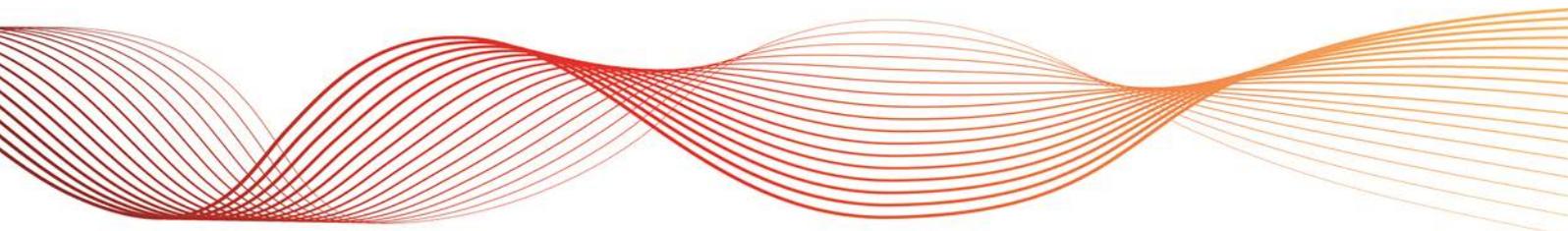




NEM REALLOCATION PROCEDURES CONSULTATION

FINAL REPORT AND DETERMINATION

Published: **December 2016**







EXECUTIVE SUMMARY

The publication of this Final Report and Determination (Final Report) concludes the Rules consultation process conducted by AEMO to consider proposed amendments to the Reallocation Procedure: Swap and Option Offset Reallocations and the Reallocation Procedure: Energy and Dollar Offset Reallocations (Reallocation Procedures) under the National Electricity Rules (NER). AEMO will commence operation of its swap and option offset reallocation facility under the revised Reallocation Procedures from 14 December 2016.

In February 2016, AEMO was granted a Clearing and Settlement (CS) Facility Exemption under the *Corporations Act 2001* (Cth). The CS Facility Exemption will allow AEMO to apply reallocations under the Reallocation Procedure: Swap and Option Offset Reallocations. This procedure has been amended to facilitate compliance with the conditions of the CS Facility Exemption.

AEMO identified a number of drafting corrections and potential improvements common to both Reallocation Procedures. These proposed changes were included in this consultation.

The Reallocation Procedures as made include the following changes:

- Amendments to the Reallocation Procedure: Swap and Option Offset Reallocations to facilitate compliance with the conditions of the CS Facility Exemption.
- For both sets of Reallocation Procedures:
 - Removal of the reallocation timetable, with the timetable to be established as a stand-alone document.
 - Reformatting, removal of unnecessary duplication of NER provisions, drafting changes to better reflect rules and procedural requirements, and updated references.

AEMO received no submissions on either its Issues Paper or its Draft Report.

AEMO's final decision is to publish the Reallocation Procedures with an effective date of 14 December 2016, in the form of Attachment 1 and Attachment 2 of this Final Report. The revised Reallocation Procedures as made by AEMO are in substantially the same form as published with the draft report. Two amendments have been made for additional clarification, which are explained in this Final Report.



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1. STAKEHOLDER CONSULTATION PROCESS

As required by clause 3.15.11A of the NER, AEMO has been consulting on proposed amendments to the Reallocation Procedures, comprising the Reallocation Procedure: Swap and Option Offset Reallocations (SOOR Procedure) and the Reallocation Procedure: Energy and Dollar Offset Reallocations (EDOR Procedure), in accordance with the Rules consultation process in rule 8.9.

AEMO's timeline for this consultation is outlined below.

Deliverable	Indicative date
Notice of first stage consultation and Issues Paper published	12 Aug 2016
First stage submissions closed	20 Sep 2016
Draft Report and Notice of second stage consultation published	18 Oct 2016
Second stage submissions closed	4 Nov 2016
Final Report published (this document)	1 Dec 2016

The publication of this Final Report marks the conclusion of this consultation.

Note that there is a glossary of terms used in this Final Report at **Appendix A**.



2. BACKGROUND

2.1 NER requirements

Under NER clause 3.15.11A, AEMO is responsible for developing and publishing the Reallocation Procedures, which may be amended or replaced from time to time. The Reallocation Procedures may be amended in accordance with the 'Rules consultation procedures' set out in NER rule 8.9.

The timetable for reallocation requests (Reallocation Timetable) is to be published by AEMO under NER clause 3.15.11(d)(2).

2.2 Context for this consultation

On 23 February 2016, AEMO was granted the CS Facility Exemption, which came into effect on 1 March 2016. The CS Facility Exemption will allow AEMO to effect swap, cap, and floor reallocations between eligible Market Participants. It contains a number of mandatory conditions and the SOOR Procedure requires amendment to facilitate compliance with them. Non-compliance by AEMO with these conditions will nullify the exemption.

As part of its review of the Reallocation Procedures, AEMO identified a number of corrections and additional amendments that it considers necessary or desirable for clarity and efficiency.

In particular, AEMO proposed to:

- Remove the provisions comprising the Reallocation Timetable from the Reallocation Procedures (section 6) and establish it as an independent document. A separate timetable is contemplated by NER clause 3.15.11(d) and would align the Reallocation Timetable with other timetables that AEMO publishes under the NER. This also means that, should changes be required to the Reallocation Timetable in the future, these can be implemented without the administrative cost of amending the Reallocation Procedures.
- Update the Reallocation Procedures to reflect AEMO's current template and format for procedures under the NER.
- Remove unnecessary repetition of provisions of the NER within the Reallocation Procedures.
- Make the deregistration request process clearer, specifying what must be contained in a request.

