on Western Power's network:
- (a) has Peak Consumption between 1000 kVA and 7000 kVA inclusive; and
  - (b) is located 10 km or less from:
    - i. the associated Substation identified in an Access Contract; or
    - ii. the electrically closest Substation (if a Substation is not identified in the Access Contract),
- the Registered Market Participant may request Western Power to calculate a specific DLF for the Connection Point at the Market Participant's expense, by notifying the Western Power account manager assigned to the Market Participant in writing.
- 3.2.6 Before recalculating its DLFs each year under step 2.2.1, Western Power must:
- (a) identify those Connection Points that are eligible to have an individual DLF calculated at the Registered Market Participant's expense; and
  - (b) provide each affected Market Participant, through its Western Power account manager, with a list of its eligible Connection Points and request that the Market Participant confirm for which of these Connection Points an individual DLF is required.
- 3.2.7 If a Market Participant receives a notification under step 3.2.6(b), then within 10 Business Days it must notify its Western Power account manager, in writing, for which of its eligible Connection Points it requires the calculation of an individual DLF.

## **4. Loss Factor calculation methodologies**

### **4.1 Transmission Loss Factor methodology – Western Power**

#### **Annual recalculation of Transmission Loss Factors**

- 4.1.1 Western Power must select an appropriate industry standard program as its TLF Calculation Program.
- 4.1.2 Western Power must compile schedules of historical network load (exit) and generation (entry) energy quantities for each Trading Interval in the TLF Analysis Period, for each physical transmission connection on the boundary of its transmission system for which this information is available.
- 4.1.3 Where a physical transmission connection is used for both entry and exit, Western Power must compile separate schedules for each (i.e. entry and exit quantities must not be netted against one another).
- 4.1.4 Western Power must allocate each physical transmission connection on the boundary of its transmission system to a TLF Class as follows:
- (a) if the physical transmission connection is identified as part or all of a Connection Point by Western Power in an Access Contract, then the physical transmission connection must be assigned to the TLF Class defined for that Connection Point in step 3.1.1(a); or
  - (b) if the physical connection point provides a connection to the distribution system then it must be assigned to the TLF Class defined for the relevant Zone Substation in step 3.1.1(b).
- 4.1.5 Where a single physical transmission connection is allocated to a TLF Class, Western Power must allocate the schedules of exit data and/or entry data (as applicable) for the physical transmission connection to that TLF Class.
- 4.1.6 Where multiple physical transmission connections are allocated to a TLF Class, Western Power must summate the schedules of exit and/or entry data (as applicable) compiled in step 4.1.2 for the physical transmission connection to produce single schedules of exit data and/or entry data (as applicable) for that TLF Class.
- 4.1.7 For any Trading Interval in the TLF Analysis Period, if total generation (as measured by the sum of the entry schedules identified in step 4.1.2) does not equal total load (as measured by the sum of the exit schedules identified in step 4.1.2) +/- 10%, then Western Power must exclude the data for that Trading Interval from the schedules determined for each TLF Class in steps 4.1.5 and 4.1.6.
- 4.1.8 Western Power must sufficiently document the source and processing of the generation and load information it uses to calculate TLFs to allow it to be reviewed should the information become subject to an IMO review.
- 4.1.9 Western Power must compile network topology information that reflects the actual system configuration, impedance and state, using its TLF Calculation Program. The base load flow case must include as commissioned equipment at 31 March in the relevant year and be representative of the typical system operating state

consistent with the Western Power Drawing No TS1 (Transmission System Diagram).

- 4.1.10 Western Power must load the schedules described in steps 4.1.5 and 4.1.6, as amended in step 4.1.7, into its TLF Calculation Program.
- 4.1.11 Western Power must have in place processes:
- (a) to examine the information files for errors, including missing or erroneous data; and
  - (b) for reloading the correct information and recalculating data, as required, including a process to check that any error or changes required have been fixed.
- 4.1.12 Western Power must use its TLF Calculation Program to calculate static average marginal loss factors for each modelled exit and entry point. The calculation must involve the following steps:
- (a) a load flow is solved for each Trading Interval in the TLF Analysis Period (except for Trading Intervals excluded in step 4.1.7) using the energy schedules compiled for each modelled entry and exit point;
  - (b) a marginal loss factor is calculated for each modelled entry and exit point for each Trading Interval with respect to the Reference Node; and
  - (c) the static average marginal loss factor for each modelled entry or exit point is calculated as the energy weighted average of the marginal loss factors calculated for that point.
- 4.1.13 If either an entry point or an exit point (but not both) was modeled for a TLF Class in step 4.1.12 then Western Power must determine the TLF for that TLF Class to be the static average marginal loss factor calculated for that entry point or exit point (as applicable) in step 4.1.12(c).
- 4.1.14 If both an entry point and an exit point were modeled for a TLF Class in step 4.1.12 then Western Power must determine the TLF for that TLF Class to be the energy weighted average of the static average marginal loss factors calculated for the entry point and the exit point in step 4.1.12(c).
- 4.1.15 Western Power must calculate the TLF for the Transmission SWIN Average TLF Class as the energy weighted average of all the static average marginal loss factors calculated for exit points in step 4.1.12(c).
- 4.1.16 Western Power must calculate the TLF for the Transmission Urban Average TLF Class as the energy weighted average of all the static average marginal loss factors calculated for exit points for TLF Classes defined for Substations in the Urban and CBD Pricing Zones.

