

**CHAPTER 4A**





## 4A. Retailer Reliability Obligation

### Part A Introduction

#### 4A.A Definitions

##### 4A.A.1 Definitions

In this Chapter:

**actual demand** means the demand determined in accordance with clause 4A.A.4(b).

**adjustment day** has the meaning given in clause 4A.E.7(f).

**AEMO Opt-In Procedures** means the procedures developed by *AEMO* under clause 4A.D.12.

**AER Opt-In Guidelines** means the guidelines made by the *AER* under clause 4A.D.13.

**AER PoLR report** has the meaning given in clause 4A.F.8(a).

**aggregate MLO Group transactions** has the meaning given in clause 4A.G.19(c).

**application for adjustment** has the meaning given in clause 4A.E.7(a).

**Auditors Panel** means the panel of persons (who may be individuals or firms) from whom an Independent Auditor may be appointed in accordance with clause 4A.E.5.

**bespoke firmness methodology** means a firmness methodology which is not a default firmness methodology.

**bid-offer spread** has the meaning given in clause 4A.G.18(h).

**book build contract** means a contract which satisfies the relevant criteria set out under the Book Build Procedures and which may be offered to other *book build participants* as part of a *voluntary book build*.

**book build fees** means fees imposed on *book build participants* to reimburse *AEMO* for its costs incurred in developing, establishing and conducting a *voluntary book build*.

**book build participation agreement** has the meaning given in clause 4A.H.4(b)(1).

**Book Build Procedures** means the procedures developed by *AEMO* under clause 4A.H.2.

**change event** has the meaning given in clause 4A.G.13(a)(3).

**compliance TIs** has the meaning given in clause 4A.F.2.

**contract position day** has the meaning given in the *NEL*.

**Contracts and Firmness Guidelines** means the guidelines made by the *AER* in accordance with clause 4A.E.8.

**controlling entity** has the meaning given in clause 4A.G.6(a).

**default firmness methodology** has the meaning given in clause 4A.E.4.

**dispatch control** has the meaning given in clause 4A.G.4(b).

**firmness methodology** has the meaning given in clause 4A.E.3.

**firmness principles** has the meaning given in clause 4A.E.3.

**Forecasting Best Practice Guidelines** means the guideline made by the *AER* under clause 4A.B.5.

**forecast reliability gap period** has the meaning given in the *NEL*.

**gap trading intervals** means the *trading intervals* stated in a T-1 reliability instrument.

**generator capacity** has the meaning given in clause 4A.G.3(b).

**Independent Auditor** means a member of the Auditors Panel.

**large opt-in customer** means a person registered as a large opt-in customer with the *AER* under clause 4A.D.4.

**liable entity** has the meaning given in the *NEL* and as determined in accordance with clause 4A.D.2.

**liable load** means the load determined under clause 4A.F.3(b).

**liable share** has the meaning given in clause 4A.F.3(a).

**liquidity obligation** means the obligation to be performed by a MLO generator in a *region* under rule 4A.G.17.

**liquidity period** means the period during which a liquidity obligation is in effect with respect to a *forecast reliability gap*, as determined under clause 4A.G.16.

**matched book build participant** means a *book build participant*:

- (a) who offers to buy or sell a book build contract through the *voluntary book build*; and
- (b) for which *AEMO* has identified another *book build participant* who has made an offer to buy or sell (as applicable) the book build contract referred to in paragraph (a),

in accordance with the Book Build Procedures.

**minimum opt-in threshold** has the meaning given in clause 4A.D.6(a)(2).

**MLO exchange** has the meaning given in clause 4A.G.23(a).

**MLO exit notice** has the meaning given in clause 4A.G.12(e).

**MLO generator** has the meaning given in clause 4A.G.11.

**MLO group** has the meaning given in clause 4A.G.10.

**MLO Guidelines** means the guidelines made by the *AER* under clause 4A.G.25.

**MLO nominee** has the meaning given in clause 4A.G.20(a).

**MLO products** means any product which satisfies the criteria set out under clause 4A.G.22(a) or which the *AER* approves to be a MLO product under clause 4A.G.22(b).

**MLO register** means the register established, maintained and *published* by the *AER* under clause 4A.G.12.

**NCP report** has the meaning given in clause 4A.E.6(a).

**net contract position** has the meaning given in the *NEL* and as determined in accordance with clause 4A.E.2.

**new entrant** has the meaning given in clause 4A.D.3.

**new entrant contract position day** means the first day of a *reliability gap period*, unless an alternative date is stated in a T-1 reliability instrument.

**non-standard qualifying contract** means a qualifying contract which is not a standard qualifying contract.

**one-in-two year peak demand forecast** has the meaning given in the *NEL* and as determined in accordance with clause 4A.A.3.

**opt-in customer** means a large opt-in customer or a prescribed opt-in customer.

**opt-in customer threshold** has the meaning given in clause 4A.D.6(a)(1).

**opt-in cut-off day** means the day determined in accordance with clause 4A.D.7.

**opt-in register** means a register established and maintained by the *AER* in accordance with clause 4A.D.9.

**peak demand** has the meaning given in the *NEL* and as determined in accordance with clause 4A.A.4.

**PoLR liable entity** has the meaning given in clause 4A.F.8(a)(1).

**PoLR TI** has the meaning given in clause 4A.F.8(a)(2).

**position day** means a contract position day or, for a new entrant, a new entrant contract position day.

**prescribed opt-in customer** means a person registered as a prescribed opt-in customer with the *AER* under clause 4A.D.5.

**qualifying contract** has the meaning given in the *NEL* and as determined in accordance with clause 4A.E.1.

**registered capacity** means in respect of a *generating unit*, the amount, in MW, shown as 'registered capacity' attributable to that *generating unit* in the 'NEM registration and exemption list' published by *AEMO*.

**Reliability Compliance Procedures and Guidelines** has the meaning given in the *NEL*.

**reliability instrument** has the meaning given in the *NEL*.

**Reliability Instrument Guidelines** means the guidelines made by the *AER* under clause 4A.C.12.

**reporting day**

- (a) has the meaning given in the *NEL*; and
- (b) for a new entrant, means the day stated in the relevant T-1 reliability instrument.

**standard qualifying contract** means a qualifying contract which is specified to be a standard qualifying contract under the Contracts and Firmness Guidelines.

**target trading periods** has the meaning given in clause 4A.G.18(c).

**traced capacity** has the meaning given in clause 4A.G.7(a).

**trading group** has the meaning given in clause 4A.G.5.

**trading group capacity** has the meaning given in clause 4A.G.9(a).

**trading period** has the meaning given in clause 4A.G.18(a).

**trading right** has the meaning given in clause 4A.G.4.

**trading right holder** has the meaning given in clause 4A.G.4(a).

**T-1 cut-off day** has the meaning given in the *NEL*.

**T-1 reliability instrument** has the meaning given in the *NEL*.

**T-3 cut-off day** has the meaning given in the *NEL*.

**T-3 reliability instrument** has the meaning given in the *NEL*.

**ultimate controlling entity** has the meaning given in clause 4A.G.6(b).

**uncontracted MW position** has the meaning given in clause 4A.F.8(b).

**unscheduled generation** has the meaning given in clause 3.7D(a).

#### **4A.A.2 Forecast reliability gap materiality**

For the purposes of section 14G(1) of the *NEL*, a *forecast reliability gap* occurs in a *region* in a *financial year* if identified in a *reliability forecast* and is material if it exceeds the *reliability standard*.

##### **Note**

Section 14G(1) of the *NEL* states –

A *forecast reliability gap* occurs when the amount of electricity forecast for a *region*, in accordance with the *Rules*, does not meet the *reliability standard* to an extent that, in accordance with the *Rules*, is material.

Under rule 11.132, the reference to the *reliability standard* is replaced with the *interim reliability measure* until 30 June 2025.

#### **4A.A.3 One-in-two year peak demand forecast**

For the purposes of section 14C of the *NEL*, the one-in-two year peak demand forecast for a *region* is:

- (a) the forecast made in accordance with the *Reliability Forecast Guidelines*; and
- (b) specified in a *reliability forecast* to be that forecast for that *region* for that *financial year*.

##### **Note**

Section 14C of the *NEL* states the one-in-two year peak demand forecast, for a region during a specified period, means the peak demand forecast in accordance with the *Rules* –

- (a) to occur for a *region* during the period; and

(b) where the likelihood is that the forecast amount will be exceeded once in any two-year period.

#### 4A.A.4 Peak demand

(a) For the purposes of section 14C of the *NEL*, the maximum electricity demanded is the highest actual demand in a *trading interval* in a *region* (in MW).

##### Note

Section 14C of the *NEL* states the peak demand, for a period in a *region*, means the maximum electricity demanded, in megawatts, in the region during the period, determined in accordance with the *Rules*.

(b) The actual demand for a *region* for a *trading interval* is:

- (1) the demand for that *region*;
- (2) adjusted, to reflect what would have been the demand but for the following adjustments in the *market*:
  - (i) directions by *AEMO*;
  - (ii) *RERT activated* or *dispatched* by *AEMO*;
  - (iii) *load shedding* by *AEMO*; and
  - (iv) any other adjustments as set out in the *Reliability Forecast Guidelines*,

in each case as determined in accordance with the *Reliability Forecast Guidelines*.

(c) *AEMO* must publish the actual demand for a *trading interval* for all *regions* on its website as soon as practicable after the end of that *trading interval*.

## Part B Reliability Forecasts

### 4A.B.1 Reliability forecast

- (a) The *statement of opportunities* must, for a *reliability forecast*, specify which parts of the *statement of opportunities* form part of that *reliability forecast*.
- (b) A *reliability forecast* and *indicative reliability forecast* must include the matters set out in clause 4A.B.2.
- (c) *AEMO* must publish on its website the supporting material for a *reliability forecast* as set out in clause 4A.B.3.
- (d) *AEMO* must make, publish on its website and maintain the *Reliability Forecast Guidelines* in accordance with clause 4A.B.4.
- (e) *AEMO* must use reasonable endeavours to prepare a *reliability forecast* and an *indicative reliability forecast* in accordance with the *Forecasting Best Practice Guidelines*.
- (f) *AEMO* will have complied with section 14F(b) of the *NEL* if it prepares and publishes on its website a *reliability forecast* and supporting material required by and in accordance with this Chapter 4A and clauses 3.13.3A(a) or (b).

#### 4A.B.2 Reliability forecast components

A *reliability forecast* and *indicative reliability forecast* for a *region* for each *financial year* must include the following:

- (a) *AEMO's unserved energy* forecast and whether or not there is a *forecast reliability gap*;
- (b) if there is a *forecast reliability gap*:
  - (1) the expected *unserved energy* for the forecast reliability gap period;
  - (2) the size of the *forecast reliability gap* (in MW);
  - (3) the forecast reliability gap period; and
- (c) if there is a *forecast reliability gap* in a *reliability forecast*, the *trading intervals* during the forecast reliability gap period in which the forecast *unserved energy* observed during the *forecast reliability gap* is likely to occur.

#### 4A.B.3 Supporting materials

- (a) *AEMO* must publish on its website the supporting information specified in, and in the form and timeframes required by, the *Reliability Forecast Guidelines* in relation to a *reliability forecast*.
- (b) The *Reliability Forecast Guidelines* must provide for the publication of supporting material to assist with understanding a *reliability forecast*, having regard to:
  - (1) the *Forecasting Best Practice Guidelines*;
  - (2) *AEMO's* obligations regarding *confidential information*; and
  - (3) the best form of the information for this purpose.

#### 4A.B.4 Reliability Forecast Guidelines

##### Purpose of the Reliability Forecast Guidelines

- (a) The purpose of the *Reliability Forecast Guidelines* is to:
  - (1) explain to liable entities and other interested parties how a *reliability forecast* is prepared and the underlying procedures, information requirements and methodologies that govern its preparation and operation; and
  - (2) describe how *AEMO* will implement the *Forecasting Best Practice Guidelines* in preparing a *reliability forecast*.

