

~~MARKET PROCEDURE~~ WEM PROCEDURE: CAPACITY CREDIT ALLOCATION

PREPARED BY: AEMO | Western Australia | WA Market Operations

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VERSION RELEASE HISTORY

Version	Effective Date	Summary of Changes
1.0	1 June 2008	Commencement <u>First version developed in accordance with clause XX of the WEM Rules</u>
2.0	30 November 2015	Changes resulting from the transfer of functions from the IMO to AEMO
3.0	1 May 2019	Transitional provisions resulting from Procedure Change Proposal AEPC_2019_01 related to the rule change proposal RC_2017_06: Reduction of the prudential exposure in the Reserve Capacity Mechanism
4.0	1 June 2019	Changes resulting from Procedure Change Proposal AEPC_2019_03 related to the rule change proposal RC_2017_06: Reduction of the prudential exposure in the Reserve Capacity Mechanism and updates to reflect AEMO’s new Market Procedure template
5.0	TBC <u>24 August 2020</u>	Changes resulting from AEPC_2020_06 related to: <ul style="list-style-type: none"> to improve the accuracy of a Market Participant’s Outstanding Amount; and Amending Rules made by the Minister for Energy as part of the Wholesale Electricity Market Amendment (Reserve Capacity Pricing Reforms) Rules 2019 gazetted on 21 February 2020
<u>6.0</u>	<u>1 October 2021</u>	<u>Changes resulting from The Wholesale Electricity Market Amendment (Reserve Capacity Pricing Reforms) Rules 2019, related to:</u> <ul style="list-style-type: none"> <u>Capacity Credit Allocations (CCAs) can now be made by Market Participants and is not restricted to Market Generators</u> <u>Reserve Capacity Price is specific to a Facility</u> <u>CCAs are made from a respective Participant with respect to a Facility to a Participant</u> <u>the transfer of the Procedure to the new AEMO Procedure template, formatting amendments and minor administrative improvements to align with WEM Rules</u>

INTERNAL VERSION RELEASE HISTORY [DELETE BEFORE PROVIDING EXTERNALLY]

<u>Version</u>	<u>Effective Date</u>	<u>Summary of Changes</u>
<u>0.1</u>	<u>dd [Month] 20yy</u>	<u>First version</u>

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1. INTRODUCTION

1.1. Purpose and scope

1.1.1. ~~This is the Market WEM Procedure for~~ Capacity Credit Allocation (Procedure) ~~made~~ is made in accordance with AEMO's functions under clause 9.4.18 of the Wholesale Electricity Market Rules (WEM Rules).

1.1.2. ~~1.1.2. This Procedure has effect only for the purposes set out in the WEM Rules~~ The Electricity Industry Act 2004, the WEM Regulations and the WEM Rules prevail over ~~these Procedures~~ this Procedure to the extent of any inconsistency.

1.1.3. In this Procedure, where obligations are conferred on a Rule Participant, that Rule Participant must comply with the relevant obligations in accordance with clause 2.9.7A, 2.9.7D or 2.9.8 of the WEM Rules, as applicable.

1.1.4. The purpose of this Procedure is to:

- (a) provide an overview of the Capacity Credit Allocation process;
- (b) outline when Capacity Credits ~~are able to~~ can be traded bilaterally;
- (c) outline the processes that:
 - (i) a Market ~~Generator~~ Participant must follow when submitting or withdrawing a Capacity Credit Allocation Submission in respect of a Facility [clauses 9.4.1 ~~to~~ 9.4.3 and 9.4.12];
 - (ii) AEMO must follow when deciding whether to approve or reject ~~the~~ a Capacity Credit Allocation Submission in respect of a Facility [clauses 9.4.4 to 9.4.6];
 - ~~(iii)~~ (iii) AEMO must follow when a Market Participant withdraws a Capacity Credit Allocation Submission in respect of a Facility before AEMO approves a corresponding Capacity Credit Allocation Acceptance [clause 9.4.13];
 - ~~(iv)~~ (iv) a Market Customer must follow when making a Capacity Credit Allocation Acceptance [clauses 9.4.7 and 9.4.8];
 - ~~(v)~~ (v) AEMO must follow when determining whether to approve or reject ~~the~~ a Capacity Credit Allocation Acceptance [clauses 9.4.9 to 9.4.11];
 - ~~(vi)~~ (vi) Market ~~Generators~~ Participants that submit Capacity Credit Allocation Submissions, Market Customers that receive Capacity Credits from Capacity Credit Allocation Submissions and AEMO must follow to reverse a Capacity Credit Allocation in respect of a Facility [clause 9.4.14]; and
 - ~~(vii)~~ (vii) a Market ~~Generator~~ Participant [clause 9.4.16] or AEMO [clauses 9.4.15 and 9.4.17] must follow to amend Capacity Credit Allocations after a termination of Capacity Credits in respect of a Facility; and
- (d) outline the factors AEMO will take into account when considering whether:
 - (i) the Trading Margin of a Market ~~Generator~~ Participant specified as the provider of Capacity Credits is likely to be negative after allocating the Capacity Credits as outlined in a Capacity Credit Allocation Submission [clauses 9.4.5(b) and 9.4.10(c)]; or

- (ii) the Trading Margin of a Market Customer specified as the receiver of Capacity Credits in a Capacity Credit Allocation Submission is likely to be negative after the reversal ~~of a Capacity Credit Allocation~~ [clause 9.4.14(b)].