### **Calculation of a Transmission Loss Factor for a new Transmission Loss Factor Class**

- 4.1.17 If a new Substation is commissioned then Western Power must assign the TLF of the electrically nearest Substation to any new TLF Classes defined for the new

Substation or its Connection Points in steps 3.1.1(a) or 3.1.1(b), until specific TLFs are determined for these TLF Classes in the next annual recalculation of Loss Factors.

- 4.1.18 If a new Connection Point is connected to an existing Substation then Western Power must assign the TLF for that Substation to the new TLF Class defined for the Connection Point in step 3.1.1(a), until a specific TLF is determined for this TLF Class in the next annual recalculation of Loss Factors.

## **4.2 Distribution Loss Factor methodology – Western Power**

### **Annual recalculation of Distribution Loss Factors**

- 4.2.1 Western Power must determine from its information systems:
- (a) the total net kWh consumption from its distribution system over the DLF Analysis Period (“Total Sales”); and
  - (b) the total kWh distribution losses over the DLF Analysis Period (“Total Losses”).
- 4.2.2 Western Power must assign a DLF to the Zone Substation Connected DLF Class that reflects typical Zone Substation transformer losses incurred by a Connection Point connected to the network at the distribution busbar of a Zone Substation.
- 4.2.3 Western Power must identify each Connection Point on its distribution system for which:
- (a) the calculation of an individual DLF is required under steps 3.2.3(c), 3.2.3(e) or 3.2.3(g); or
  - (b) the Registered Market Participant has confirmed that an individually calculated DLF is required in step 3.2.7.
- 4.2.4 For each Connection Point identified in step 4.2.3, Western Power must:
- (a) compile details of the Connection Point’s maximum demand or declared sent-out capacity (as applicable), network configuration and feeder peak demand, where these details may be sourced from historical data in Western Power’s information systems or from forecasted values if Western Power considers these to be more appropriate;
  - (b) use an appropriate industry software package to calculate an individual DLF for the Connection Point using the formula and methodology detailed in Schedule 4 of the Electricity Distribution Regulations 1997; and
  - (c) assign the calculated DLF to the DLF Class defined for that Connection Point.
- 4.2.5 Where an individual DLF must be calculated for a site that is supplied by multiple distribution feeders but is identified as a single Connection Point by Western Power in an Access Contract, Western Power must determine DLFs for each feeder as described in step 4.2.4(b), and then calculate the DLF for the DLF Class as the average of the calculated DLFs.



- 4.2.6 Western Power must determine the DLFs for the High Voltage Metered Demand Exit Service DLF Class and the Low Voltage Metered Demand Exit Service DLF Class using appropriate assumptions with regard to losses on high voltage lines and in distribution transformers.
- 4.2.7 Western Power must apply the DLFs calculated in steps 4.2.2, 4.2.4 and 4.2.6 to the total net kWh consumption (“sales”) for the applicable Connection Points to calculate the losses attributable to these Connection Points over the DLF Analysis Period.
- 4.2.8 Western Power must allocate the remaining losses (i.e. Total Losses minus losses calculated in step 4.2.7) amongst the remaining Connection Points on the distribution system according to their contracted Reference Service, based on the estimated relative contribution to peak load losses of typical customers on each of the relevant Reference Services.
- 4.2.9 Western Power must use the losses assigned to each Reference Service in step 4.2.8 and the sales for each of these Reference Services over the DLF Analysis Period to calculate DLFs for each of the following DLF Classes:
- (a) Anytime Energy (Residential) Exit Service DLF Class;
  - (b) Anytime Energy (Business) Exit Service DLF Class;
  - (c) Time of Use Energy (Residential) Exit Service DLF Class;
  - (d) Time of Use Energy (Business) Exit Service DLF Class;
  - (e) Anytime Energy (Residential) Bi-directional Service DLF Class;
  - (f) Anytime Energy (Business) Bi-directional Service DLF Class;
  - (g) Time of Use Energy (Residential) Bi-directional Service DLF Class; and
  - (h) Time of Use Energy (Business) Bi-directional Service DLF Class.
- 4.2.10 Western Power must apply the DLFs calculated in step 4.2.9 to the sales for the applicable (interval metered) Required Connection Points to calculate the losses attributable to these Connection Points over the DLF Analysis Period.
- 4.2.11 Western Power must calculate the DLF for the Notional Wholesale Meter DLF Class as one plus the ratio of the remaining losses (i.e. Total Losses minus losses calculated in steps 4.2.7 and 4.2.10) to the remaining sales (i.e. Total Sales minus sales for the Connection Points whose losses were calculated in steps 4.2.7 and 4.2.10).
- 4.2.12 Western Power must assign a DLF of one to the Transmission Connected DLF Class.