##### Reliability Forecast Guidelines components

- (b) The *Reliability Forecast Guidelines* must provide for the following:
  - (1) the methodology for determining actual demand for a *trading interval*;
  - (2) the manner in which information requests under clause 3.13.3A(d) can be made (which may include standing or individual requests) and the nature, scope and form of the information which can be requested;



- (3) identification by *Registered Participants* of *confidential information* provided in response to an information request;
- (4) the criteria for determining timeframes to respond to an information request, which must allow a reasonable time for *Registered Participants* to respond having regard to the nature of the information request;
- (5) the consultation processes with relevant stakeholders in preparing a *reliability forecast* and *indicative reliability forecast*;
- (6) the methodology, assumptions and inputs to be used for a *reliability forecast* and *indicative reliability forecast*, including:
  - (i) a high level description of how the modelling assumptions and inputs are derived and sourced;
  - (ii) an explanation of how a *reliability forecast*, *indicative reliability forecast*, *forecast reliability gap* and forecast reliability gap period are determined; and
  - (iii) explanatory material about how demand forecasts (including the one-in-two year peak demand forecast) are calculated and produced;
- (7) the supporting materials to be published for a *reliability forecast*, the form of the supporting materials and the timeframe for the publication of the supporting materials;
- (8) the process for updates to a *reliability forecast* in accordance with clause 3.13.3A(b);
- (9) the process for *AEMO* preparing, reporting on and implementing its annual improvement program in accordance with its obligations under clause 3.13.3A(h); and
- (10) any other matters required to be provided for under this Chapter.

#### **Administration of the Reliability Forecast Guidelines**

- (c) The *Reliability Forecast Guidelines* may provide for different processes and requirements between *reliability forecasts*, *indicative reliability forecasts* and updated *reliability forecasts* under clause 3.13.3A(b).
- (d) *AEMO* must make, publish on its website and may amend the *Reliability Forecast Guidelines*.
- (e) Subject to paragraph (f), *AEMO* must comply with the *Rules consultation procedures* when making or amending the *Reliability Forecast Guidelines*.
- (f) *AEMO* may make minor or administrative amendments to the *Reliability Forecast Guidelines* without complying with the *Rules consultation procedures*.
- (g) The *Reliability Forecast Guidelines* must not be inconsistent with the *reliability standard implementation guidelines*.
- (h) In *developing* and amending the *Reliability Forecast Guidelines* as they relate to information requests under clause 3.13.3A(d), *AEMO* must have regard to the reasonable costs of efficient compliance by *Registered*

*Participants* with such a request compared to the likely benefits from the use of the requested information in producing *reliability forecasts* and *indicative reliability forecasts*.

#### **4A.B.5 AER Forecasting Best Practice Guidelines**

- (a) The *AER* must make, *publish* and may amend the *Forecasting Best Practice Guidelines* in accordance with the *Rules consultation procedures*.
- (b) The *Forecasting Best Practice Guidelines* are to provide guidance for *AEMO's* forecasting practices and processes as they relate to a *reliability forecast* having regard to the following principles:
  - (1) forecasts should be as accurate as possible, based on comprehensive information and prepared in an unbiased manner;
  - (2) the basic inputs, assumptions and methodology that underpin forecasts should be disclosed; and
  - (3) stakeholders should have as much opportunity to engage as is practicable, through effective consultation and access to documents and information.
- (c) The *AER* may make minor or administrative amendments to the *Forecasting Best Practice Guidelines* without complying with the *Rules consultation procedures*.

**Note:**

The *Forecasting Best Practice Guidelines* must also take into account and provide guidance for those matters referred to under clause 5.22.5(i) of the *Rules*.

## **Part C Reliability Instruments**

### **Division 1 AEMO request for a reliability instrument**

#### **4A.C.1 AEMO request for a reliability instrument**

- (a) Subject to clauses 4A.C.2 and 4A.C.3, if a *reliability forecast* (including an update of it under clause 3.13.3A(b)) identifies a *forecast reliability gap* for a *region*, *AEMO* must request the *AER* to consider making a reliability instrument in accordance with section 14I of the *NEL* and the requirements of this Part C, Division 1.
- (b) A request by *AEMO* for the *AER* to consider making a reliability instrument under this Part C, Division 1 must be consistent with the *reliability forecast* to which the request relates.

#### **4A.C.2 AEMO request for a T-3 reliability instrument**

- (a) For the purposes of section 14I(4)(b) of the *NEL*, the request for a T-3 reliability instrument must be made at least three months before the T-3 cut-off day for the relevant *forecast reliability gap*.
- (b) For a request for a T-3 reliability instrument for a *forecast reliability gap*, *AEMO* must:
  - (1) include the information required under section 14I(4) of the *NEL*;

- (2) state the *forecast reliability gap* (in MW);
  - (3) only make the request if the *reliability forecast* (including an update of it under clause 3.13.3A(b)) published in the 6 months immediately preceding the T-3 cut-off day identifies that *forecast reliability gap*; and
  - (4) make the request in a form and containing the information prescribed by the Reliability Instrument Guidelines.
- (c) *AEMO* must publish on its website a request for a T-3 reliability instrument within 5 *business days* of submitting it to the *AER*.

#### **4A.C.3 AEMO request for a T-1 reliability instrument**

- (a) For the purposes of section 14I(4)(b) of the *NEL*, the request for a T-1 reliability instrument must be made at least three months before the T-1 cut-off day for the relevant *forecast reliability gap*.
- (b) For a request for a T-1 reliability instrument for a *forecast reliability gap*, *AEMO* must:
  - (1) include the information required under section 14I(4) of the *NEL*;
  - (2) state the *forecast reliability gap* (in MW);
  - (3) only make the request if the *reliability forecast* (including an update of it under clause 3.13.3A(b)) published in the second *financial year* following the related T-3 reliability instrument identifies that *forecast reliability gap*;
  - (4) make the request in a form and containing the information prescribed by the Reliability Instrument Guidelines; and
  - (5) not make the request unless there has been a related T-3 reliability instrument made in relation to the T-1 reliability instrument the subject of the request in accordance with clause 4A.C.4.
- (c) *AEMO* must publish on its website a request for a T-1 reliability instrument within 5 *business days* of submitting it to the *AER*.

#### **4A.C.4 Related T-3 reliability instrument**

- (a) A T-3 reliability instrument is related to a T-1 reliability instrument if:
  - (1) it is for the same *region* as the requested T-1 reliability instrument;
  - (2) the forecast reliability gap period requested in the T-1 reliability instrument is the same as, or is for a forecast reliability gap period that is shorter than but still within, the forecast reliability gap period set out in the T-3 reliability instrument; and
  - (3) the gap trading intervals requested in the T-1 reliability instrument are the same, or are within the same range of the gap trading intervals, as set out in the T-3 reliability instrument.
- (b) A T-3 reliability instrument will still be related to a T-1 reliability instrument despite the size of the *forecast reliability gap* being different.

#### **4A.C.5 Notification of a closed forecast reliability gap at T-1**

- (a) If the *AER* makes a T-3 reliability instrument and the *reliability forecast* in the *statement of opportunities* published in the second *financial year* following that T-3 reliability instrument shows that the *forecast reliability gap* is no longer forecast to occur, *AEMO* must provide written notice to the *AER* of that, and publish that notice on its website, within 5 *business days* of that *reliability forecast* being published.
- (b) If *AEMO* provides a written notice under paragraph (a) and a request for a T-1 reliability instrument is not made by *AEMO* in the time provided in clause 4A.C.3(a), the *AER* will *publish* on its website within 5 *business days* of that date that a T-1 reliability instrument cannot be made in respect of the related T-3 reliability instrument.

#### **4A.C.6 Corrections to a request**

- (a) *AEMO* may only correct a request for a reliability instrument under section 14J of the *NEL* within 2 weeks of the original request for the reliability instrument. *AEMO* must publish that corrected request on its website within 5 *business days* of its submission to the *AER*.
- (b) If *AEMO* submits a corrected request to the *AER*, the *AER* must use reasonable endeavours to make a decision within the time required under clause 4A.C.9(c) but, if that is not practicable, the *AER* must only increase that timeframe to make a decision by the time elapsed between receiving *AEMO's* original request for the reliability instrument and receiving the corrected request under paragraph (a).
- (c) The *AER* must *publish* on its website within 5 *business days* of receiving the corrected request under paragraph (a) the new timeframe for its decision under clause 4A.C.9(c).

#### **4A.C.7 Withdrawing a request**

- (a) *AEMO* may withdraw a request for a reliability instrument if there is a material error in the *reliability forecast*.
- (b) If *AEMO* withdraws a request for a reliability instrument under paragraph (a), *AEMO* must provide written notice of the withdrawal to the *AER* and publish that withdrawal notice within 5 *business days* of its submission to the *AER*.
- (c) *AEMO* may issue a withdrawal notice at any time prior to the *AER* making its decision under clause 4A.C.9 as to whether or not to make the reliability instrument requested.
- (d) Subject to complying with the requirements of this Division 1, *AEMO* may make another request for a reliability instrument in respect of a *forecast reliability gap* within the same forecast reliability gap period that was the subject of a withdrawn request.

## Division 2 AER making of a reliability instrument

### 4A.C.8 AER making of a reliability instrument

If *AEMO* requests the *AER* to make a reliability instrument and the request has not been withdrawn under clause 4A.C.7, the *AER* must consider the request and make or not make a reliability instrument in accordance with section 14K of the *NEL* and the requirements of this Part C, Division 2.

### 4A.C.9 When a decision by the AER must be made

If *AEMO* makes a request for the *AER* to make a reliability instrument, the *AER* must:

- (a) in making its decision as to whether to make or not make the reliability instrument, consider the criteria set out in clause 4A.C.11;
- (b) consult with stakeholders in accordance with the Reliability Instrument Guidelines; and
- (c) subject to clause 4A.C.6(b), within 2 months of receiving *AEMO's* request for a reliability instrument:
  - (1) decide to make or not make a reliability instrument; and
  - (2) *publish* its reasons for the decision and, if applicable, the reliability instrument.

#### Note

Section 14K(5) of the *NEL* states that a reliability instrument takes effect when it is published on the *AER's* website.

### 4A.C.10 T-1 reliability instrument components

If the *AER* makes a T-1 reliability instrument, the *AER*:

- (a) must state the information required under section 14K(4)(a) of the *NEL*;
- (b) must set the contract position day, which must be a day in the period which starts 7 days before the T-1 cut-off day and ends on that day (inclusive);
- (c) must set a new entrant contract position day, which day must be after the first day of the *reliability gap period*; and
- (d) must not set a reporting day within 2 months of the contract position day or, for new entrants, within 10 *business days* of the new entrant contract position day.

### 4A.C.11 AER decision making criteria

For the purposes of section 14K(3)(a)(ii) of the *NEL*, in considering whether it is appropriate in the circumstances to make a reliability instrument, the *AER* must only have regard to the following criteria:

- (a) there are no material errors in *AEMO's* calculations or input data as it relates to the *reliability forecast*;
- (b) *AEMO* has not made any assumptions underpinning its forecast data that are inaccurate and which have had a material impact on *unserved energy* outcomes in the *reliability forecast*; and

- (c) *AEMO* has used reasonable endeavours to prepare the *reliability forecast* in accordance with the *Forecasting Best Practice Guidelines*.

#### **4A.C.12 Reliability Instrument Guidelines**

- (a) The *AER* must make, *publish* and may amend the Reliability Instrument Guidelines in accordance with the *Rules consultation procedures*.
- (b) The Reliability Instrument Guidelines must include the following:
  - (1) the consultation process with stakeholders in deciding whether to make or not make a reliability instrument; and
  - (2) how the *AER* will consider the criteria set out in clause 4A.C.11.
- (c) The *AER* may make minor or administrative amendments to the Reliability Instrument Guidelines without complying with the *Rules consultation procedures*.