~~1.1.1.1.1.5.~~ This Procedure applies to:

- ~~(a)(e)~~ AEMO;
- ~~(b)(f)~~ Market ~~Generators~~Participants with Capacity Credits that ~~are able to~~can be traded bilaterally; and
- ~~(c)(g)~~ Market Customers.

~~1.1.2.1.1.6.~~ In this Procedure where obligations ~~are~~ conferred on a Rule Participant, that Rule Participant must comply with the relevant obligations in accordance with ~~clauses 2.9.7, clause 2.9.7A, 2.9.7B, 2.9.7C and or~~ 2.9.8 of the WEM Rules, as applicable.

~~1.1.3.~~ Reference to particular WEM Rules within the Procedure in bold and square brackets [clause XX] are included for convenience only and are not part of this Procedure.

~~1.1.7.~~ Appendix A of this Procedure outlines the head of power clauses that this Procedure is made under, as well as other obligations in the WEM Rules covered by this Procedure.

1.2. Definitions ~~and interpretation~~

1.2.1. Terms defined in the Electricity Industry Act 2004, the WEM Regulations and the WEM Rules have the same meanings in this Procedure unless the context requires otherwise ~~specified in this clause.~~

1.3. Interpretation

~~1.2.2.1.3.1.~~ The following principles of interpretation apply ~~to~~in this Procedure unless the context requires otherwise ~~expressly indicated.~~

- ~~(a)~~ references Clauses 1.3 to 1.5 of the WEM Rules apply in this Procedure.
- ~~(a)(b)~~ References to time are references to Australian Western Standard Time;
- ~~(b)(c)~~ terms Terms that are capitalised, but not defined in this Procedure, have the meaning given in the WEM Rules;
- ~~(c)~~ ~~to the extent that this Procedure is inconsistent with the WEM Rules, the WEM Rules prevail to the extent of the inconsistency;~~
- (d) ~~a~~A reference to the WEM Rules or ~~Market~~WEM Procedures includes any associated forms required or contemplated by the WEM Rules or ~~Market~~WEM Procedures;
- (e) ~~words~~Words expressed in the singular include the plural and vice versa; ~~and.~~
- ~~(f)~~ conventions ~~specified in sections 1.3A~~ reference to a paragraph refers to a paragraph of this Procedure.
- ~~(f)(g)~~ A reference to 1.5a clause refers to a clause or section of the WEM Rules ~~apply.~~

1.1. Related documents

~~1.2.0.~~ The following Market Procedures (available on the Market Web Site¹) provide background information to **References to WEM Rules in** this Procedure:

- ~~(a)(h) Market in bold and square brackets [Clause XXX] are included for convenience only, and do not form part of this Procedure: Prudential Requirements;~~
- ~~(a) Market Procedure: Notices and Communications; and~~
- ~~(a) Market Procedure: Information Confidentiality.~~
- ~~(i) Summary of Text located in boxes and headed as Explanatory Note X in this Procedure is included by way of explanation only and does not form part of this Procedure. The Procedure prevails to the extent of any inconsistency with the explanatory notes contained within it.~~
- ~~(j) The body of this Procedure prevails to the extent of any inconsistency with the figures, diagrams, appendices, schedules, annexures or attachments contained within this document.~~

1.4. Related documents

~~1.4.1.~~ The documents in Table 1 are associated with this Procedure.

Table 1 Related documents

Reference	Title	Location
	Market Procedure: Information Confidentiality	WEM link
	Market Procedure: Notices and Communications	WEM link
	Market Procedure: Prudential Requirements	WEM link

2. SUMMARY OF CAPACITY CREDIT ALLOCATION PROCESSES PROCESSES

2.1. Process Overview

~~2.1.1.~~ A Capacity Credit Allocation is the allocation of Capacity Credits from a Market ~~Generator~~ Participant to a Market Customer for a Trading Month. ~~A Capacity Credit Allocation effectively allocates the benefit of Capacity Credits from a Market Generator to a Market Customer~~ for settlement purposes ~~[chapter]~~ through the allocation process in clauses 9.4 and 9.5 [Chapter 11].

~~2.1.1.~~ A Market Generator may submit one or more Capacity Credit Allocation Submissions for a Trading Month to AEMO [clause 9.4.1].

¹ Available at <http://aemo.com.au/Electricity/Wholesale-Electricity-Market-WEM/Procedures>.