### **Calculation of a Distribution Loss Factor for a new Distribution Loss Factor Class**

- 4.2.13 If a Market Participant requests Western Power to calculate an individual DLF for a Connection Point in step 3.2.5, Western Power must calculate the individual DLF using the methodology outlined in step 4.2.4 of this Procedure.



## 5. Documentation, process change and review

### 5.1 Documentation requirements

- 5.1.1 A Network Operator must have in place internal procedures for calculating Loss Factors.
- 5.1.2 A Network Operator must sufficiently document all of its methodologies, models, software, data sources and internal procedures used for Loss Factor calculation to allow for these to be reviewed should the Loss Factor calculations become subject to an IMO review or review.
- 5.1.3 If requested by the IMO, a Network Operator must assist the IMO in responding to a query raised by or on behalf of a Rule Participant about the processes used by the Network Operator to calculate Loss Factors.

### 5.2 Changes to a Network Operator's Loss Factor calculation processes

- 5.2.1 [To comply with \[Clause 2.27.17\] aA](#) Network Operator must obtain approval from the IMO before it makes a material change to the methodologies, models, software, data sources or internal procedures it uses for Loss Factor calculation. To seek approval the Network Operator must apply by email to Market Operations. The application must include:
  - (a) details of the proposed change and its potential impacts on the calculation of Loss Factors by the Network Operator; and
  - (b) evidence of testing undertaken by the Network Operator to demonstrate the change does not adversely impact on the accuracy of the Network Operator's Loss Factor calculations.
- 5.2.2 The IMO must acknowledge receipt of an application made under step 5.2.1 by email within one Business Day.
- 5.2.3 Within five Business Days of receiving an application under step 5.2.1, the IMO may request the Network Operator by email to provide to the IMO any further information or test evidence the IMO considers necessary to assess the application.
- 5.2.4 If the Network Operator receives a request from the IMO under step 5.2.3 then the Network Operator must comply with that request as soon as practicable.
- 5.2.5 Within 20 Business Days after the IMO receives the application under step 5.2.1 and any further information or test evidence requested under step 5.2.3 the IMO must:
  - (a) decide whether or not to approve the change proposed by the Network Operator; and
  - (b) notify the Network Operator by email of its decision and the reasons for that decision.

### **5.3 IMO review of Loss Factor calculation processes**

- 5.3.1 The IMO may, at any time, review the effectiveness of the processes used by a Network Operator for Loss Factor calculation in meeting the Wholesale Market Objectives. The IMO may request a Network Operator to provide to the IMO any information relating to the methodologies, models, software, data sources and internal procedures used by the Network Operator for Loss Factor calculation that the IMO considers relevant to its review. The request must be provided in writing and include:
- (a) a description of the requested information;
  - (b) the IMO's reasons for requesting the information;
  - (c) the manner and form in which the information must be provided; and
  - (d) the date by which the Network Operator must comply with the request, which must be a date the IMO considers reasonable, having regard to the nature and form of the information requested.
- 5.3.2 If a Network Operator receives a request under step 5.3.1 then it must provide to the IMO the requested information by the date and in the manner and form set out in the request.



## Procedure Change Proposal: PC\_2015\_02

### Change requested by:

<b>Name</b>	Kate Ryan
<b>Organisation</b>	IMO
<b>Phone</b>	(08) 9254 4357
<b>Email</b>	<a href="mailto:kate.ryan@imowa.com.au">kate.ryan@imowa.com.au</a>
<b>Address</b>	Level 17, 197 St Georges Terrace, Perth
<b>Date submitted</b>	TBC
<b>Urgency</b>	Medium
<b>Procedure Change Proposal title</b>	Changes to Market Procedure: Confidential Information
<b>Market Procedures affected</b>	Replacement of Market Procedure: Information Confidentiality with Market Procedure: Confidential Information

### Introduction

The IMO or System Management, as applicable, may initiate the Procedure Change Process by developing a Procedure Change Proposal. Rule Participants may notify the IMO or System Management, as applicable, where they consider an amendment or replacement of a Market Procedure would be appropriate.

If an Amending Rule requires the IMO or System Management to develop new Market Procedures or to amend or replace existing Market Procedures, then the IMO or System Management, as applicable, is responsible for the development, amendment, or replacement of Market Procedures so as to comply with the Amending Rule.

Market Procedures:

(a) must:

- i. be developed, amended or replaced in accordance with the process in the Wholesale Electricity Market (WEM) Rules (Market Rules);
- ii. be consistent with the Wholesale Market Objectives; and
- iii. be consistent with the Market Rules, the Electricity Industry Act and the WEM Regulations; and

- (b) may be amended or replaced in accordance with section 2.10 of the Market Rules and must be amended or replaced in accordance with section 2.10 of the Market Rules where a change is required to maintain consistency with Amending Rules.