### **Part D Liable Entities**

#### **4A.D.1 Application**

This Part D applies in relation to each T-1 reliability instrument and a reference to:

- (a) a matter is a reference to the matter for the *region* to which the T-1 reliability instrument applies;
- (b) a *connection point* is a reference to a *connection point* in that *region*;
- (c) a *reliability gap period* is a reference to that period stated in that T-1 reliability instrument;
- (d) a T-3 reliability instrument is to be construed as a reference to the T-3 reliability instrument related to the T-1 reliability instrument (and vice versa); and
- (e) a position day, opt-in cut-off day or opt-in register is a reference to those matters as stated in, or related to, that T-1 reliability instrument.

#### **4A.D.2 Liable entities**

- (a) A person is a liable entity for a *region* if:
  - (1) the person is registered as a *Market Customer* for a *connection point* in that *region* at the end of the contract position day but only to the extent there is no opt-in customer for that *connection point* at the end of the contract position day;

**Note**

Section 14D(1)(a) of the *NEL* provides that a person who is a *Registered Participant* mentioned in section 11(4)(a) of the *NEL* is a liable entity.

- (2) the person is registered as a large opt-in customer for a *connection point* in that *region* at the end of the contract position day;
- (3) the person is registered as a prescribed opt-in customer for a *connection point* in that *region* at the end of the contract position day;  
or

- (4) the person is a new entrant in that *region* under clause 4A.D.3.
- (b) A person who is a *Market Customer* is not a liable entity for a *region* if:
  - (1) it is not registered for a *connection point* in that *region* at the end of the contract position day; or
  - (2) the aggregate of all *loads* at the *connection points* in that *region* for which it is a *Market Customer* at the end of the contract position day is equal to or less than 10 GWh per annum as determined in accordance with the Contracts and Firmness Guidelines.

#### 4A.D.3 New entrants

A person is a new entrant for a *region* if the person:

- (a) is a *Market Customer* for a *connection point* in that *region* at the end of the new entrant contract position day;
- (b) was not a liable entity for that *region* at the end of the contract position day; and
- (c) the aggregate of all *loads* at the *connection points* in that *region* for which it is a *Market Customer* at the end of the new entrant contract position day exceeds, or is expected to exceed, 10 GWh per annum as determined in accordance with the Contracts and Firmness Guidelines.

##### Note

Section 14N(1)(c)(ii) of the *NEL* provides that Part 2A, Division 3 of the *National Electricity Law* applies to a person who is a liable entity on the contract position day or, in circumstances for which a later day is prescribed by the *Rules*, the later day. The new entrant contract position day is the later day for new entrants.

#### 4A.D.4 Application to register as large opt-in customer

- (a) A person may, no later than the opt-in cut-off day, apply to the *AER* for approval to register as a large opt-in customer for a *connection point* for a forecast reliability gap period if:
  - (1) a T-3 reliability instrument has been made for the *region* in which the *connection point* is located and the *AER* has established an opt-in register in relation to that instrument under clause 4A.D.9;
  - (2) the person purchases electricity supplied to that *connection point* from the *Market Customer* for that *connection point*;
  - (3) the person's aggregate consumption of electricity at all *connection points* in the *region* exceeds, or is expected to exceed, 50 GWh per annum as determined in accordance with the AER Opt-In Guidelines;
  - (4) to the extent required by the AEMO Opt-In Procedures (if any), the person does not satisfy the creditworthiness requirements set out in those procedures and *AEMO* requires credit support (at its discretion), the person provides that credit support to *AEMO* in accordance with the requirements of the AEMO Opt-In Procedures;
  - (5) there are one or more *connection points* at a site as determined in accordance with the AER Opt In Guidelines, the person opts-in for all *connection points* at that site; and

- (6) the person satisfies any other requirements set out in the AEMO Opt-In Procedures (if any) and the AER Opt-In Guidelines.
- (b) An application under paragraph (a) must comply with the AER Opt-In Guidelines.
- (c) An applicant must provide evidence to the *AER* as part of the application that it has given notice of the application to the *Market Customer* for the *connection point*. The *Market Customer's* consent is not required to make an application.
- (d) The *AER* may only register a person as a large opt-in customer for the entire *load* at a *connection point* and for the entire forecast reliability gap period.

#### **4A.D.5 Application to register as prescribed opt-in customer**

- (a) A person may, no later than the opt-in cut-off day, apply to the *AER* for approval to register as a prescribed opt-in customer for a *connection point* for a forecast reliability gap period if:
  - (1) a T-3 reliability instrument has been made for the *region* in which the *connection point* is located and the *AER* has established an opt-in register in relation to that instrument;
  - (2) the person is not eligible to register as a large opt-in customer for that *connection point*;
  - (3) the person is, in accordance with the AER Opt-In Guidelines, financially exposed to the cost of some or all of the *load* at the *connection point*;
  - (4) the person satisfies the prescribed opt-in customer thresholds in clause 4A.D.6 for that *connection point*;
  - (5) to the extent required by the AEMO Opt-In Procedures (if any), the person does not satisfy the creditworthiness requirements set out in those procedures and *AEMO* requires credit support (at its discretion), the person provides that credit support to *AEMO* in accordance with the requirements of the AEMO Opt-In Procedures; and
  - (6) the person satisfies any other requirements set out in the AEMO Opt-In Procedures (if any) and the AER Opt-In Guidelines.
- (b) An application under paragraph (a) must comply with the AER Opt-In Guidelines.
- (c) An applicant must provide evidence to the *AER* as part of the application that it has given notice of the application to the *Market Customer* and any existing prescribed opt-in customer for the *connection point*. The *Market Customer's* consent is not required to make an application. An existing prescribed opt-in customer's consent is not required unless approval of the application would require a change to the percentage of the *load* for which that prescribed opt-in customer is registered.
- (d) The *AER* may only register a person as a prescribed opt-in customer for the entire forecast reliability gap period.



- (e) The *AER* may register a person as a prescribed opt-in customer for the entire *load* or a percentage of the *load* at a *connection point*. A person may not be registered for a percentage of the *load* at a *connection point* where that percentage of the *load* is less than the minimum opt-in threshold.

#### 4A.D.6 Thresholds

- (a) A person satisfies the thresholds for prescribed opt-in customers if:
  - (1) the annual peak demand for a *connection point* is equal to or greater than 30 MW ("**opt-in customer threshold**"); and
  - (2) the percentage (for which the person is seeking registration or has been registered) of the annual peak demand for that *connection point* is equal to or greater than 5 MW ("**minimum opt-in threshold**").
- (b) For the purposes of determining the annual peak demand for a *connection point*:
  - (1) the annual peak demand is the maximum demand at that *connection point* for a *trading interval* in the 12 months preceding the application for registration with the *AER* unless the *AER* considers it appropriate to have regard to other information; and
  - (2) if there are one or more *connection points* at a site, as determined in accordance with the AER Opt-In Guidelines, the *loads* for those *connection points* at that site may be aggregated in which case the annual peak demand for a *connection point* is the maximum coincident demand for that site for a *trading interval* and each of those *connection points* will be taken to have that annual peak demand,in each case, as determined in accordance with the AER Opt-In Guidelines.

#### 4A.D.7 Opt-in cut-off day

The opt-in cut-off day is the day that is 18 months after the date the relevant T-3 reliability instrument is effective.

#### 4A.D.8 AER approval of applications

- (a) The *AER* must approve or reject an application submitted under clauses 4A.D.4 or 4A.D.5 in accordance with the AER Opt-In Guidelines.
- (b) If the *AER* rejects an application for registration, it must give the applicant written reasons for its decision. The *AER* may inform the *Market Customer* for the relevant *connection point* of the rejection in accordance with the AER Opt-In Guidelines, or must inform the *Market Customer* on request.
- (c) If a person is registered as a large opt-in customer for a *connection point* at the end of the contract position day, then the *Market Customer* for that *connection point* is not a liable entity for that *connection point*.
- (d) If a person is registered as a prescribed opt-in customer for the entire *load* at a *connection point* at the end of the contract position day, then the *Market Customer* for that *connection point* is not a liable entity for that *connection point*.

- (e) If a person is registered as a prescribed opt-in customer for a percentage of the *load* at a *connection point* at the end of the contract position day, then:
  - (1) the prescribed opt-in customer is the liable entity for that percentage of the *load* at that *connection point*; and
  - (2) the *Market Customer* for that *connection point* will be the liable entity for any remaining percentage of the *load* at that *connection point* for which a prescribed opt-in customer is not the liable entity.

#### 4A.D.9 AER opt-in register

- (a) If a T-3 reliability instrument is made for a *region*, the *AER* must establish, within 30 *business days* of that instrument being published, an opt-in register for that *region* in relation to the forecast reliability gap period under that T-3 reliability instrument.
- (b) The *AER* must establish and maintain a separate opt-in register in relation to each T-3 reliability instrument.
- (c) An opt-in register must include the following:
  - (1) a list of registered large opt-in customers and their *connection points*;
  - (2) a list of registered prescribed opt-in customers and their *connection points*;
  - (3) for prescribed opt-in customers, the percentage of the *load* for which they are a liable entity at their *connection points*; and
  - (4) any other matters the *AER* considers appropriate.
- (d) The *AER's* obligation to maintain an opt-in register ends on publication of a notice by the *AER* under clause 4A.C.5(b) or, if a T-1 reliability instrument is made, at the end of the *reliability gap period*.
- (e) A person must apply to be an opt-in customer for each opt-in register.

#### 4A.D.10 Changes to register

- (a) An opt-in customer may, before the opt-in cut-off day, apply to the *AER* for approval to be deregistered as an opt-in customer for a *connection point*.
- (b) A prescribed opt-in customer may, before the opt-in cut-off day, apply to the *AER* for approval to change the percentage of the *load* at a *connection point* for which it is registered.
- (c) An application under paragraph (a) or (b) must comply with the AER Opt-In Guidelines.
- (d) The *AER* must not approve an application under paragraph (a) unless the *Market Customer* for that *connection point* consents to the application and/or the *AER* has approved an application for another person to be an opt-in customer for that *connection point*.
- (e) The *AER* must not approve an application under paragraph (b) unless the *Market Customer* and/or any prescribed opt-in customer (where the change would affect the percentage of the *load* for which that prescribed opt-in customer is registered) at that *connection point* consents to the application.

#### 4A.D.11 AER register taken to be correct

##### Definitions

(a0) In this clause 4A.D.11:

**authorised officer**, of the *AER*, means –

- (1) an *AER* member; or
  - (2) a person authorised by the *AER* to issue certificates under this clause.
- (a) A certificate signed by an authorised officer of the *AER* stating that a person was recorded as an opt-in customer for a *connection point* in the opt-in register at a particular time is evidence that the person was registered in that opt-in register at that time.

#### 4A.D.12 AEMO Opt-In Procedures

- (a) *AEMO* may, but is not required to, develop, publish on its website and maintain, in accordance with the *Rules consultation procedures*, the AEMO Opt-In Procedures.
- (b) The *AEMO* Opt-In Procedures may include:
- (1) the creditworthiness requirements to register as an opt-in customer;
  - (2) the methodology for determining the amount of credit support required; and
  - (3) the form of credit support, the criteria for acceptable credit support providers and the process for lodging, drawing upon, maintaining, replacing, changing or returning credit support.
- (c) *AEMO* may make minor or administrative amendments to the AEMO Opt-In Procedures without complying with the *Rules consultation procedures*.