2.1.2. [BLANK]

2.1.3. The Capacity Credit Allocation process outlined in clause 9.4 ~~of the WEM Rules~~ is generally summarised as follows and as outlined in **Figure 1** below:

- ~~(d)~~(a) ~~A Market Generator may submit a~~ A Market Participant may submit one or more Capacity Credit Allocation Submissions in respect of a Facility for a full Trading Month to AEMO with the allocation of Capacity Credits to a Market Customer. A Capacity Credit Allocation Submission to AEMO with respect to the allocation of ~~allocates~~ allocates Capacity Credits to a single Market Customer.
- ~~(e)~~(b) AEMO must approve the Capacity Credit Allocation Submission unless required to reject it (for one of two specified reasons).
- ~~(f)~~(c) (Once AEMO approves the Capacity Credit Allocation Submission) The Market Customer specified as the receiver of Capacity Credits may submit a Capacity Credit Allocation Acceptance to AEMO ~~with respect to the allocation of Capacity Credits from the Market Generator.~~
- ~~(g)~~(d) AEMO must approve a Capacity Credit Allocation Acceptance unless required to reject it (for one of three specified reasons).
- ~~(h)~~(e) (Once AEMO approves the Capacity Credit Allocation Acceptance) The Capacity Credit Allocation ~~will have~~has an ACCEPTED status in and ~~will be~~is accounted for in settlement.
- (f) There are additional processes under which:
- (i) a Market Participant may withdraw a Capacity Credit Allocation Submission in respect of a Facility before AEMO approves a corresponding Capacity Credit Allocation Acceptance; and
 - (ii) a Capacity Credit Allocation in respect of a Facility may be reversed.

2.2. Process Details

2.2.1. All interactions between AEMO and Market Participants referred to in this Procedure ~~will be~~are conducted through the Wholesale Electricity Market System ("WEMS")².

2.2.2. The earliest and the latest date and time that Market Participants may make submissions or requests in relation to Capacity Credit Allocations for a Trading Month are published by AEMO in the settlement cycle timeline [clause 9.16.2]. These timeframes apply for the purposes of:

- (a) Capacity Credit Allocation Submissions in respect of a Facility submitted by Market ~~Generators~~Participants;
- (b) Capacity Credit Allocation Acceptances submitted by Market Customers;
- (c) withdrawals of Capacity Credit Allocation Submissions by Market ~~Generators~~Participants; and
- (d) requests to reverse Capacity Credit Allocations made by Market ~~Generators and Market Customers~~Participants.

² ~~For a more detailed description of the steps in relation to Capacity Credit Allocation processes in WEMS, refer to the Market Participant Interface Software User Guide ("User Guide") available on the AEMO website~~WEM Website (www.aemo.com.au).

2.2.3. When making submissions, as outlined in **step 4 paragraph 4** of this **Market** Procedure, Market Participants **should need to** consider the time taken for:

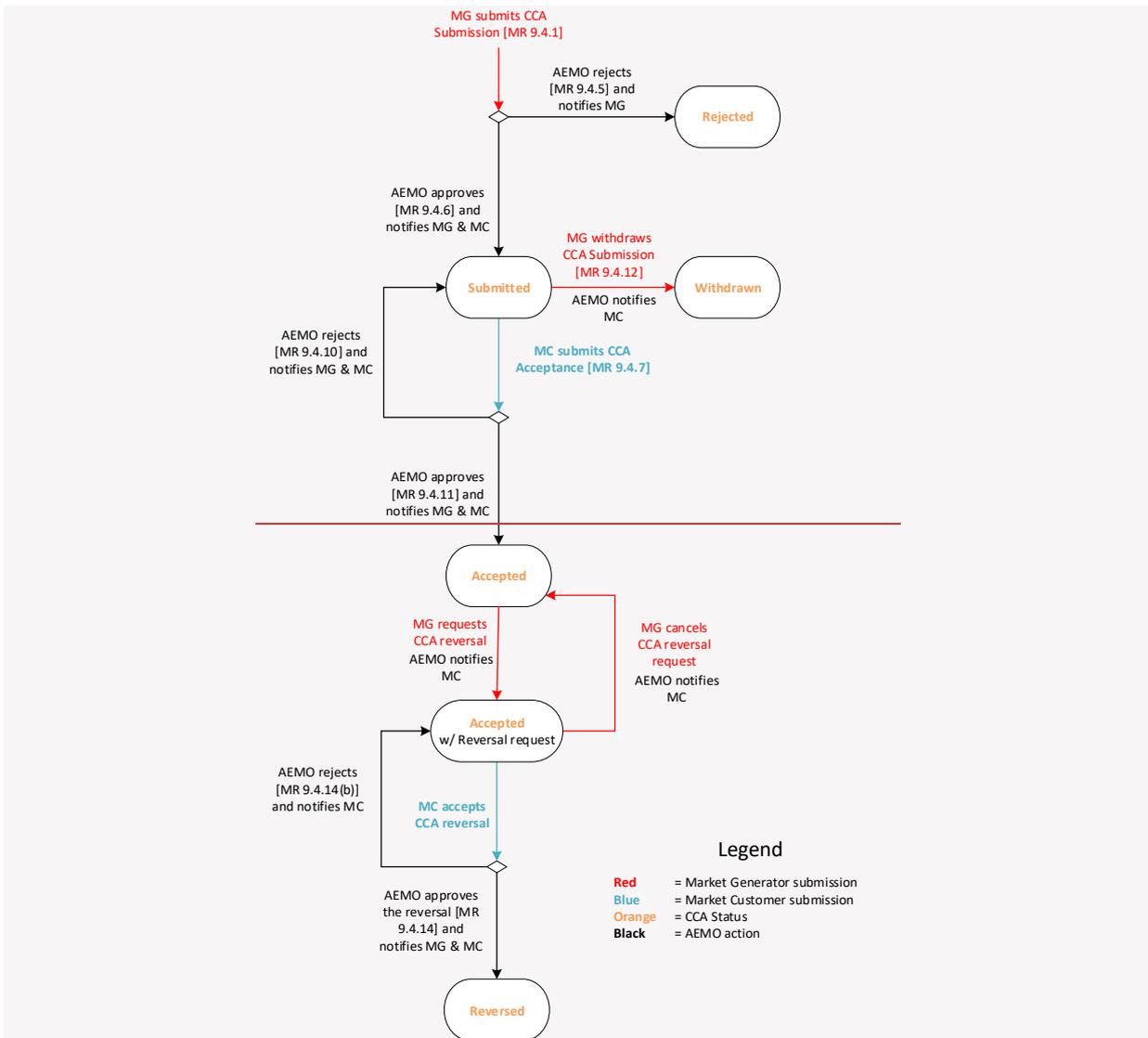
- (a) the relevant counterparty to make any required submissions in relation to the Capacity Credit Allocation; and
- (b) AEMO to make any decision in relation to the Capacity Credit Allocation.