The Wholesale Market Objectives are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

## Details of the Procedure Change Proposal

### 1. Provide a reason for the proposed new, amended or replacement Market Procedure

#### 1.1 Background

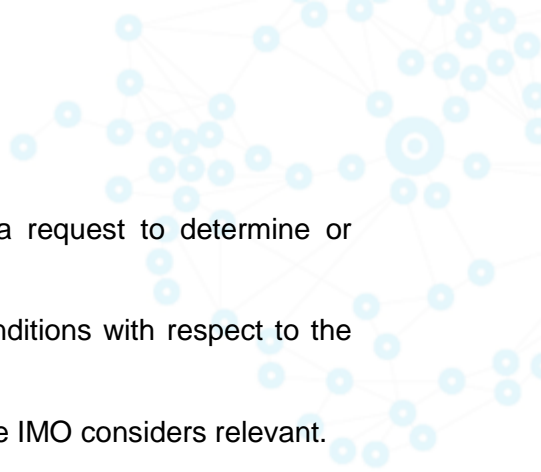
The IMO developed the Rule Change Proposal: Managing Market Information (RC\_2014\_09)<sup>1</sup> to replace the current confidentiality framework in chapter 10 of the Market Rules with a new framework. The proposed new confidentiality framework is designed to promote disclosure of market related information and thereby increase transparency in the WEM. The IMO submitted the Rule Change Proposal for RC\_2014\_09 into the Standard Rule Change Process on 13 March 2015.

To reflect the new framework proposed in RC\_2014\_09, the IMO proposes to replace the current Market Procedure: Information Confidentiality, with a new Market Procedure: Confidential Information (Market Procedure).

The proposed amended head of power for the Market Procedure, proposed new clause 10.2.9 of the Market Rules, requires the Market Procedure to provide further detail on issues related to:

- (a) the process to be followed by the IMO when determining the confidentiality status of market information;
- (b) the process to be followed by a person who requests the IMO to determine or re-determine the confidentiality status of market information

<sup>1</sup> Available at: [www.imowa.com.au/RC\\_2014\\_09](http://www.imowa.com.au/RC_2014_09).

- 
- (c) the process to be followed by the IMO when it receives a request to determine or re-determine the confidentiality status of market information;
  - (d) the process to be followed by the IMO when it specifies conditions with respect to the use or disclosure of any type of Confidential Information; and
  - (e) any other matters relating to information confidentiality that the IMO considers relevant.

## **1.2 Proposed content of the Market Procedure**

In RC\_2014\_09, the IMO proposes to amend clause 10.2.1 of the Market Rules to require it to determine the Confidentiality Status of each type of market information that is produced or exchanged. The proposed Amending Rules in RC\_2014\_09 provide the principles underpinning the IMO's assessment and require the IMO to follow the processes in the Market Procedure.

The IMO proposes to include in the Market Procedure two processes for the IMO to determine the Confidentiality Status of market information:

1. assessment through the rule or procedure change process; and
2. assessment outside of the rule or procedure change process.

### **Assessment through the rule or procedure change process**

Where a Rule or Procedure Change Proposal results in the creation or exchange of new or amended market information, the IMO proposes to facilitate stakeholder consultation and determine the Confidentiality Status of the information as part of the rule or procedure change process.

The IMO therefore proposes to introduce section 2 of the Market Procedure to outline how the determination of the Confidentiality Status of market information is undertaken as part of the rule and procedure change process.

### **Assessment outside the rule or procedure change process**

In RC\_2014\_09, the IMO proposes to amend clause 10.2.7 of the Market Rules to allow a person to request that the IMO determines or revises a determination of the Confidentiality Status of information. The IMO therefore proposes to document in section 3 of the Market Procedure:

- a requirement for the IMO to develop and publish a 'Claim of Confidential Information Form' and the information required to be included in the form (step 3.2.1);
- the process by which stakeholders can request the IMO to determine or revise its determination of the Confidentiality Status of a type of information (section 3.2); and
- the process that the IMO must follow to consult on, make, and publish its determination or revised determination of the Confidentiality Status of a type of information (section 3.3).

### **Determination of Confidentiality Status**

In RC\_2014\_09, the IMO proposes amendments to clause 10.2.2 of the Market Rules to provide a list of considerations that will inform the IMO's decision on whether market

information should be able to be disclosed. These considerations apply to a determination either through or outside the rule and procedure change process.

To reflect this amendment, the IMO proposes to document, in section 4 of the Market Procedure, further details on the IMO's consideration of:

- the impact of the disclosure of market information (section 4.1); and
- any conditions that should apply to market information that the IMO determines is Confidential Information (section 4.2),

for the IMO to determine the Confidentiality Status and, where applicable, any conditions on disclosure of the market information.

### **Call for Submissions**

The IMO is seeking submissions regarding this proposal. The submission period is 20 Business Days from the publication of this Procedure Change Proposal. Submissions must be delivered to the IMO by **5:00 PM** on **[DD Month YYYY]**.

The IMO prefers to receive submissions by email to [market.development@imowa.com.au](mailto:market.development@imowa.com.au) using the submission form available at: <http://www.imowa.com.au/wem-procedure-changes>.