#### 4A.D.13 AER Opt-In Guidelines

- (a) The *AER* must make, *publish* and may amend the AER Opt-In Guidelines in accordance with the *Rules consultation procedures*.
- (b) The AER Opt-In Guidelines must include:
- (1) the process for establishing and maintaining the opt-in register;
  - (2) the information to be included in the opt-in register;
  - (3) the extent to which some or all of the information on the opt-in register is to be accessible to *Market Customers* and the public;
  - (4) the process, manner and form of application for approval to register or deregister as, or change the registration of, an opt-in customer;
  - (5) the criteria to be applied by the *AER* in determining whether to approve an application to register or deregister as, or change the registration of, an opt-in customer;
  - (6) the information required by the *AER* to determine whether to approve an opt-in customer application and, if required, how that information will be verified (including with *AEMO* or the relevant *Market Customer*);

- (7) when a site is considered to have more than one *connection point*;
  - (8) the circumstances in which, in an opt-in customer application, an applicant must apply to opt-in for all *connection points* at a site;
  - (9) how annual peak demand for the purposes of the opt-in customer threshold and minimum opt-in threshold are determined;
  - (10) any requirements for a prescribed opt-in customer to register in respect of a percentage of a *load*; and
  - (11) the requirements for notification to, and consent of, relevant persons at the *connection point* for registrations and changes to registrations.
- (c) The *AER* may make minor or administrative amendments to the *AER Opt-In Guidelines* without complying with the *Rules consultation procedures*.

## Part E Qualifying Contracts and Net Contract Position

### Division 1 Key concepts

#### 4A.E.1 Qualifying contracts

- (a) The *AER*, in the *Contracts and Firmness Guidelines*:
- (1) may include guidance for liable entities to determine whether a contract or arrangement is a qualifying contract;
  - (2) must not prescribe other types of contracts or arrangements that are taken to be qualifying contracts under section 14O(1)(b) of the *NEL*; and
  - (3) may specify the types of contracts or other arrangements that are taken to be excluded contracts (and therefore not qualifying contracts) under section 14O(2) of the *NEL*.

#### Note

Section 14O(1) of the *NEL* defines a qualifying contract of a liable entity as a contract or other arrangement to which the liable entity is a party –

- (a) that -
  - (i) is directly related to the purchase or sale, or price for the purchase or sale, of electricity from the *wholesale exchange* during a stated period; and
  - (ii) the liable entity entered into to manage its exposure in relation to the volatility of the spot price; or
- (b) of another type prescribed by the *Rules* to be a qualifying contract.

Section 14O(2) of the *National Electricity Law* states a qualifying contract does not include a contract or arrangement mentioned in subsection (1)(a) that is prescribed by the *Rules* to be an excluded contract for the reliability obligations.

- (b) In providing guidance under subparagraph (a)(1) in the *Contracts and Firmness Guidelines*, the *AER* must have regard to the principle that the contract or other arrangement should support (directly or indirectly) investment in plant or other arrangements that:
- (1) can supply *energy* that may be *dispatched*; or
  - (2) can reduce demand of *energy* that may be activated,

as required to meet *energy* requirements in the relevant *region*.

- (c) A demand side participation contract or other arrangement, under which a person curtails *non-scheduled load* or the provision of *unscheduled generation* in certain specified circumstances, will only be a qualifying contract if it meets the requirements of section 14O(1)(a) of the *NEL* and is registered in *AEMO's* Demand Side Participation Information Portal.
- (d) A MLO product is taken to be a qualifying contract and have a firmness factor of one for the buyer of that product.
- (e) Subject to paragraph (c), a liable entity's own *generation* or *load* curtailment may be an arrangement that is a qualifying contract in accordance with the Contracts and Firmness Guidelines.

#### 4A.E.2 Net contract position

For the purpose of section 14O(3)(b) of the *NEL*, the number of megawatts of electricity under a liable entity's qualifying contracts is to be adjusted to determine a net contract position for that liable entity as follows:

- (a) for each qualifying contract which manages the liable entity's exposure to the volatility of the *spot price* in a *region* by reducing that exposure during the gap trading intervals, the number of megawatts of electricity under those qualifying contracts multiplied by a firmness factor in accordance with a firmness methodology applied to each of those qualifying contracts (a positive amount);
- (b) for each qualifying contract which manages the liable entity's exposure to the volatility of the *spot price* in a *region* by increasing that exposure during the gap trading intervals, the number of megawatts of electricity under those qualifying contracts multiplied by a firmness factor in accordance with a firmness methodology applied, as if the counterparty to that contract was a liable entity, to each of those qualifying contracts (a negative amount); and
- (c) any further adjustments required to be made in accordance with the Contracts and Firmness Guidelines to account for the effect of any contracts or other arrangements which are not qualifying contracts but which would increase the exposure of the liable entity to the volatility of the *spot price* in a *region* during the gap trading intervals (a negative amount),

in each case determined in accordance with the Contracts and Firmness Guidelines.

#### Note

Section 14O(3) of the *NEL* states that a liable entity's net contract position during a particular period is –

- (a) the number of megawatts of electricity to which the liable entity's qualifying contracts under section(14)(1) relate for the period; and
- (b) adjusted in accordance with the Rules to account for the likelihood that, despite the qualifying contracts, the liable entity retains exposure in relation to the volatility of the spot price during the period.

## Division 2 Firmness methodologies

### 4A.E.3 Firmness methodology

- (a) A firmness methodology is a methodology for determining the extent to which a liable entity's qualifying contracts reduce that liable entity's exposure to the volatility of the *spot price* in a *region* during the gap trading intervals which methodology is to be determined having regard to the following principles ("**firmness principles**"):
- (1) the megawatts the subject of a qualifying contract are to be attributed with a firmness factor between zero and one;
  - (2) the firmness factor when applied to a qualifying contract will take into account:
    - (i) the degree to which the price terms of the qualifying contract reduces the liable entity's exposure to the volatility of *spot prices* during the gap trading intervals;
    - (ii) the variability and profile of the volume settled or supplied under the qualifying contract;
    - (iii) the likelihood of the qualifying contract providing cover to the liable entity during the gap trading intervals (including the extent to which that contract endures for the *reliability gap period*);
    - (iv) any other contractual terms which limit the cover under the contract or otherwise reduce the incentive for the counterparty to the qualifying contract to cover its contract position during the gap trading intervals; and
    - (v) any other matters specified in the Contracts and Firmness Guidelines.
- (b) In paragraph (a), "cover" includes the making of financial payments, generation of electricity or reduction in consumption of electricity.
- (c) In determining a firmness factor for a qualifying contract, a liable entity must apply the firmness methodology relevant to that qualifying contract under clause 4A.E.4.

### 4A.E.4 Types of methodologies

- (a) A default firmness methodology is, for a standard qualifying contract, the firmness methodology that is specified to be the default firmness methodology for that standard qualifying contract in the Contracts and Firmness Guidelines.
- (b) A bespoke firmness methodology is, for a non-standard qualifying contract, a firmness methodology for that non-standard qualifying contract approved by an Independent Auditor in accordance with clause 4A.E.5.

### 4A.E.5 Approval of a bespoke firmness methodology

- (a) The *AER* must establish and maintain an Auditors Panel and, in doing so, must have regard to:

- (1) the need for a person to have sufficient experience and expertise in energy derivatives and energy contracts to carry out the functions of the Independent Auditor;
  - (2) whether the person is an *independent person*; and
  - (3) any other criteria set out in the Contracts and Firmness Guidelines.
- (b) A liable entity must appoint an Independent Auditor who is independent from the liable entity to approve any bespoke firmness methodology and firmness factor which the liable entity uses in relation to a non-standard qualifying contract, in accordance with the firmness principles and the Contracts and Firmness Guidelines.
- (c) The costs of engaging an Independent Auditor under this clause are to be borne by the liable entity appointing that Independent Auditor.
- (d) The *AER* must review the composition of the Auditors Panel at least every four years and may, at any time, add or remove an Independent Auditor to the pool at its discretion.
- (e) A bespoke firmness methodology and firmness factor approved by an Independent Auditor and included by a liable entity in its NCP report is binding on the *AER* in the absence of fraud or manifest error.

### Division 3 Reporting net contract position

#### 4A.E.6 Reporting requirements

- (a) A liable entity's report on its net contract position must be provided to the *AER* on or before the reporting day ("**NCP report**") in accordance with this clause.

**Note**

Section 14P of the *NEL* states a liable entity must give the *AER* a report about the liable entity's net contract position on or before the reporting day stated in the T-1 reliability instrument. The report must include the information required under the *Rules* and be prepared and given in the manner and form required by the *Rules*.

- (b) The NCP report must include the following information:
- (1) the liable entity's net contract position as at the end of the position day for each of the gap trading intervals;
  - (2) a list of each qualifying contract (including the volume of each qualifying contract in MW) and whether it increases or decreases the liable entity's exposure to the volatility of the *spot price*, other than a demand side participation contract or other arrangement that a liable entity elects is not to contribute to the liable entity's net contract position;
  - (3) the *NMI* and volume (in MW) of any demand side participation contract or other arrangement included in the liable entity's NCP report;
  - (4) the firmness factor applied to each qualifying contract;
  - (5) which qualifying contracts are standard qualifying contracts and the firmness methodology applied in each case;

- (6) which qualifying contracts are non-standard qualifying contracts and the bespoke firmness methodology approved by an Independent Auditor and applied in each case;
  - (7) any adjustments made for contracts or arrangements which are not qualifying contracts but have the effect of increasing the liable entity's exposure to the volatility of the *spot price* and an explanation of the adjustment in each case;
  - (8) confirmation that all qualifying contracts, other than a demand side participation contract or other arrangement that a liable entity elects is not to contribute to the liable entity's net contract position, and non-qualifying contracts or arrangements relevant to the *region* and the gap trading intervals in the T-1 reliability instrument have been accounted for in the NCP report;
  - (9) the liable entity's expected maximum demand for the gap trading intervals based on its net contract position for those gap trading intervals without taking into account any demand side participation contracts or other arrangements; and
  - (10) any other information specified in the Contracts and Firmness Guidelines.
- (c) The NCP report must be:
- (1) certified by a director of the liable entity in accordance with the Contracts and Firmness Guidelines; and
  - (2) lodged in accordance with, and in the form specified by, the Contracts and Firmness Guidelines.

## Division 4 Adjustment of net contract position

### 4A.E.7 Adjustment of net contract position

- (a) If an adjustment event occurs under paragraph (b), a liable entity may apply to the *AER* for approval to adjust its net contract position for a *region* in its NCP report for qualifying contracts entered into after the position day but only to the extent required to cover the increase in expected maximum demand during the gap trading intervals ("**application for adjustment**").
- (b) An adjustment event occurs if, after the position day:
  - (1) the number of *connection points* for *small customers* in the *region* for which the liable entity is *financially responsible* changes such that the liable entity's expected maximum demand reported in its NCP report will increase by more than 10%;
  - (2) the number of *connection points* for *large customers* (who are below the opt-in customer threshold) in the *region* for which the liable entity is *financially responsible* changes such that the liable entity's expected maximum demand reported in its NCP report will increase by more than 1%;
  - (3) the liable entity becomes *financially responsible* for a new *connection point* established after the position day where the *large customer* at



- that *connection point* is at or above the opt-in customer threshold such that the liable entity's expected maximum demand reported in its NCP report will increase by more than 1%;
- (4) a liable entity is transferred *retail customers* in the *region* in its capacity as a *RoLR*; or
  - (5) if the liable entity is an opt-in customer, that liable entity's expected maximum demand reported in its NCP report will increase by more than 1%.
- (c) An application for adjustment must be made in accordance with the Contracts and Firmness Guidelines and include:
- (1) the liable entity's revised NCP report, including the adjusted net contract position;
  - (2) information justifying the basis of the adjustment to the net contract position; and
  - (3) any other information required under the Contracts and Firmness Guidelines.
- (d) The *AER* must approve or reject an application for adjustment in accordance with the criteria specified in the Contracts and Firmness Guidelines.
- (e) If the *AER* rejects an application for adjustment, it:
- (1) must give written reasons to the applicant for its rejection; and
  - (2) may approve an alternative adjustment to the liable entity's net contract position which the *AER* considers is consistent with the criteria specified in the Contracts and Firmness Guidelines.
- (f) If the *AER* approves an application for adjustment, the adjusted net contract position will be taken to be the liable entity's net contract position as at the date of the *AER*'s notification of its approval ("**adjustment day**").