2.2.4. Notifications required under **section clause 9.4 of the WEM Rules will must** be made in accordance with the **Market WEM** Procedure: Notices and Communications.

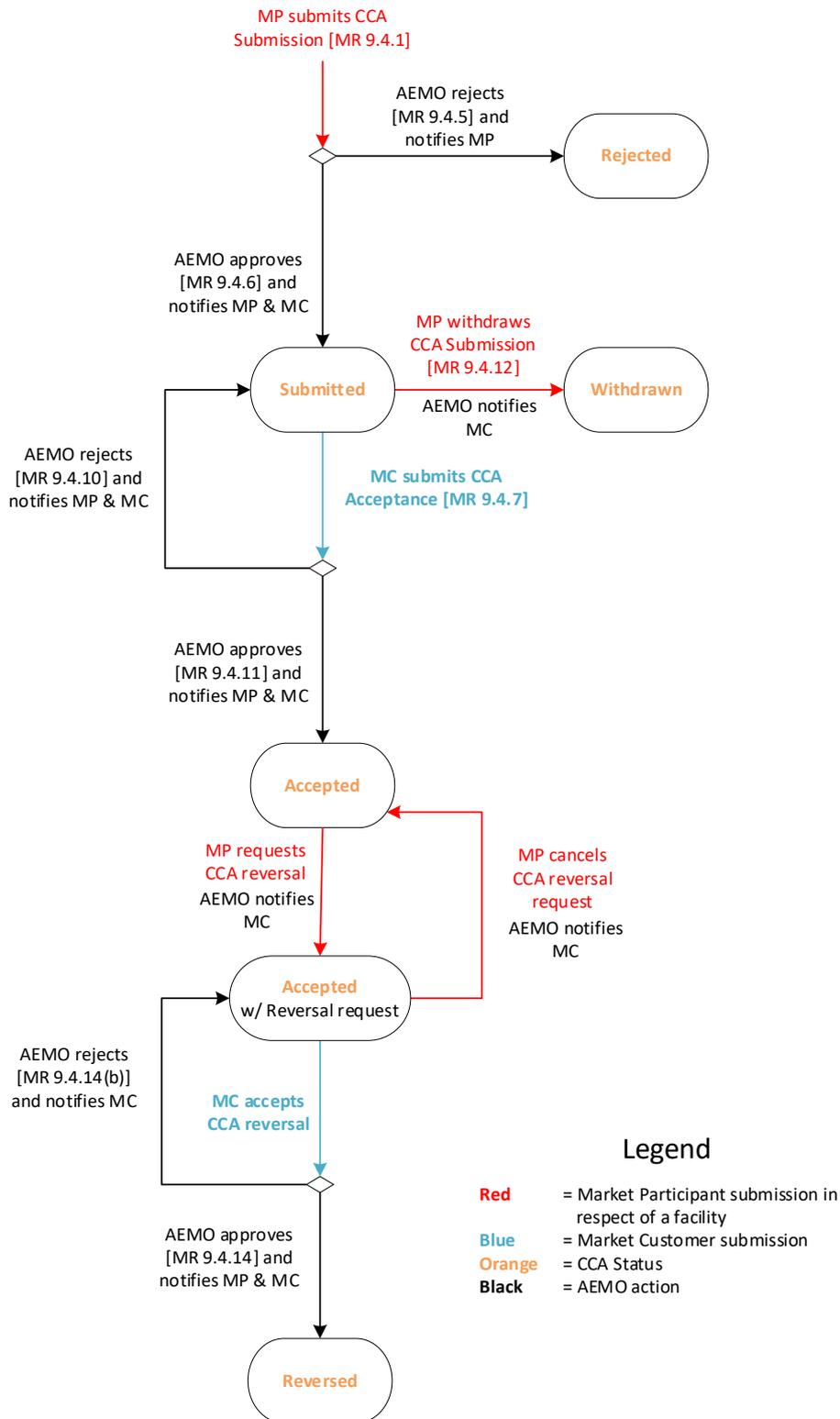
2.2.5. AEMO must process Capacity Credit Allocation Submissions, Capacity Credit Allocation Acceptances, requests **to reverse a Capacity Credit Allocation and requests** for the withdrawal of Capacity Credit Allocation Submissions, **and requests to reverse a Capacity Credit Allocation** in the order in which they are received by AEMO in WEMS.