Submissions may also be sent to the IMO by post, addressed to:

#### **Independent Market Operator**

Attn: Group Manager, Development and Capacity  
PO Box 7096  
Cloisters Square, PERTH, WA 6850

## **2. Provide the wording of the amended Market Procedure**

The proposed amended Market Procedure is provided as an attachment to this proposal.

## **3. Describe how the proposed changes to the Market Procedure would be consistent with the Market Rules, the Electricity Industry Act and WEM Regulations**

The proposed new Market Procedure has been reviewed as a whole by the IMO to ensure compliance of the Market Procedure with the relevant provisions in the:

- Electricity Industry Act;
- WEM Regulations; and
- Market Rules.

#### **4. Describe how the proposed changes to the Market Procedure would be consistent with the Wholesale Market Objectives**

The IMO considers that the proposed replacement Market Procedure will support the operation of the Amending Rules in RC\_2014\_09 which will better achieve Wholesale Market Objectives (a), (b), (c) and (d) by:

- introducing a streamlined, easy to use confidentiality framework thereby reducing the effort required to manage market information under the Market Rules by the IMO and other Rule Participants; and
- improving the efficiency and effectiveness of the WEM by increasing the transparency of information; and
- providing for equitable treatment of supply-side and demand-side market information, thereby ensuring that the confidentiality provisions do not discriminate between energy options.





INDEPENDENT  
MARKET  
OPERATOR



# Market Procedure: Confidential Information

Version 1





ELECTRICITY INDUSTRY ACT 2004  
ELECTRICITY INDUSTRY (WHOLESALE ELECTRICITY MARKET) REGULATIONS 2004  
WHOLESALE ELECTRICITY MARKET RULES

COMMENCEMENT:

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

**Version history**

Version	Effective date	Notes
1	TBC	Market Procedure: Confidential Information

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# 1. Procedure overview

## 1.1 Relationship with the Market Rules

1.1.1 This Market Procedure: Confidential Information (Procedure) is made in accordance with clause 10.2.9 of the Wholesale Electricity Market (WEM) Rules (Market Rules).

1.1.2 Reference to particular Market Rules within the Procedure, which are in bold and square brackets [**clause XX or section xx**] are current as of **TBC**. These references are included for convenience only and are not part of this Procedure.

## 1.2 Purpose of this Procedure

1.2.1 This Procedure describes the process that:

- (a) the IMO must follow when determining whether a type of market information is Confidential Information or Public Information under clause 10.2.1 of the Market Rules;
- (b) a person must follow when requesting the IMO to determine or revise a determination of whether market information is Confidential Information or Public Information under clause 10.2.7 of the Market Rules; and
- (c) the IMO must follow when it receives a request to determine or revise a determination of whether market information is Confidential Information or Public Information;
- (d) the IMO must follow when it specifies conditions with respect to the use or disclosure of any type of Confidential Information; and
- (e) other matters relating to information confidentiality.

## 1.3 Application of this Procedure

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

## 1.4 Associated Market Procedure and market documents

1.4.1 This Procedure relates to the all other Market Procedures and should be read in conjunction with the applicable Market Procedures related to the type of information being assessed.

1.4.2 The following market documents, available on the Market Web Site, are associated with this Procedure:

- (a) Rule Change Proposal form;
- (b) rule change submission form;
- (c) procedure change submission form; and
- (d) Claim of Confidential Information Form.

## 1.5 Conventions used

- 1.5.1 In this Procedure the conventions specified in sections 1.3 to 1.5 of the Market Rules apply.
- 1.5.2 The appendices, if any, contained within this Procedure form part of the Procedure and are legally enforceable.