## Division 5 Contracts and Firmness Guidelines

### 4A.E.8 Contracts and Firmness Guidelines

- (a) The *AER* must make, *publish* and may amend the Contracts and Firmness Guidelines.
- (b) The Contracts and Firmness Guidelines must include:
  - (1) guidance on what constitutes a firmness methodology and how to apply it, which must be consistent with the firmness principles;
  - (2) types of contracts or arrangements that constitute standard qualifying contracts;
  - (3) default firmness methodologies for standard qualifying contracts which must be consistent with the firmness principles;
  - (4) the criteria for approving bespoke firmness methodologies which must be consistent with the firmness principles;
  - (5) how adjustments to the net contract position are to be determined and made for non-qualifying contracts or arrangements which increase the

- liable entity's exposure to the volatility of the *spot price* in a *region* during the gap trading intervals;
- (6) the information required to be included in a NCP report;
  - (7) requirements for the preparation, lodgement and form of a NCP report;
  - (8) the process and criteria for determining whether to approve or reject an application by a liable entity to adjust its net contract position; and
  - (9) any other matters required to be included in the Contracts and Firmness Guidelines under this Chapter.
- (c) Subject to paragraph (d), the *AER* must comply with the *Rules consultation procedures* when making or amending the Contracts and Firmness Guidelines.
  - (d) The *AER* may make minor or administrative amendments to the Contracts and Firmness Guidelines without complying with the *Rules consultation procedures*.

## Part F Compliance with the Retailer Reliability Obligation

### Division 1 Application

#### 4A.F.1 Application

- (a) This Part F applies in respect of a *region* if a T-1 reliability instrument has been made by the *AER* for that *region*.
- (b) This Part F applies in relation to each T-1 reliability instrument and a reference to:
  - (1) a matter is a reference to the matter for the *region* to which the T-1 reliability instrument applies;
  - (2) a *reliability gap period*, gap trading interval and one-in-two year peak demand forecast, is a reference to those matters as stated in that T-1 reliability instrument; and
  - (3) a compliance TI or *PoLR TI* is a reference to those intervals which occur during the *reliability gap period* the subject of the T-1 instrument.

### Division 2 Key concepts

#### 4A.F.2 Compliance TI

- (a) A "**compliance TI**" is a gap trading interval in which the peak demand in that gap trading interval published under clause 4A.A.4(c) exceeds the one-in-two year peak demand forecast.
- (b) A compliance TI under paragraph (a) remains a compliance TI despite any changes to *metering data* following publication of peak demand under clause 4A.A.4(c).

### 4A.F.3 Share of one-in-two year peak demand forecast

- (a) For the purposes of section 14R(2) of the *NEL*, a liable entity's share of the one-in-two year peak demand forecast for a compliance TI ("**liable share**") is calculated as follows:

$$LS = \left( \frac{LL}{HAPD} \right) \times OITPDF$$

where:

<i>LS</i>	=	the liable entity's liable share (in MW);
<i>LL</i>	=	the liable entity's liable load as determined under paragraph (b) (in MW);
<i>HAPD</i>	=	the highest adjusted peak demand occurring in a compliance TI in the relevant <i>reliability gap period</i> where adjusted peak demand is determined under paragraph (d) (in MW);
<i>OITPDF</i>	=	the one-in-two year peak demand forecast (in MW),

except that if  $OITPDF/HAPD > one$ , then it is taken to be equal to one.

#### Note

Section 14R(2) of the *NEL* states –

The liable entity must comply with the obligation that the liable entity's net contract position for the *trading interval* is not less than the liable entity's share of the one-in-two year peak demand forecast for the *trading interval* determined in accordance with the *Rules*.

Section 14R(2) is a reliability obligation civil penalty.

- (b) A liable entity's liable load for a compliance TI is calculated as follows:
- (1) if the liable entity is a *Market Customer*, the aggregate of the *adjusted gross energy* for each *connection point* for which it is *financially responsible* for the compliance TI (less any *adjusted gross energy* allocated to a prescribed opt-in customer at one of those *connection points*) based on the relevant *routine revised statements* for the *billing periods* relating to the *reliability gap period* given approximately 30 weeks after the relevant *billing period*;
  - (2) if the liable entity is not a *Market Customer*, the aggregate of the *adjusted gross energy* for each *connection point* for which it is registered as an opt-in customer (or part thereof if it is a prescribed opt-in customer registered for a portion of the *load* at that *connection point*) based on the relevant *routine revised statements* provided to the relevant *Market Customer* for the *connection points* for the *billing periods* relating to the *reliability gap period* given approximately 30 weeks after the relevant *billing period*;
  - (3) the quantity in subparagraph (1) or (2) (as applicable) is to be adjusted by adding the liable entity's measured actual demand response under a

qualifying contract at each *connection point* for which it is *financially responsible* for the compliance TI, or registered if an opt-in customer, multiplied by the *distribution loss factor* for that *connection point*;

- (4) the quantities in subparagraphs (1), (2) and (3) (as applicable) are to be adjusted for *intra-regional loss factors* at the *transmission network connection point* to which the *connection point* is assigned; and
- (5) the final quantity is to be multiplied by the number of *trading intervals* in an hour,

in each case, as determined in accordance with the *PoLR cost procedures*. To avoid doubt, a liable entity's demand is not to be adjusted for what its demand would have been but for *unserved energy* during a compliance TI.

- (c) For a liable entity that is a *Market Customer*, a liable entity's liable load relates to the *connection points* for which that liable entity is *financially responsible* for a compliance TI and those *connection points* do not need to be the same *connection points* referred to in clause 4A.D.2.
- (d) The adjusted peak demand for a compliance TI is the actual demand for the *region* in that compliance TI as determined under clause 4A.A.4(b) adjusted for the measured actual demand response of all liable entities during that compliance TI as determined in accordance with the *PoLR cost procedures*.

### **Division 3 AEMO notifications to AER**

#### **4A.F.4 AEMO notification of compliance trading intervals**

- (a) Within 15 *business days* of the end of the *reliability gap period*, *AEMO* must give written notice to the *AER* in the form required by the Contracts and Firmness Guidelines of the following:
  - (1) whether or not there are any compliance TIs and if so, which gap trading intervals are a compliance TI; and
  - (2) any other information required by the Contracts and Firmness Guidelines.
- (b) *AEMO* must publish a notice under paragraph (a) on its website within 5 *business days* of submitting it to the *AER*.

#### **4A.F.5 AEMO compliance report**

If *AEMO* has notified the *AER* of compliance TIs under clause 4A.F.4, then within 40 weeks after the end of the *reliability gap period*, *AEMO* must give a written notice to the *AER* in the form required by the Contracts and Firmness Guidelines including the following:

- (a) each liable entity's liable share for each compliance TI; and
- (b) any other information required by the Contracts and Firmness Guidelines.

## Division 4 AER assessment of compliance

### 4A.F.6 Reliability Compliance Procedures and Guidelines

- (a) The *AER* must make, *publish* and may amend the Reliability Compliance Procedures and Guidelines in accordance with the *Rules consultation procedures*.

#### Note

Under section 18ZI(1) of the *NEL*, the *AER* must make Reliability Compliance Procedures and Guide lines in accordance with the consultation procedure provided for under the *Rules*.

- (b) The *AER* may make minor or administrative amendments to the Reliability Compliance Procedures and Guidelines without complying with the *Rules consultation procedures*.

### 4A.F.7 AER assessment

- (a) The *AER* must assess compliance under section 14R(2) in accordance with the Reliability Compliance Procedures and Guidelines.
- (b) For the purposes of section 14R(3) of the *NEL*, a liable entity's net contract position for a compliance TI is:

- (1) for a liable entity that is not a new entrant, their net contract position at the contract position day or, if the *AER* has approved an adjustment, their net contract position at the adjustment day; or
- (2) for a liable entity that is a new entrant, their net contract position is deemed to be zero at the contract position day and is taken to be adjusted to be the new entrant's net contract position on the new entrant contract position day or, if the *AER* has approved an adjustment after the new entrant contract position day, their net contract position at the adjustment day,

in each case as reported by the liable entity or as otherwise determined by the *AER*.

- (c) The *AER* must:
- (1) give written notice to a liable entity if its net contract position is less than the liable entity's liable share for a compliance TI; and
  - (2) give the liable entity an opportunity to respond to the notice before giving a report to *AEMO* under clause 4A.F.8,

in accordance with the Reliability Compliance Procedures and Guidelines.

### 4A.F.8 AER notification to AEMO for PoLR costs

- (a) If a liable entity's net contract position is less than the liable entity's liable share for a compliance TI, the *AER* must, in accordance with the process and timeframes of the Reliability Compliance Procedures and Guidelines, give written notice to *AEMO* of:
- (1) the identity of that liable entity ("**PoLR liable entity**");

- (2) each gap trading interval for which the liable entity is a *PoLR liable entity* ("**PoLR TI**");
  - (3) the *uncontracted MW position* for the *PoLR liable entity* for each *PoLR TI*; and
  - (4) any other information required by the Reliability Compliance Procedures and Guidelines,  
 ("**AER PoLR report**").
- (b) A *PoLR liable entity's uncontracted MW position* for a *PoLR TI* is the number of megawatts by which the liable entity's liable share for that *PoLR TI* exceeds its net contract position for that *PoLR TI* ("**uncontracted MW position**").
  - (c) The *AER* must publish on its website a list of the *PoLR liable entities* in the *AER PoLR report* within 5 *business days* of providing the report to *AEMO*.

## Division 5 Miscellaneous

### 4A.F.9 Demand response information

A liable entity must:

- (a) maintain records and documents relating to the operation and use of demand side participation contracts or other arrangements that are qualifying contracts (including the *NMIs* to which they relate); and
- (b) make these records available to *AEMO* on request,  
in each case, in accordance with the *PoLR cost procedures*.

### 4A.F.10 PoLR cost procedures

The *PoLR cost procedures* must include the following:

- (a) how a liable entity's measured actual demand response will be determined for a *trading interval*;
- (b) the records a liable entity must maintain in respect of activating demand side participation contracts or other arrangements which are qualifying contracts; and
- (c) how a liable entity's liable load and liable share for each *compliance TI* is determined.

## Part G Market Liquidity Obligation

### Division 1 Preliminary

#### 4A.G.1 Overview of Part G

- (a) The purpose of this Part G is to facilitate transparency and liquidity in the trading of electricity futures contracts relating to a forecast reliability gap period.

- (b) For the duration of a liquidity period in a *region*, each MLO generator must offer to buy and sell MLO products on a MLO exchange as required under this Part G.
- (c) Division 2 specifies how this Part applies to *Market Generators* and how a *Market Generator's* trading right holder is identified.
- (d) Division 3 provides for how a trading right holder is taken to be a member of one or more trading groups.
- (e) Division 4 sets out how a *Market Generator's* generator capacity is allocated to a trading group, for the purposes of assessing each trading group's market share of *generation* in a *region*.
- (f) Division 5 determines which *Market Generators* are taken to be MLO generators and are required to comply with a liquidity obligation.
- (g) Division 6 provides for the *AER* to maintain a MLO register of each MLO generator, each MLO group and the trading group capacity of each trading group.
- (h) Division 7 specifies when a liquidity period starts and ends, and the notices the *AER* must give prior to, at the start, and at the end of a liquidity period.
- (i) Division 8 imposes a liquidity obligation on a MLO generator, and sets out the manner in which it must be performed and the process for appointing MLO nominees to perform the liquidity obligation.
- (j) Division 9 specifies the type of electricity futures contracts which constitute MLO products and the MLO exchange on which they must be offered.
- (k) Division 10 deals with compliance and the making of the MLO Guidelines.