Figure 1: Process

Figure 1 Proess Overview



2. BILATERALLY TRADEABLE CAPACITY CREDITS



3. BILATERALLY TRADEABLE CAPACITY CREDITS

3.1.1. For the purposes of this Procedure, bilaterally tradeable Capacity Credits are the maximum number of Capacity Credits that a Market ~~Generator~~Participant can allocate with respect to a Facility to a Market Customer for a Trading Month.

~~2.5.1.~~ ~~DSM Capacity Credits are not bilaterally tradeable Capacity Credits [clause 9.4.2].~~

3.1.2. [BLANK]

3.1.3. Capacity Credits covered by Special Price Arrangements are not bilaterally tradeable Capacity Credits. ~~[clause 4.29.3(d)(i)(2)].~~

3.1.4. Capacity Credits from Facilities subject to Network Control Service Contracts are bilaterally tradeable Capacity Credits [clause 4.29.3(d)(i)].

3.1.5. If a Capacity Credit is terminated, created or reinstated during a Trading Month, AEMO must adjust the quantity of bilaterally tradeable Capacity Credits for a Market ~~Generator~~Participant with respect to a Facility to reflect the proportion of the Trading Month for which the Capacity Credit existed. ~~[clause 4.29.4].~~

~~2.0.0.~~ ~~For example, if as at 1 April, a Market Generator holds 100 Capacity Credits attributed to a Scheduled Generator, and all 100 Capacity Credits are terminated effective 16 April, the Market Generator will have 50 bilaterally tradeable Capacity Credits for April.~~

~~3. CAPACITY CREDIT ALLOCATION SUBMISSIONS~~

4. CAPACITY CREDIT ALLOCATIONS SUBMISSIONS

3.1.0. ~~A Capacity Credit Allocation Submission is made by a Market Generator and must comprise set out the following information:~~

~~(a) 4.1.1. identity of the submitting Market Generator holding the Capacity Credits [specified in clause 9.9.5.1(a)];~~

~~identity of the Market Customer Clauses 9.4.4, 9.4.5 and 9.4.6 apply to which the Capacity Credits are AEMO with respect to be allocated for settlement purposes [clause 9.5.1(b)]; and~~

~~(c) the number of Capacity Credits (including part of a Capacity Credit) to be allocated to a precision of 0.001 MW [clauses 9.5.1(c) and 9.5.2].~~

4.1.2. ~~Within one Business Day after receiving a Capacity Credit Allocation Submission AEMO must:~~ Submissions.

~~(c) decide whether to approve or reject the Capacity Credit Allocation Submission [clause 9.4.4(a)]; and~~

~~(-) if the Capacity Credit Allocation Submission is rejected, notify the Market Generator and provide the reason for rejection [clause 9.4.4(b) and (c)]; or~~

4.1.3. ~~if the Capacity Credit Allocation Submission is approved, notify the Market Generator and the Market Customer of the approval [BLANK]~~

~~(-) For the purposes of clause 9.4.4(d).~~

~~2.5.4.~~ When deciding whether to approve or reject the Capacity Credit Allocation Submission AEMO must:

~~— reject the submission if:~~

~~(-) the Market Generator has insufficient bilaterally tradeable Capacity Credits available to allocate [clause 9.4.5(a)]; or~~

~~(-) AEMO reasonably considers that the Trading Margin of the Market Generator is likely to be negative after allocating the Capacity Credits as outlined in the Capacity Credit Allocation Submission [clause 9.4.5(b)]; or~~