## 1.6 Terminologies and definitions

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

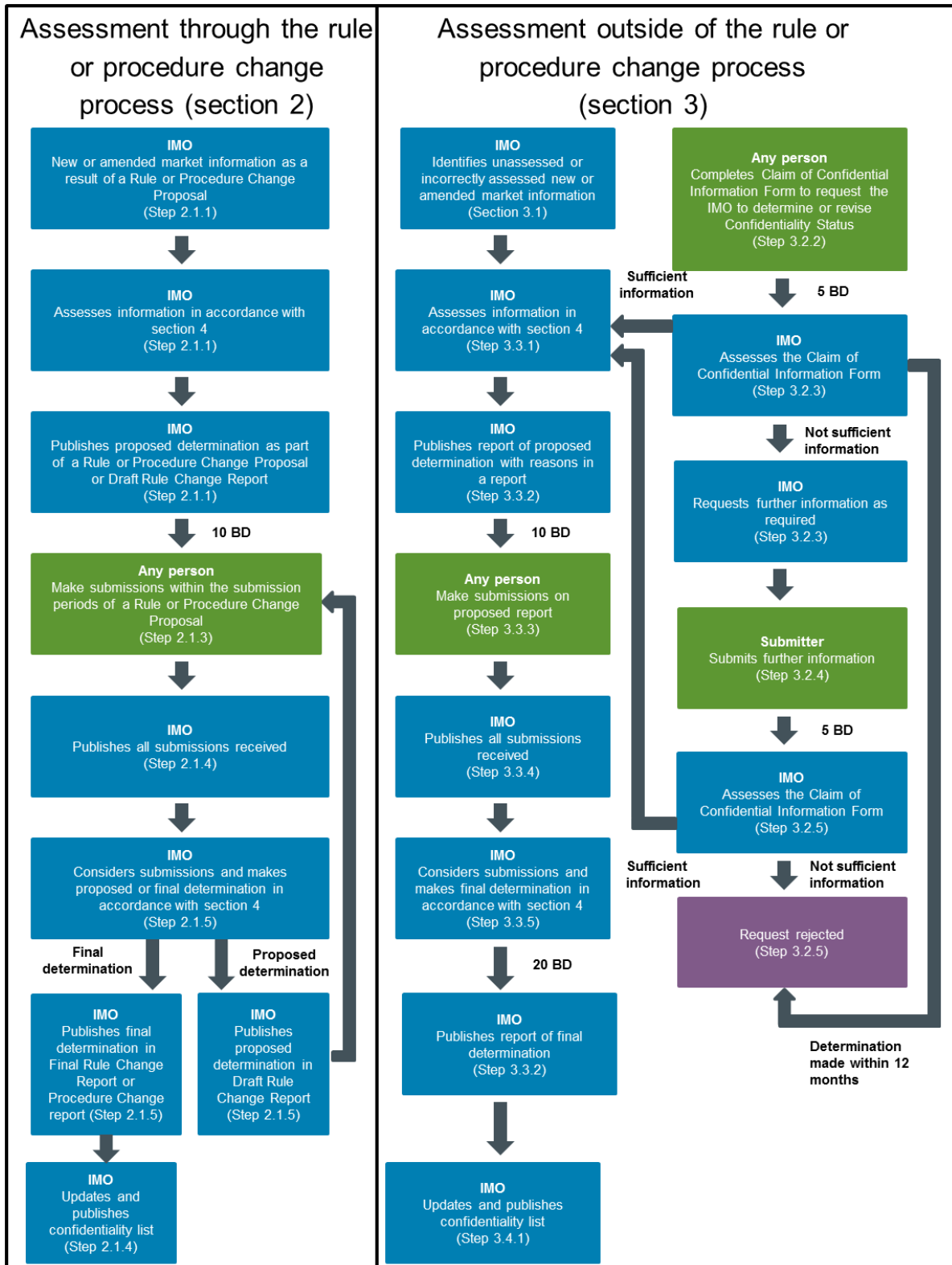
**Table 1: Defined terms**

Term	Definition
Claim of Confidential Information Form	A form published by the IMO on the Market Web Site that any person requesting the IMO to determine or revise a determination of the Confidentiality Status of a type of market information must complete.
Confidentiality List	The list of market information that the IMO has determined to be Confidential Information, that is published on the Market Web Site.
Confidentiality Status	The status of a type of market information, determined by the IMO, that identifies the extent to which that information can be disclosed and is Public Information or Confidential Information.

## 1.7 Amendments to market documents

- 1.7.1 The IMO may, in its absolute discretion, amend and publish on the Market Web Site any revised market documents listed in step 1.4.2 of this Procedure.
- 1.7.2 A Market Participant wishing to use any market documents listed in step 1.4.2 of this Procedure must ensure that it downloads the current version from the Market Web Site.

## 1.8 Process for assessing the Confidentiality Status of market information



Note: the IMO may extend the timeframes for certain steps in the rule [clause 2.5.10] or procedure change process [clause 2.10.17] and assessment outside of these processes (section 3.4).

## 2. Assessment through the rule or Procedure Change Process

### 2.1 Process for assessment

- 2.1.1 Where a Rule or Procedure Change Proposal proposes to produce or exchange a new type of market information or to amend an existing type of market information, the IMO must:
- (a) determine the initial Confidentiality Status of that market information, in accordance with section 4 of this Procedure, including any conditions with respect to the use or disclosure of this information; and
  - (b) document the IMO's proposed determination of the Confidentiality Status of that market information, including reasons for the proposed determination, in the Rule Change Proposal or the Procedure Change Proposal where possible, or otherwise in the Draft Rule Change Report.
- 2.1.2 The IMO must consult on a proposed determination made under step 2.1.1 as part of the rule change process **[sections 2.6 and 2.7]** or Procedure Change Process **[section 2.10]** as applicable, for a minimum of 10 Business Days.
- 2.1.3 Any person may make a submission on the proposed Confidentiality Status as part of the rule or procedure change process by completing the respective section of the rule change submission form or the procedure change submission form as applicable and submitting it to the IMO within any of the applicable submission periods, as provided for the respective Rule or Procedure Change Proposal on the Market Web Site.
- 2.1.4 The IMO must publish all submissions received on the Market Web Site following the close of the submission period for the respective Rule or Procedure Change Proposal.
- 2.1.5 The IMO must consider all submissions provided under step 2.1.3 in making its determination in accordance with section 4 of this Procedure and must publish on the Market Web Site:
- (a) its proposed determination of the Confidentiality Status, including reasons and the IMO's responses to submissions received in the first submission period in the Draft Rule Change Report, where possible; and
  - (b) its final determination of the Confidentiality Status, including reasons and the IMO's responses to submissions received in the second submission period in the Final Rule Change Report or the Procedure Change Report, as applicable.
- 2.1.6 Where the IMO determines a new or amended Confidentiality Status for a type of market information as Confidential Information, it must, as soon as practicable after publishing the determination under step 2.1.5(b), but no later than by the time the relevant Amending Rule or amended Market Procedure commence, update the Confidentiality List and publish it on the Market Web Site. **[clause 10.2.10]**