#### **4A.G.2 Purpose and application**

- (a) This Part G does not apply in the Tasmanian *region*.
- (b) A liquidity obligation applies in a *region* in respect of which a T-3 reliability instrument has been made.
- (c) In this Part G, a reference to a T-1 reliability instrument, *forecast reliability gap*, forecast reliability gap period, *region*, liquidity period, liquidity obligation, MLO group, MLO generator and MLO nominee is to be construed as related to the applicable T-3 reliability instrument.
- (d) To avoid doubt, there may be more than one liquidity period in a single *region* at any one time.

### **Division 2 Market Generators and trading right holders**

#### **4A.G.3 Market Generators and generator capacity**

- (a) This Part applies to a *Market Generator* in each *region*, in so far as its activities relate to any one or more *scheduled generating units* that are:
  - (1) classified as a *market generating unit* under Chapter 2; and
  - (2) located in that *region*.

- (b) Subject to clause 4A.G.21(b), generator capacity means, in respect of a *Market Generator* for a *region*, the registered capacity of each *scheduled generating unit* of that *Market Generator* that is:
- (1) classified as a *market generating unit* under Chapter 2; and
  - (2) located in that *region*.

**Note:**

See Chapter 11, Part ZZZR, clause 11.116.11.

#### **4A.G.4 Trading rights and trading right holders**

- (a) A person ("**trading right holder**") holds a trading right, in respect of a *Market Generator's* generator capacity, if it has dispatch control over all or a portion of that generator capacity.
- (b) For the purposes of paragraph (a), dispatch control means the ability to control the making of *dispatch offers* under Chapter 3 in relation to all or a portion of a *Market Generator's* generator capacity, as determined in the MLO Guidelines.
- (c) If two or more trading right holders hold trading rights in relation to the same *Market Generator's* generator capacity, then the quantity of each trading right is determined:
- (1) in proportion to the degree of dispatch control held by the relevant trading right holder;
  - (2) such that the aggregate trading rights held by each trading right holder must be equal to the generator capacity of the relevant *Market Generator*; and
  - (2) in accordance with the MLO Guidelines.
- (d) If the *AER* is not satisfied that the information provided by a *Market Generator* under clause 4A.G.13 relating to the identity of its trading right holders, or the trading rights held by each of its trading right holders, is consistent with the dispatch control arrangements applicable to that *Market Generator's* generator capacity, then the *AER* may, in accordance with the MLO Guidelines, make its own determination of:
- (1) the identity of each *Market Generator's* trading right holder; and
  - (2) the trading rights held by that trading right holder.

**Note:**

See Chapter 11, Part ZZZR, clause 11.116.11.

### **Division 3 Trading groups**

#### **4A.G.5 Trading group**

- (a) Trading group means a group of one or more trading right holders:
- (1) that hold trading rights in respect of *scheduled generating units* located in the same *region*; and



- (2) that are taken to belong to a common corporate group in accordance with paragraph (b).
- (b) Two or more trading right holders belong to a common corporate group where:
  - (1) each trading right holder has an ultimate controlling entity in common; or
  - (2) a trading right holder is an ultimate controlling entity of another trading right holder.
- (c) For the purposes of this Division, a trading right holder may belong to more than one trading group.

**Note:**

See Chapter 11, Part ZZZR, clause 11.116.11.

#### **4A.G.6 Controlling entity**

##### **Definitions**

- (a0) In this clause 4A.G.6:

**associate** has the meaning given in the *Corporations Act 2001* (Cth).

**controlling entity** has the meaning given to it in clause 4A.G.6(a).

**first entity** has the meaning given to it in clause 4A.G.6(c).

**entity** means any of the following:

- (1) an individual, whether or not resident in Australia or an Australian citizen;
- (2) a body corporate, whether or not formed, or carrying on business, in Australia;
- (3) a body politic, whether or not an Australian body politic;
- (4) a partnership or unincorporated joint venture, whether or not formed in Australia;
- (5) a trust, whether or not created in Australia;
- (6) a superannuation, pension or investment fund, whether or not created in Australia; or
- (7) an unincorporated foreign entity.

**second entity** has the meaning given to it in clause 4A.G.6(c).

- (a) Controlling entity means, in respect of a trading right holder, each entity that is in a position to directly or indirectly influence or control:
  - (1) that trading right holder; or
  - (2) any entity covered by a previous application of this paragraph (a), and in each case, subject to this clause.
- (b) Ultimate controlling entity means, in respect of a trading right holder, the controlling entity of that trading right holder which:

- (1) is not a controlled entity within the meaning of paragraph (c); or
  - (2) is taken to have no controlling entity under paragraph (e).
- (c) For the purposes of this clause, an entity (the "**first entity**") will be taken to be in a position to directly or indirectly influence or control another entity (the "**second entity**") if:
- (1) the first entity is in a position to exercise voting or veto rights in relation to the body that governs the second entity;
  - (2) the first entity is in a position to make decisions that materially impact on the running of, or strategic direction in relation to, the second entity;
  - (3) the first entity has the ability to appoint:
    - (i) persons to the body that governs the second entity; or
    - (ii) key personnel involved in running the second entity;
  - (4) the first entity is in a position to influence or determine decisions relating to:
    - (i) the business plan, or any other management plan, for the second entity;
    - (ii) major expenditure relating to the second entity;
    - (iii) major contracts or transactions involving the second entity; or
    - (iv) major loans involving the second entity; or
  - (5) the first entity, together with any associates of the first entity, holds an interest of at least 10% in the second entity (including if any of the interests are held jointly with one or more other entities).
- (d) **[Deleted]**
- (e) For the purposes of this clause, an entity is taken to have no controlling entity where:
- (1) the securities of that entity are:
    - (i) listed (within the meaning given to that word in the *Corporations Act 2001* (Cth)); or
    - (ii) publicly listed on an equivalent foreign financial market or securities exchange;
  - (2) the securities of that entity are wholly and directly owned by any *participating jurisdiction*; or
  - (3) that entity is a public statutory body constituted under an Act of a *participating jurisdiction*.

**Note:**

See Chapter 11, Part ZZZR, clause 11.116.11.

## Division 4 Traced capacity and trading group capacity

### 4A.G.7 Traced capacity

- (a) Traced capacity means each parcel of a *Market Generator's* generator capacity that is allocated to a trading group under clause 4A.G.8.
- (b) Each reference in this Part G to an allocation of a *Market Generator's* traced capacity, is taken to be a reference to the allocation of that traced capacity under this Division 4.
- (c) Each allocation of generation capacity under clause 4A.G.8 comprises a separate parcel of traced capacity.

**Note:**

See Chapter 11, Part ZZZR, clause 11.116.11.

### 4A.G.8 Tracing capacity to trading groups

- (a) If a trading right holder belongs to only one trading group, then each trading right held by that trading right holder, is taken to be allocated to that trading group.
- (b) If a trading right holder belongs to more than one trading group, then each trading right held by that trading right holder is taken to be allocated amongst those trading groups, taking into account:
  - (1) the extent to which each relevant controlling entity is able to influence or control (within the meaning given in Division 3) that trading right holder; and
  - (2) any other criteria specified in the MLO Guidelines.
- (c) If the *AER* is not satisfied that the allocation of a *Market Generator's* generator capacity, as notified under clause 4A.G.13, is consistent with the ownership and commercial arrangements applicable to the relevant trading right holder, then the *AER* may, in accordance with the MLO Guidelines, make its own determination of the allocation of that *Market Generator's* generator capacity.
- (d) If paragraph (b) applies and a *Market Generator* fails to notify the *AER* of the allocation of its generator capacity as required under clause 4A.G.13, then the relevant parcel of that *Market Generator's* generator capacity, is allocated to each relevant trading group simultaneously.

**Note:**

See Chapter 11, Part ZZZR, clause 11.116.11.

### 4A.G.9 Trading group capacity

- (a) Trading group capacity means, in respect of a trading group, the aggregate quantity of each parcel of traced capacity in a *region* that is allocated to that trading group.
- (b) Trading group capacity is calculated separately for each *region*.

**Note:**

See Chapter 11, Part ZZZR, clause 11.116.11.

## Division 5 MLO generators and MLO groups

### 4A.G.10 MLO group

MLO group means, for a *region* in a quarter, a trading group in relation to which its trading group capacity at the end of the two preceding quarters exceeds on average, 15% of the aggregate of the average trading group capacity of all trading groups in the relevant *region*, at the end of the two preceding quarters.

**Note:**

See Chapter 11, Part ZZZR, clause 11.116.11.

### 4A.G.11 MLO generator

MLO generator means, for a *region* in a quarter, a *Market Generator* where a parcel of its traced capacity is allocated to a MLO group.

**Note:**

See Chapter 11, Part ZZZR, clause 11.116.11.

## Division 6 Market Generator information

### 4A.G.12 MLO register

- (a) The *AER* must establish, maintain and *publish* a MLO register in accordance with the MLO Guidelines.
- (b) In respect of each *region*, the MLO register must identify:
  - (1) each *Market Generator*;
  - (2) the generator capacity of each *Market Generator*;
  - (3) each trading right holder of each *Market Generator*;
  - (4) the trading rights held by each trading right holder;
  - (5) each trading group;
  - (6) the allocation of each parcel of a *Market Generator's* traced capacity to a trading group;
  - (7) the trading group capacity of each trading group;
  - (8) the proportion that the average trading group capacity of each trading group at the end of the two preceding quarters, bears to the aggregate of the average trading group capacity of all trading groups in that *region* at the end of the two preceding quarters;
  - (9) each MLO generator;
  - (10) each MLO group;
  - (11) each MLO nominee and its appointing MLO generator; and
  - (12) any other information that the *AER* is required to publish on the MLO register in accordance with the MLO Guidelines.
- (c) The *AER* must update the MLO register within 5 *business days* of becoming aware that the MLO register is no longer correct.

- (d) If, as a result of updating the MLO register under paragraph (c), a trading group is no longer a MLO group for a *region*, then the *AER* must notify each MLO generator which has a parcel of traced capacity allocated to that trading group on the same day that it *publishes* the relevant update to the MLO register.
- (e) If the *AER* issues a notice to a MLO generator under paragraph (d) ("**MLO exit notice**") during a liquidity period:
  - (1) the liquidity obligation ends for that *Market Generator* in respect of the parcel of its traced capacity allocated to the relevant MLO group, at midnight on the date specified in that notice;
  - (2) the date specified in the MLO exit notice must be the later of:
    - (i) if immediately prior to the time the MLO exit notice is issued there are three or more MLO Groups in the relevant *region*, the day that is one *business day* after the date the exit notice is issued;
    - (ii) if immediately prior to the time the MLO exit notice is issued there are two MLO Groups in the relevant *region* and the *AER* is not issuing a notice under paragraph (f) in relation to that *region*, the day that is one *business day* after the date the notice is issued; or
    - (iii) if immediately prior to the time the MLO exit notice is issued there are two MLO Groups in the relevant *region* and the *AER* is issuing a notice under paragraph (f) in relation to that *region*, the day immediately before the day specified in the MLO entry notice under paragraph (g).
- (f) If, as a result of updating the MLO register under paragraph (c), a trading group is taken to become a MLO group for a *region*, then the *AER* must notify each MLO generator which has a parcel of traced capacity allocated to that group on the same day that it *publishes* the relevant update to the MLO register.
- (g) If the *AER* issues a notice to a MLO generator under paragraph (f) ("**MLO entry notice**") during a liquidity period, then that MLO generator must comply with the liquidity obligation in respect of the parcel of its traced capacity allocated to the relevant MLO group, on and from the date that is 10 *business days* after the date the notice is issued.
- (h) The trading group referred to in paragraph (f) will be taken to be a MLO group for the relevant *region* from the date the *AER* issues the MLO entry notice, despite the liquidity obligation of each relevant *Market Generator* commencing on the date specified in paragraph (g).