~~(d) otherwise, approve the submission [clause 9.4.6].~~

~~4.1.4. A Market Generator~~^{5(a)}, a Market Participant has insufficient bilaterally tradeable Capacity Credits available to allocate in respect of a Facility in a Trading Month ~~(for the purposes of step 4.1.3(a)(ii) of this Procedure)~~ if the following inequality holds:

$$CC \leftarrow (f, m) < CCA + (a) + \sum CCA_{SUBMITTED} + \sum CCA_{ACCEPTED} \sum CCA_{SUBMITTED}(f, m) + \sum CCA_{ACCEPTED}(f, m)$$

where:

Variable	Units	Definition
$CC(f, m)$	Capacity Credits	Bilaterally tradeable Capacity Credits for the Facility <i>f</i> for Trading Month <i>m</i>
$CCA(a)$	Capacity Credits	The quantity of Capacity Credits nominated to be allocated in the Capacity Credit Allocation Submission being assessed, <i>a</i> , where <i>a</i> relates to Facility <i>f</i> .
$CCA_{SUBMITTED}(f, m)$	Capacity Credits	The quantity of Capacity Credits associated with Capacity Credit Allocations for the Facility <i>f</i> in Trading Month <i>m</i> with a SUBMITTED status in Figure 1
$CCA_{ACCEPTED}(f, m)$	Capacity Credits	The quantity of Capacity Credits associated with Capacity Credit Allocations for the Facility <i>f</i> in Trading Month <i>m</i> with an ACCEPTED status in Figure 1

The

~~2.6.1.4.1.5.~~ A Market Customer ~~to which~~ specified as the receiver of Capacity Credits ~~have been allocated~~ in a Capacity Credit Allocation Submission may only submit a Capacity Credit Allocation Acceptance ~~once after AEMO approves~~ the Capacity Credit Allocation Submission ~~has been approved by AEMO~~. This process is discussed in more detail in section 1 of this Procedure [clause 9.4.7].

~~2.6.1.~~ A Market ~~Generator~~ Participant may withdraw a Capacity Credit Allocation Submission ~~provided that:~~

~~(b) it is prior to in respect of a Facility before the deadline referred to in step 2.2.2 of this Procedure; latest date and~~

~~(b)4.1.6.~~ time determined under paragraph 2.2.2 if (and only if) AEMO has not approved the corresponding Market Customer's Capacity Credit Allocation Acceptance (i.e. the Capacity Credit Allocation does not have an ACCEPTED status in **Figure 1**) [clause 9.4.12];]

~~4.1.7.~~ Clauses 9.4.15 applies to AEMO If a Capacity Credit Allocation Submission is withdrawn, ~~AEMO must notify the corresponding Market Customer within one Business Day [clause 9.4.13].~~

~~2. CAPACITY CREDIT ALLOCATION ACCEPTANCES~~

~~5. CAPACITY CREDIT ALLOCATION ACCEPTANCES~~

~~2.7.1-5.1.1.~~ To accept a specific Capacity Credit Allocation Submission made by a Market Generator Participant, the Market Customer must submit a Capacity Credit Allocation Acceptance.

~~2.7.2-5.1.2.~~ A Capacity Credit Allocation Acceptance applies to all of the Capacity Credits nominated in the Capacity Credit Allocation Submission. A Market Customer cannot accept part of a Capacity Credit Allocation Submission.

~~5.1.3. Within one Business Day after receiving a~~ Clauses 9.4.9, 9.4.10 and 9.4.11 apply to AEMO with respect to Capacity Credit Allocation ~~Acceptance AEMO must:~~ Acceptances.

~~(c) — decide whether to approve or reject the Capacity Credit Allocation Acceptance [clause 9.4.9(a)];~~

~~(c) — notify the Market Generator and the Market Customer whether the Capacity Credit Allocation Acceptance is rejected or approved [clause 9.4.9(b)];~~

~~(c) — provide the Market Customer of the reason for rejecting the Capacity Credit Allocation if it is rejected under clause 9.4.10(a) of the WEM Rules [clause 9.4.9(c)]; and~~

~~5.1.4. provide the Market Customer of the reason for rejecting the Capacity Credit Allocation Acceptance if it is rejected under [BLANK]~~

~~(c) — For the purposes of clause 9.4.10(b) or (c) of the WEM Rules [clause 9.4.9(d)].~~

~~2.7.5. When deciding whether to approve or reject the Capacity Credit Allocation Acceptance AEMO must:~~

~~(c) — reject the Capacity Credit Allocation Acceptance if:~~

~~(i) — the corresponding Capacity Credit Allocation Submission was withdrawn under clause 9.4.12 of the WEM Rules [clause 9.4.10(a)];~~

~~(ii) — the Market Generator), a Market Participant has insufficient bilaterally tradeable Capacity Credits available to allocate [clause 9.4.10(b)]; or~~

~~(iii)5.1.5.~~ AEMO reasonably considers that the in respect of a Facility in a Trading Margin of the Market Generator is likely to be negative as a result of the Capacity Credit Allocation [clause 9.4.10(c)]; or Month if the inequality specified in paragraph 4.1.4 holds:

~~(c) — otherwise, approve the Capacity Credit Allocation Acceptance [clause 9.4.11].~~

~~2.7.7. The process to determine whether a Market Generator has insufficient bilaterally tradeable Capacity Credits available to allocate is the same as that outlined in section 4.1.4 of this Procedure.~~

~~2.7.8-5.1.6.~~ If the AEMO rejects a Capacity Credit Allocation Acceptance is rejected by AEMO in respect of a Facility, the Market Customer may submit another Capacity Credit Allocation Acceptance. It is

recommended ~~that~~ the Market Customer ~~contact~~contacts the ~~corresponding~~ Market Generator ~~Participant who submitted the relevant Capacity Credit Allocation Submission~~ to resolve the cause of the rejection.

~~3. REVERSING CAPACITY CREDIT ALLOCATIONS~~

~~6. ONCE REVERSING CAPACITY CREDIT ALLOCATIONS~~

~~3.1.1.6.1.1.~~ If AEMO approves a Capacity Credit Allocation Acceptance ~~has been approved by AEMO~~, the Capacity Credit Allocation has an ACCEPTED status as shown in 4 and is ~~considered~~accounted for in settlement ~~purposes~~. This step 1 outlines the process under which an ACCEPTED Capacity Credit Allocation can be reversed to transfer the benefit of the Capacity Credits from the Market Customer back to the Market ~~Generator~~Participant who submitted the relevant Capacity Credit Allocation Submission.

~~3.1.2.6.1.2.~~ A Capacity Credit Allocation reversal request is made in relation to a Capacity Credit Allocation that has an ACCEPTED status in 4.

~~6.1.3.~~ When itA Market Participant may submit a Capacity Credit Allocation reversal request in respect of an ACCEPTED Capacity Credit Allocation before the latest date and time determined under paragraph 2.2.2.

~~3.1.3.6.1.4.~~ If AEMO receives a Capacity Credit Allocation reversal request ~~from a Market Generator~~, AEMO it must notify the ~~corresponding~~relevant Market Customer ~~to whom the Capacity Credits are allocated~~.

~~6.1.5.~~ The Market Customer may ~~then attempt to~~ accept the Capacity Credit Allocation reversal request ~~after being notified by AEMO under paragraph 6.1.4~~.

~~3.1.4.~~ ~~Within one Business Day after a~~ If the Market Customer ~~has attempted to~~does not accept the Capacity Credit Allocation reversal request ~~within one Business Day after being notified by AEMO under paragraph~~ Error! Reference source not found. 4 AEMO must decide whether to reverse the Capacity Credit Allocation.

~~3.1.0.~~ AEMO must reverse a Capacity Credit Allocation if:

~~(a) 6.1.6.~~ AEMO receives a request to reverse the Capacity Credit Allocation from the Market Generator and the Market Customer before the date and time published by AEMO [clause Clause 9.4.14(a)] ~~and applies to AEMO with respect to a Capacity Credit Allocation reversal decision~~.

~~(a)~~ AEMO reasonably considers that the Market Customer's Trading Margin is not likely to be negative after the reversal [clause 9.4.14(b)].

6.1.7. If AEMO cannot reverse the Capacity Credit Allocation because the conditions in clause 9.4.14 of the WEM Rules are not met, then AEMO must notify the Market Customer.

6.1.8. If AEMO reverses the Capacity Credit Allocation, then AEMO must notify the Market ~~Generator~~ Participant that made the Capacity Credit Allocation and the Market Customer, specified as the receiver of the Capacity Credits.

~~4. AMENDMENTS TO CAPACITY CREDIT ALLOCATIONS~~

7. AMENDMENTS TO CAPACITY CREDIT ALLOCATIONS

7.1.1. Clauses 9.4.15, 9.4.16 and 9.4.17 apply if the termination of a ~~Market Generator's~~ Capacity Credit in respect of a Facility results in the number of Capacity Credits allocated by a Market Participant in Capacity Credit Allocations for that ~~Market Generator~~ Facility for a Trading Month exceeding the number of ~~bilaterally tradeable~~ Capacity Credits held ~~by~~ for that ~~Market Generator~~ Facility for any Trading Month, ~~AEMO must notify by~~ the Market ~~Generator~~ within one Business Day [clause 9.4.15]; Participant that are allowed to be traded bilaterally under the WEM Rules.

3.1.5.7.1.2. The excess identified under ~~step~~ paragraph 7.1.1 for a particular Market ~~Generator~~ Participant and Facility in a particular Trading Month is calculated as:

$$Excess = \sum CCA_{ACCEPTED} - CC$$

where:

Variable	Units	Definition
CC	Capacity Credits	Bilaterally The number of bilaterally tradeable Capacity Credits for the Facility for the Trading Month
CCA_{ACCEPTED}	Capacity Credits	The amount quantity of Capacity Credits associated with the Market Generator's Participant's Capacity Credit Allocations for the Facility for the Trading Month with an ACCEPTED status in

3.2.1.7.1.3. The Market ~~Generator's~~ Participant's ACCEPTED Capacity Credit Allocations with respect to a Facility must be amended to reduce the total number of Capacity Credits allocated by the quantity needed to eliminate the excess identified ~~to exactly zero by~~ AEMO under clause 9.4.15.