### **3. Assessment outside the rule or Procedure Change Process**

#### **3.1 Identification by the IMO**

3.1.1 Where the IMO becomes aware that the Confidentiality Status of a type of market information that is produced or exchanged under the Market Rules or Market Procedures has:

- (a) not previously been assessed by the IMO; or
- (b) may have been incorrectly assessed,

it must determine the Confidentiality Status of that information in accordance with section 4 of this Procedure. **[clause 10.2.1(a)]**

3.1.2 Where the IMO identifies a type of market information that is produced or exchanged, other than under the Market Rules or Market Procedures, it may determine the Confidentiality Status of that in accordance with section 4 of this Procedure. **[clause 10.2.1(b)]**

#### **3.2 Request for determination or revised determination**

3.2.1 The IMO must create a Claim of Confidential Information Form and publish it on the Market Web Site. The form must provide for the following to be included:

- (a) a description of the market information to be considered;
- (b) the reason for the claim of Confidential Information;
- (c) an explanation of the detriment that would be incurred by the submitter if the market information is disclosed;
- (d) the effect on the achievement of the Wholesale Market Objectives if the market information is not disclosed;
- (e) the effect on the safety, reliability and security of the South West interconnected system (SWIS) or Wholesale Electricity Market (WEM) if the information is not disclosed;
- (f) the current availability of the market information, including where it is required or explicitly not allowed to be disclosed under the Market Rules or other legislative instruments; and
- (g) any other relevant information.

3.2.2 In accordance with clause 10.2.7 of the Market Rules, any person may request that the IMO makes a determination or revise a determination of the Confidentiality Status of a type of market information at any time. The submitter must make a request by submitting a completed Claim of Confidential Information Form to the IMO, including the details specified in step 3.2.1.

- 3.2.3 Within five Business Days of receiving a Claim of Confidential Information Form, the IMO must decide whether to:
- (a) accept the request for the IMO to make a determination or revise a determination, in which case the IMO must notify the submitter in writing and determine the Confidentiality Status of the information in accordance with section 4 of this Procedure;
  - (b) reject the request for the IMO to make a determination or revise a determination, on the basis that it has made a determination on the Confidentiality Status of that type of market information in the preceding 12 months; or
  - (c) request further information where the submission is incomplete or does not provide sufficient information for the IMO to make a determination of the Confidentiality Status of that type of market information.
- 3.2.4 Where the IMO requests further information under step 3.2.3(c), the submitter must provide this information to the IMO as soon as practicable.
- 3.2.5 Where the IMO receives the information requested under step 3.2.3(c), the IMO must assess the Claim of Confidential Information Form, including the further information received and decide whether to:
- (a) accept the request for the IMO to make a determination or revise a determination; or
  - (b) reject the request for the IMO to make a determination or revise a determination on the basis that the submission is incomplete or does not provide sufficient information for the IMO to make a determination of the Confidentiality Status of that type of market information .
- 3.2.6 Where the IMO decides to reject a request for the IMO to make a determination or revise a determination under step 3.2.5, the IMO must notify the submitter in writing of its decision and provide reasons.
- 3.2.7 During the IMO's assessment of the Confidentiality Status of a type of market information, it may, for the time taken to assess the information, restrict the disclosure of that information until it has published its final determination.

### **3.3 Process for assessment**

- 3.3.1 Where the IMO has:
- (a) identified a type of market information that must be assessed under step 3.1.1(a) or 3.1.1(b); or
  - (b) accepted request for the IMO to make a determination or revise a determination under step 3.2.3 or 3.2.5,

the IMO must determine the proposed Confidentiality Status **[clause 10.2.1(a)]** including any conditions with respect to the use or disclosure of a type of market information **[clause 10.2.11]** in accordance with section 4 of this Procedure.



3.3.2 Where the IMO has determined the proposed confidentiality status of a type of market information under step 3.3.1, the IMO must, as soon as practicable:

- (a) publish on the Market Web Site:
  - i. the submitted Claim of Confidential Information Form;
  - ii. a report documenting its proposed determination of the Confidentiality Status of that market information, in accordance with section 4 of this Procedure, including any conditions with respect to the use or disclosure of this information and reasons for its determination; and
  - iii. a call for submissions from stakeholders on the proposed Confidentiality Status of that market information which must include a submission period of at least 10 Business Days; and
- (b) notify parties that it considers may be affected of the call for submissions.