**Note:**

See Chapter 11, Part ZZZR, clause 11.116.11.

**4A.G.13 Market Generator information**

- (a) Each *Market Generator* must:

- (1) provide the *AER* with the following information in accordance with the MLO Guidelines:
    - (i) the *scheduled generating units* in relation to which it is a *Market Generator*;
    - (ii) its generator capacity;
    - (iii) the identity of each of its trading right holders;
    - (iv) the trading rights held by each of its trading right holders, as determined under clause 4A.G.4;
    - (v) the trading group to which each of its trading right holders belongs;
    - (vi) the identity of the ultimate controlling entity of each of its trading right holders;
    - (vii) the allocation of its traced capacity to one or more trading groups, as determined under clause 4A.G.8;
    - (viii) the trading group capacity of each trading group to which each of its trading right holders belong; and
    - (ix) any traced capacity for which it has appointed a MLO nominee to discharge, and the identity of that MLO nominee,in accordance with the MLO Guidelines;
  - (2) provide the *AER* with all supporting information requested by the *AER* for the purposes of determining that the information provided by that *Market Generator* under this clause is correct;
  - (3) if an event or series of related events occurs ("**change event**"), and as a result of that change event, any information previously provided under this clause is no longer correct, notify and update the *AER* with the correct information, within 10 *business days* of the change event; and
  - (4) provide any other information required to be provided in accordance with the MLO Guidelines.
- (b) A *Market Generator* may provide information to the *AER* under this clause on behalf of other *Market Generators* whose trading right holder belongs to the same trading group, in which case, those other *Market Generators* will be taken to have complied with this clause.

**Note:**

See Chapter 11, Part ZZZR, clause 11.116.11.

#### **4A.G.14 Applications to the AER**

- (a) A *Market Generator* may apply to the *AER* for a determination:
  - (1) that it is, or is not, a MLO generator;
  - (2) that its trading right holder is, or is not, a member of a trading group; and
  - (3) of how one or more parcels of its traced capacity should be allocated,

in accordance with the MLO Guidelines.

- (b) The *AER* must promptly on receipt of an application under paragraph (a) *publish* a notice that it has received the application.
- (c) If, as a result of an application under paragraph (a), the *AER* is satisfied that:
  - (1) a *Market Generator* is no longer a MLO generator for a *region*;
  - (2) a trading group is no longer a MLO group for a *region*;
  - (3) a new trading group is taken to be a MLO group for a *region*; or
  - (4) the trading group capacity of a trading group has changed,
 then the *AER* must update the MLO register in accordance with clause 4A.G.12(c).
- (d) The *AER* must:
  - (1) notify the *Market Generator* of its decision whether to approve or reject an application under paragraph (a); and
  - (2) *publish* a notice of that decision,
 within the timeframes specified in the MLO Guidelines.

**Note:**

Any application or determination under this clause only applies in respect of the period after 1 July 2021. See Chapter 11, Part ZZZR, clause 11.116.11.

## **Division 7 Liquidity period**

### **4A.G.15 Notices prior to a liquidity period**

- (a) If the *AER* receives a request for a T-3 reliability instrument under clause 4A.C.1, it must notify each MLO generator in the relevant *region* in accordance with the MLO Guidelines.
- (b) If the *AER* decides not to make a T-3 reliability instrument under clause 4A.C.8, it must notify each MLO generator in the relevant *region* in accordance with the MLO Guidelines.

### **4A.G.16 Duration of liquidity period**

- (a) If a T-3 reliability instrument is made for a *region*, a liquidity period starts in that *region* on the later of:
  - (1) the day that is 5 *business days* after that T-3 reliability instrument takes effect;
  - (2) the day there is more than one MLO group in that *region*; or
  - (3) where a liquidity period ends because of an event occurring under subparagraphs (d)(3), (d)(4) or (d)(5), the day that event is no longer subsisting.
- (b) The *AER* must *publish* a notice of the date on which a liquidity period starts in a *region*, as determined under paragraph (a).
- (c) To avoid doubt, a liquidity period commences regardless of whether the *AER* has *published* a notice under clause 4A.G.15(a).

- (d) A liquidity period ends on the date that is the earlier of:
  - (1) the T-1 cut off day for the relevant *forecast reliability gap*;
  - (2) the date *AEMO* publishes a notice under clause 4A.C.5(a);
  - (3) the date the *AER* updates the MLO register to indicate there are less than two MLO groups in the relevant *region*;
  - (4) the date that there is no current MLO exchange in respect of the relevant *region*; and
  - (5) the date that all MLO products are no longer permitted to be bought and sold on any MLO exchange in the relevant *region*.
- (e) The *AER* must *publish* a notice of the date on which a liquidity period ends in a *region*, as determined under paragraph (d).

## Division 8 Liquidity obligation

### 4A.G.17 Liquidity obligation

- (a) In this Division, a liquidity obligation applies to a MLO generator on a separate (and, if applicable, simultaneous) basis for each relevant liquidity period, *region* and parcel of traced capacity allocated to a MLO group.
- (b) Subject to clause 4A.G.19 and clause 4A.G.21, in relation to each liquidity period, a MLO generator must perform its liquidity obligation in accordance with clause 4A.G.18.

### 4A.G.18 Performing a liquidity obligation

- (a) A trading period means a period of 30 minutes occurring between the times of:
  - (1) 11.00am to 11.30am (*Sydney time*); or
  - (2) 3.30pm to 4.00pm (*Sydney time*),or two other thirty minute periods nominated and published by the relevant MLO exchange.
- (b) A MLO generator must, in respect of a month, perform its liquidity obligation for at least the number of target trading periods for that month.
- (c) Target trading periods means, in respect of a month:
  - (1) the number of trading periods occurring in that month during which the relevant MLO exchange is open for trading, less 10; and
  - (2) where a liquidity period starts or ends during that month, the number of trading periods referred to in subparagraph (c)(1), as proportionately reduced in accordance with the MLO Guidelines.
- (d) A MLO generator performs its liquidity obligation for a trading period (in respect of a parcel of traced capacity allocated to a MLO group, in a *region*) if the MLO generator offers simultaneously to buy and sell on a MLO exchange MLO products relating to the entirety of the relevant forecast reliability gap period, such that, in the trading period, an aggregate quantity of MLO products equal to or greater than the minimum block is either:



- (1) accepted via the MLO exchange; or
  - (2) available on the MLO exchange for at least 25 minutes.
- (e) If:
- (1) a MLO generator has a parcel of traced capacity in a *region* that is allocated to a MLO group; and
  - (2) a MLO nominee has been appointed with respect to that parcel of traced capacity,
- then the MLO generator is taken to have complied with paragraph (d) in respect of the parcel of traced capacity if the MLO nominee (on behalf of all relevant MLO generators) offers simultaneously to buy and sell on a MLO exchange MLO products relating to the entirety of the relevant forecast reliability gap period, such that, in the trading period, an aggregate quantity of MLO products equal to or greater than the minimum block is either:
- (3) accepted via a MLO exchange; or
  - (4) available on a MLO exchange for at least 25 minutes.
- (f) For the purposes of paragraphs (d) and (e), a MLO generator or MLO nominee is taken to offer MLO products relating to the entirety of the relevant forecast reliability gap period if it either:
- (1) offers MLO products that each has a contract period that covers all of the *trading intervals* identified in the relevant forecast reliability gap period; or
  - (2) offers MLO products with contract periods which, taken as a whole, cover all of the *trading intervals* identified in the relevant forecast reliability gap period.
- (g) For the purposes of paragraphs (d) and (e), the minimum block means, in relation to a trading period:
- (1) for MLO products that comprise a contract in South Australia: 2 MW; and
  - (2) for MLO products that comprise a contract in any other *region*: 5 MW.
- (h) A MLO generator must ensure that the difference between the price of an offer to buy and an offer to sell each MLO product ("**bid-offer spread**") does not exceed the relevant limit set out below:
- (1) for MLO products that comprise a baseload or peak load contract in Queensland, New South Wales and Victoria: 5% or \$1 per MWh (whichever is the higher amount);
  - (2) for MLO products that comprise a baseload or peak load contract in South Australia: 7% or \$1 per MWh (whichever is the higher amount); and
  - (3) for MLO products that comprise a cap contract: 10% or \$1 per MWh (whichever is the higher amount).

#### **4A.G.19 Volume limits**

- (a) In a liquidity period, a MLO generator is not required to perform its liquidity obligation in relation to a parcel of traced capacity allocated to a MLO group if the aggregate MLO group transactions of that MLO group for that liquidity period exceeds 10% of the MLO group's trading group capacity for the relevant *region*.
- (b) In a quarter, a MLO generator is not required to perform its liquidity obligation in relation to a parcel of traced capacity allocated to a MLO group if the aggregate MLO group transactions of that MLO group for that quarter exceeds 1.25% of the MLO group's trading group capacity for the relevant *region*.
- (c) In a liquidity period or quarter, 'aggregate MLO Group transactions' means with respect to a MLO group and a *region*:
  - (1) the MLO Group's aggregate quantity of qualifying MLO group transactions for the period, less
  - (2) the total volume (in MW) of MLO products purchased by, or on behalf of, a relevant MLO generator or a member of that MLO group in that period.
- (d) In each trading period, the quantity of qualifying MLO group transactions for each MLO Group (for each relevant *region*) comprises the lesser of:
  - (1) the total quantity (in MW) of MLO products sold by, or on behalf of relevant MLO generators with respect to a parcel of traced capacity that is allocated to that MLO Group; and
  - (2) 5 MW (or, if the *region* is South Australia, 2 MW).
- (e) In each quarter, the quantity of qualifying MLO group transactions for each MLO group (for each relevant *region*) comprises the lesser of:
  - (1) the total quantity (in MW) of MLO products sold by, or on behalf of relevant MLO generators with respect to a parcel of traced capacity that is allocated to that MLO group; and
  - (2) 1.25% of the MLO group's trading group capacity for the relevant *region*.

#### **4A.G.20 Appointment of MLO nominee**

- (a) A MLO nominee means a person who:
  - (1) a MLO generator has appointed to perform a liquidity obligation on its behalf under paragraph (b); and
  - (2) has been registered as a MLO nominee,  
in accordance with the MLO Guidelines.
- (b) A MLO generator may appoint a MLO nominee to perform a liquidity obligation on its behalf in relation to a parcel of traced capacity allocated to a MLO group.
- (c) A MLO generator remains wholly responsible for the performance of its liquidity obligation, notwithstanding the appointment of a MLO nominee.

- (d) If a MLO generator has two or more parcels of traced capacity allocated to different MLO groups, it may appoint a different MLO nominee under paragraph (b) in respect of each parcel, provided that the appointment of the MLO nominee relates to the entirety of that parcel.
- (e) If two or more parcels of traced capacity are allocated to the same MLO group, each relevant MLO generator must appoint the same MLO nominee in respect of that parcel.
- (f) If a person is a MLO nominee in respect of two or more parcels of traced capacity allocated to different MLO groups, in a *region*, then:
  - (1) the MLO nominee may, by keeping contemporaneous records, allocate particular acts or omissions to one or more MLO generators or MLO groups (as applicable); and
  - (2) in all other cases, any acts or omissions of the MLO nominee in connection with the liquidity period are taken to be made on behalf of all such MLO generators or MLO groups (as applicable) jointly, in proportion to the volume that each parcel of traced capacity bears to the aggregate of all parcels of traced capacity in respect of which that MLO Nominee is appointed.