This consultation process has concluded and AEMO has published the amendments to the SOOR Procedure as in Attachment 1, necessary to comply with the conditions of the CS Facility Exemption. An AEMO Electricity Market Management System improvement will be released to correspond with the effective date of the SOOR Procedure, to effect swap, cap, and floor reallocations.

2.3 First stage consultation

AEMO issued a notice of first stage consultation and issues paper on **12 August 2016**. The proposal was to amend the SOOR Procedure to comply with the CS Facility Exemption and make a number of drafting improvements, amend the EDOR Procedure to be consistent with the SOOR Procedure, and remove the reallocation timetable from both documents and establish it as a stand-alone document.

The issues paper contains details of the original proposed amendments and available on the AEMO website <http://www.aemo.com.au/Stakeholder-Consultation/Consultations/2016-NEM-Reallocation-Procedures-Consultation>.

The first stage consultation closed on **20 September 2016**. AEMO did not receive any written submissions.



2.4 Second stage consultation

AEMO issued its draft report and notice of second stage consultation on **18 October 2016**. The draft report proposed one further change to the SOOR Letter of Agreement and is published on the AEMO website at http://www.aemo.com.au/-/media/Files/Stakeholder_Consultation/Consultations/Electricity_Consultations/2016/DRAFT-Report-and-Determination-NEM-Reallocation-procedures.pdf

The second stage consultation closed on **4 November 2016**. AEMO did not receive any written submissions.



3. SUMMARY OF MATERIAL ISSUES

There were no material issues identified by AEMO in the issues paper or the draft report. Since then, AEMO has not identified or been advised of any material issues associated with the proposed changes to the Reallocation Procedures.



4. OTHER MATTERS

Since publishing the draft report, AEMO has identified two further changes it considers necessary to make to the Letters of Agreement under the Reallocation Procedures. These are:

- In the SOOR Procedure only, an additional participant acknowledgment in the Letter Agreement reflecting the CS Facility Exemption requirement for AEMO to inform the Australian Securities and Investments Commission (ASIC) of specified matters relating to users of the reallocation facility. AEMO will be required to report annually on the number and names of participants, and the value of their reallocation transactions, both individually and in the aggregate. The draft version of the SOOR Procedure already contained a general acknowledgement that AEMO is required to provide information to ASIC under the CS Facility Exemption. However, it is considered prudent to draw participants' attention to this requirement specifically, given the nature of this information.
- In both Reallocation Procedures, an additional clause providing that each executed Letter of Agreement supersedes any previous signed agreement for the same offset types. This is included for certainty, as it is intended that existing reallocation letters of agreement would be replaced with the relevant updated versions (as required) within a short time after the amended Reallocation Procedures take effect.

AEMO does not consider that either of these proposed changes is material or raises any new issues. They have been included in the final Reallocation Procedures for clarity and certainty.



5. FINAL DETERMINATION

Having considered the matters concerning proposed changes to the Reallocation Procedures, AEMO's final determination is to amend the Reallocation Procedure: Swap and Option Offset Reallocations in the form of **Attachment 1** and the Reallocation Procedure: Energy and Dollar Offset Reallocations in the form of **Attachment 2**, in accordance with clause 3.15.11(d) of the NER.

A Reallocation Timetable has been established as a result of proposed amendments to the Reallocation Procedures. This is included for information purposes and is in the form of **Attachment 3**.

Participants currently registered for energy and dollar reallocations will be required to execute the new version of the energy and dollar reallocation Letter of Agreement. AEMO will contact participants during December and January seeking replacement Letters of Agreement with the intention to have all participant Letters of Agreement replaced by the end of first quarter 2017.

The Reallocation Procedures have an effective date of 14 December 2016 and on this date, an AEMO Electricity Market Management System improvement will be released to effect swap, cap, and floor reallocations. Participants seeking access to the swap and option offset reallocations reallocation facility must submit a new Letter of Agreement under the SOOR Procedure and (if relevant) the EDOR Procedure before access can be implemented.



APPENDIX A - GLOSSARY

Term or acronym	Meaning
ASIC	Australian Securities and Investments Commission
CS Facility Exemption	Clearing and Settlement Facility Exemption issued to AEMO dated 23 February 2016
EDOR Procedure	Reallocation Procedure: Energy and Dollar Offset Reallocations
NER	National Electricity Rules
Reallocation Procedures	Reallocation Procedure: Energy and Dollar Offset Reallocations and Reallocation Procedure: Swap and Option Offset Reallocations
SOOR Procedure	Reallocation Procedure: Swap and Option Offset Reallocations



ATTACHMENT 1 – FINAL REALLOCATION PROCEDURE: SWAP AND OPTION OFFSET REALLOCATIONS

Published as a separate document at <http://www.aemo.com.au/Stakeholder-Consultation/Consultations/2016-NEM-Reallocation-Procedures-Consultation>



ATTACHMENT 2 – FINAL REALLOCATION PROCEDURE: ENERGY AND DOLLAR OFFSET REALLOCATIONS

Published as a separate document at <http://www.aemo.com.au/Stakeholder-Consultation/Consultations/2016-NEM-Reallocation-Procedures-Consultation>



ATTACHMENT 3 – FINAL REALLOCATION TIMETABLE

Published as a separate document at <http://www.aemo.com.au/Stakeholder-Consultation/Consultations/2016-NEM-Reallocation-Procedures-Consultation>