3.3.3 Any person may make a submission on the proposed Confidentiality Status by completing the respective section of the rule change submission form or the procedure change submission form as applicable and submitting it to the IMO within the applicable submission period as published on the Market Web Site in the call for submissions.

3.3.4 The IMO must publish all submissions received on the Market Web Site following the close of the submission period.

3.3.5 The IMO must consider all submissions provided under step 3.3.4 in making its determination in accordance with section 4 of this procedure and must publish on the Market Web Site its final determination of the Confidentiality Status of a type of market information, including reasons and the IMO's responses to submissions received in the submission period, in a report, within 20 Business Days of the close of the submission period.

3.3.6 Where the IMO determines a new or amended Confidentiality Status for a type of market information, it must, as soon as practicable after publishing the determination under step 3.3.5, update the Confidentiality List and publish it on the Market Web Site. **[clause 10.2.10]**

### **3.4 Extension of timeframes**

3.4.1 If the IMO considers, at any time after publishing a call for submissions under step 3.3.2(a)iii), that it is necessary to extend the timeframe determining the Confidentiality Status of a type of market information because:

- (a) the assessment requires consideration of complex issues;
- (b) further public or individual consultation is required; or
- (c) the determination cannot be made for any other reason,

the IMO may extend the timeframes by publishing a notice on the Market Web Site.

3.4.2 A notice of extension must include:

- (a) the modified dates; and
- (b) the reason for the extension.

## 4. Determination of Confidentiality Status

### 4.1 Determination of the impact of the disclosure of market information

4.1.1 IMO must determine the Confidentiality Status of a type of market information in accordance with clause 10.2.2 of the Market Rules.

4.1.2 In its consideration of the potential detriment arising from the disclosure of a type of market information, the IMO must consider whether releasing that information would **[clause 10.2.2(d)(iv)]**:

- (a) create an administrative burden;
- (b) disclose commercially sensitive information;
- (c) disclose information that may be defamatory;
- (d) disclose information not permitted by law to be disclosed;
- (e) disclose politically sensitive information;
- (f) disclose private (including personal) information;
- (g) disclose market information that may impose a safety risk; or
- (h) cause any other detriment,

and where detriment is caused, the likely extent of that detriment.

4.1.3 Where the IMO considers that the disclosure of a type of market information would cause detriment under step 4.1.2, the IMO must determine whether the detriment is outweighed by the benefits achieved by the disclosure of that information by assessing it against the Wholesale Market Objectives. **[clause 10.2.2(d)(v)]**

4.1.4 Where the IMO considers that the information should be disclosed:

- (a) for the purposes of clause 10.2.2(d)(i), 10.2.2(d)(ii), 10.2.2(d)(vi) or 10.2.2(d)(vii) of the Market Rules; or
- (b) where the IMO determines, under step 4.1.3, that the detriment of the disclosure of that type of market information outweighs the benefits, **[clause 10.2.2(d)(v)]**

the IMO must determine that the market information is Public Information.

4.1.5 It is only where the IMO considers that the information should not be disclosed:

- (a) for the purposes of clause 10.2.2(d)(iii); or

- (b) where the IMO determines, under step 4.1.3, the detriment caused by the disclosure of that type of market information is outweighed by benefits, **[clause 10.2.2(d)(v)]**

that the IMO may determine that the market information is Confidential Information. Otherwise, the IMO must determine that the market information is Public Information.

## **4.2 Conditions on the use or disclosure of Confidential Information**

4.2.1 Where a type of market information is determined to be Confidential Information under section 4.1, the IMO must assess **[clause 10.2.11]**:

- (a) whether there are any recipients in the list in clause 10.2.3 of the Market Rules that should not receive the information for any reason, including for example where a conflict of interest would occur;
- (b) whether there are any circumstances under which any of the recipients in the list in clause 10.2.3 of the Market Rules should be able to, or not be able to, use the information for any reason, including for example the use of information in a particular review or investigation;
- (c) whether there are any additional recipients in addition to those in the list in clause 10.2.3 of the Market Rules that should receive the information for any reason, including for example, where the information is required to be provided to the Network Operator for the purposes of performing its functions;
- (d) whether there are any circumstances where the disclosure of Confidential Information, for any reason, would no longer cause detriment that outweighs the achievement of the Wholesale Market Objectives, including for example the aggregation of that information in a way other than already permitted by clause 10.2.4 of the Market Rules, or a delay in the disclosure of that information for a certain period, that would no longer disclose Confidential Information; and
- (e) whether there are any other applicable conditions on the disclosure of Confidential Information.

4.2.2 On the basis of the assessment under step 4.2.1, the IMO must determine what (if any) conditions are to be placed on the use or disclosure of the Confidential Information **[clause 10.2.11]** and include the details of those conditions:

- (a) in the IMO's determination of the Confidentiality Status under step 2.1.5 or 3.3.5; and
- (b) in the updated confidentiality list published under step 2.1.6 or 3.3.6 **[clause 10.2.10]**.