#### 4A.G.21 Exemptions

- (a) A MLO generator is not required to perform its liquidity obligation in the following circumstances:
  - (1) if doing so would constitute a breach of sections 588G or 588V of the *Corporations Act 2001* (Cth) by:
    - (i) that MLO generator;
    - (ii) an officer of that MLO generator;
    - (iii) a member of the MLO group to which a parcel of that MLO generator's traced capacity has been allocated; or
    - (iv) an officer of a company referred to in subparagraph (iii);
  - (2) while it or its MLO nominee is suspended or prohibited from making bids and offers for MLO products on any MLO exchange in the relevant *region*, in accordance with the relevant rules of that MLO exchange or the *Corporations Act 2001* (Cth);
  - (3) while the trading of all MLO products is temporarily suspended on each MLO exchange in that *region*; or
  - (4) any other circumstances set out in the MLO Guidelines where a MLO generator is not required to perform its liquidity obligation.
- (b) If a *scheduled generating unit* is the subject of a notice to *AEMO* under clause 2.10.1(a)(2) and the *closure date* specified in the notice is earlier than the start of a forecast reliability gap period, then in this Division, for the purposes of determining MLO generators and assessing compliance with the liquidity obligation in relation to that forecast reliability gap period, generator capacity is taken not to include the registered capacity of the

*scheduled generating unit* that is the subject of the notice, as determined (where relevant) in accordance with the MLO Guidelines.

- (c) To avoid doubt, clause 4A.G.13(a)(3) still applies in respect of a notice referred to in paragraph (b).

## Division 9 MLO products and MLO exchange

### 4A.G.22 MLO products

- (a) A MLO product means an electricity 'derivative' (within the meaning given to that word in the *Corporations Act 2001* (Cth)) contract which:
- (1) has a contract unit of either:
    - (i) 1 MW of electrical energy per hour based on a base load period, being from 00:00 hours Monday to 24:00 Sunday (in the relevant *region*) over the duration of the contract period (as specified in subparagraph (a)(2)(ii)); or
    - (ii) 1 MW of electrical energy per hour based on a peak load period, being from 07:00 hours to 22:00 hours (in the relevant *region*) Monday to Friday (excluding public holidays) over the duration of the contract period (as specified in subparagraph (a)(2)(ii)), provided that, if the *trading intervals* identified in the relevant *forecast reliability gap* apply only during parts of a day, then the contract unit must include those *trading intervals*; and
  - (2) satisfies each of the following criteria:
    - (i) it is a contract relating to electrical energy bought and sold in the *region* in which the *forecast reliability gap* has been identified;
    - (ii) the contract period is monthly or quarterly, provided the contract period covers all of the *trading intervals* identified in the relevant *forecast reliability gap* period, in that month or quarter;
    - (iii) the maximum contract unit is 1 MWh;
    - (iv) the contract price is quoted in AUD per MWh; and
    - (v) the contract quantity is for an identical contract unit in each *trading interval*.
- (b) The *AER* may approve other products (which do not satisfy the criteria set out in this rule) in accordance with the MLO Guidelines.
- (c) The *AER* must establish, maintain and *publish* a register of each MLO product.

### 4A.G.23 MLO exchange

- (a) A MLO exchange is a trading facility that is approved by the *AER* under this rule in order to facilitate the trading of MLO products.
- (b) A person may apply to the *AER* for a trading facility it owns, operates or controls, to be approved by the *AER* as a MLO exchange in accordance with the MLO Guidelines.

- (c) The *AER* must determine whether the applicant's trading facility is to be approved and designated as a MLO exchange, in accordance with the consultation process and procedure set out in the MLO Guidelines.
- (d) In deciding whether to approve a trading facility, the *AER* must consider the following criteria:
  - (1) all MLO products (other than any MLO product approved under clause 4A.G.22(b)) are able to be bought and sold on the trading facility;
  - (2) the trading facility has an adequate volume of trading and diversity of participants;
  - (3) the rules of the trading facility include (or will include) appropriate rules to allow MLO generators to perform a liquidity obligation;
  - (4) the trading facility has appropriate credit and prudential arrangements;
  - (5) the costs and ease of trading on the trading facility are reasonable;
  - (6) the *AER* has a reasonable expectation that the relevant MLO products will be traded on the trading facility;
  - (7) the operator of the trading facility can provide relevant trading data to the *AER* when requested, for the purposes of monitoring compliance with Division 8;
  - (8) the operator of the trading facility holds all licences and approvals required by law to operate the trading facility; and
  - (9) any other relevant criteria set out in the MLO Guidelines.
- (e) The *AER* must establish, maintain and *publish* a register of approved MLO exchanges.
- (f) The *AER* must conduct annual reviews of each MLO exchange and may revoke registration of any MLO exchange if the *AER* determines that a MLO exchange no longer satisfies the criteria set out in this clause.

## Division 10 Miscellaneous

### 4A.G.24 MLO compliance and reporting

- (a) For the purposes of monitoring and reporting on compliance with a liquidity obligation, a MLO generator is designated to be a regulated entity (as defined in section 18ZA(2) of the *NEL*).
- (b) For the purposes of a MLO generator's obligations under sections 18ZC, 18ZD and any compliance audit conducted under sections 18ZE or 18ZF of the *NEL*, a MLO generator must ensure that it, or the *AER*, has access to any information relating to that MLO generator's compliance with a liquidity obligation, regardless of whether that information is held by a trading right holder, MLO nominee or an agent acting on the instructions of that MLO nominee.

#### 4A.G.25 MLO Guidelines

- (a) The *AER* must make, *publish* and may amend the MLO Guidelines in accordance with the *Rules consultation procedures*.
- (b) The MLO Guidelines must address the following matters:
  - (1) the methodology and process for determining what parcel of a *Market Generator's* generator capacity is held by a trading right holder;
  - (2) the methodology and process for allocating a *Market Generator's* generator capacity to one or more trading groups under clause 4A.G.8, and any supporting material a *Market Generator* must provide when notifying the *AER* of an allocation;
  - (3) the process by which the *AER* must establish, maintain and update the MLO register, and the information the *AER* must *publish* on the MLO register;
  - (4) the information that each *Market Generator* is required to provide the *AER* under clause 4A.G.13;
  - (5) the form and content of, and process for, submitting an application under clause 4A.G.14, including any supporting material which must be submitted with the application;
  - (6) the information to be included in, and the form of, a notice of a potential liquidity period, or the commencement or conclusion of a liquidity period issued under clauses 4A.G.15 or 4A.G.16;
  - (7) the process for registering and appointing MLO nominees under clause 4A.G.20;
  - (8) any circumstances in which a MLO generator is not required to perform its liquidity obligation, as contemplated under clause 4A.G.21;
  - (9) the circumstances in which the *AER* may approve other products as MLO products under clause 4A.G.22 which do not otherwise satisfy the criteria set out at clause 4A.G.22(a); and
  - (10) the process and criteria for approving a MLO exchange.

## Part H Voluntary Book Build

### 4A.H.1 Purpose and application

- (a) The purpose of a *voluntary book build* mechanism is to assist a liable entity to secure qualifying contracts after a T-3 reliability instrument has been made.
- (b) A *voluntary book build* is distinct from the liquidity obligation set out in Part G and book build contracts offered under the *voluntary book build* will not satisfy a liquidity obligation of a MLO Generator in Part G.
- (c) The purpose of a *voluntary book build* is to incentivise the delivery of new capacity to reduce a *forecast reliability gap* for a *region*, by matching buyers and sellers of book build contracts, with detailed terms and

conditions to be finalised directly between the relevant matched book build participants.

#### 4A.H.2 Book Build Procedures

- (a) *AEMO* must develop, publish on its website and maintain, in accordance with the *Rules consultation procedures*, the Book Build Procedures.
- (b) The Book Build Procedures may include:
  - (1) an accreditation process for eligible persons to be accredited as *book build participants* (including circumstances under which accreditation can be revoked by *AEMO*) which may include any credit support requirements;
  - (2) the terms and conditions of participation in the *voluntary book build*;
  - (3) the terms and conditions of the book build participation agreement;
  - (4) the requirements a contract must satisfy in order for it to be offered as a book build contract (with the objective that the contract will constitute a qualifying contract);
  - (5) the information to be included in, and form of, an application for accreditation as a *book build participant* under clause 4A.H.4;
  - (6) the process for applying to be accredited as a *book build participant* including notice requirements, information requirements and assessment criteria;
  - (7) the information a *book build participant* must provide on request by *AEMO* to confirm that each contract it offers in a *voluntary book build* is a book build contract;
  - (8) the process for *book build participants* to follow when offering book build contracts (which may include a requirement for a *book build participant* to provide the essential minimum terms of a *book build contract* which that *book build participant* requires any matched book build participant to accept, which *AEMO* will use for matching purposes);
  - (9) the minimum period for which an offer to enter into a book build contract must remain capable of acceptance;
  - (10) requirements and procedures for *book build participants* to follow once they become matched book build participants under a *voluntary book build*;
  - (11) the methodology which *AEMO* will apply to match offers and bids for book build contracts;
  - (12) the form of notice and type of information each matched book build participant is required to provide to *AEMO* under clause 4A.H.6; and
  - (13) a requirement for *AEMO* to establish, maintain and publish on its website a register of *book build participants*, and any other information relevant to the administration of the *voluntary book build*.

- (c) *AEMO* may make minor or administrative amendments to the Book Build Procedures without complying with the *Rules consultation procedures*.

#### **4A.H.3 Commencement of voluntary book build**

- (a) Subject to paragraph (b), *AEMO* may conduct a *voluntary book build* in the relevant *region* for the relevant forecast reliability gap period:
  - (1) if the *AER* makes a T-3 reliability instrument, and the Book Build Procedures have been developed and published under clause 4A.H.2; and
  - (2) if the relevant *forecast reliability gap* still remains on the day that is 12 months after the T-3 reliability instrument is made,in accordance with the Book Build Procedures.
- (b) If *AEMO* conducts a *voluntary book build* it must publish a notice on its website, by the day that is at least 20 *business days* before the day that the *voluntary book build* starts, which specifies the date the *voluntary book build* will commence.

#### **4A.H.4 Participation in the voluntary book build**

- (a) Only a *book build participant* accredited by *AEMO*, in accordance with the Book Build Procedures, may participate in a *voluntary book build*.
- (b) To be eligible for accreditation as a *book build participant*, a person must:
  - (1) enter into an agreement ("**book build participation agreement**") with *AEMO* under which, at a minimum, it agrees to:
    - (i) participate in the *voluntary book build* in good faith, including in making bids or offers, as well as in negotiations to finalise terms with its matched book build participant;
    - (ii) comply with the terms of the Book Build Procedures;
    - (iii) indemnify *AEMO* against any loss or damages arising out of *AEMO's* role in operating the *voluntary book build*;
    - (iv) pay any book build fees; and
  - (2) satisfy *AEMO* that it meets the eligibility criteria set out in the Book Build Procedures.
- (c) *AEMO* may exempt persons or classes of persons from any one or more requirements of the accreditation process for *book build participants* set out in the Book Build Procedures, subject to such conditions as *AEMO* considers appropriate.

#### **4A.H.5 Book build fees**

- (a) Book build fees are recoverable by *AEMO* in accordance with the structure of *Participant fees*.
- (b) A *book build participant* will bear its own costs in participating in a voluntary book build.



#### **4A.H.6 Reporting**

Within 6 months of the date *AEMO* conducts a *voluntary book build*:

- (a) each matched book build participant must notify *AEMO* whether it entered into a book build contract with its matched book build participant; and
- (b) each *book build participant* must provide any other information to *AEMO* relating to its participation in the *voluntary book build*,

in accordance with the Book Build Procedures.