3.2.2. Capacity Credit Allocations are amended by either:

- (-) ~~the Market Generator, within two Business Days of being notified [clause~~ Clauses 9.4.16]; or
- (-) ~~AEMO, within one Business Day after the deadline for the Market Generator to make an amendment [clause and~~ 9.4.17].

3.2.5.7.1.4. ~~AEMO must notify any Market Customer that has its~~ apply with respect to Capacity Credit Allocation amended by a Market Generator under clause 9.4.16 of the WEM Rules ~~amendments~~.

7.1.5. When AEMO [BLANK]

3.2.6.7.1.6. AEMO must use the following methodology if it is required to amend a Market ~~Generator's~~ Participant's Capacity Credit Allocations for a Trading Month [clause 9.4.17] ~~it uses the following methodology:~~

$$CCA_{i,amended} = \left(\frac{CCA_{i,current}}{\sum_i CCA_{i,current}} \right) \times CC$$

where

Variable	Units	Definition
$CCA_{i,amended}$	Capacity Credits	The Capacity Credit Allocation, i, after AEMO amends it
$CCA_{i,current}$	Capacity Credits	The Capacity Credit Allocation, i, prior to AEMO amending it
CC	MW	The number of Capacity Credits held for that Trading Month by the Market Generator Participant for that facility that are allowed to be traded bilaterally under the WEM Rules

~~3.4.0. AEMO must notify any Market Generator and the corresponding Market Customers after their Capacity Credit Allocation is amended by AEMO, within one Business Day from the deadline specified in clause 9.4.16 of the WEM Rules [clause 9.4.17(b)].~~

~~3. ASSESSING TRADING MARGINS~~

~~7.1.7. [BLANK]~~

8. ASSESSING TRADING MARGINS

8.1.1. AEMO is required to ~~reasonably~~ consider whether a Market Participant’s Trading Margin is likely to be negative when deciding to approve or reject the following submissions/requests:

- (a) Capacity Credit Allocation Submission [clause 9.4.5(b)];
- ~~(a)(b)~~ Capacity Credit Allocation Acceptance [clause 9.4.10(c)]; and
- ~~(b)(c)~~ ~~reversing a~~ Capacity Credit Allocation reversal request [clause 9.4.14(b)].

~~3.5.1.8.1.2.~~ 8.1.2. A Market Participant may allocate Capacity Credits to itself ~~provided it is registered as both a Market Generator and a Market Customer, which will result. This results~~ in no change to its Trading Margin.

8.1.3. When considering whether the Trading Margin for Market Participant p is likely to be negative after ~~allocating the Capacity Credits as outlined in the~~ Capacity Credit Allocation ~~for a particular Trading Month is approved,~~ or ~~reversed after the reversal,~~ AEMO must update the Outstanding Amount calculation to include the latest approved Capacity Credit Allocation using the following calculation:

$$OA_{updated}(p) = OA_{last_calc}(p) - \sum_{d \in D} \left(\sum_{cca \in CCA(p,d)} (\Delta CCA(p, cca) \times 1.1 \times RCP(cca)) \right)$$

where:

Variable	Units	Definition
$OA_{updated}(p)$	\$ (inc GST)	The Outstanding Amount, determined as the net amount Market Participant p owes AEMO as updated in accordance with this step paragraph 8.1.3.
$OA_{last_calc}(p)$	\$ (inc GST)	The Outstanding Amount for Market Participant p as last calculated by AEMO in accordance with the Market Procedure: Prudential Requirements.

Variable	Units	Definition
RCP(cca)	\$ per Capacity Credit (ex GST)	The daily Reserve Capacity Price for the Trading Day associated with Capacity Credit Allocation <i>cca</i> , calculated as the Facility Monthly Reserve Capacity Price associated with <i>cca</i> divided by the number of days in the relevant Trading Month.
ΔCCA(p, cca)	Capacity Credits	The Capacity Credit Allocation <i>cca</i> for Market Participant <i>p</i> at the time of the calculation in this step paragraph 8.1.3, less the Capacity Credit Allocation <i>cca</i> at the time of the latest Outstanding Amount calculation. It should be noted that a positive number represents either an increase in Capacity Credits received by Market Participant <i>p</i> related to Capacity Credit Allocation <i>cca</i> , or a decrease in Capacity Credit Allocations made by Market Participant <i>p</i> related to <i>cca</i> .
CCA(p, d)	{ }	The set of accepted Capacity Credit Allocations associated with Market Participant <i>p</i> (either the Market Generator or Market Customer) applicable on Trading Day <i>d</i> .
D	{ }	The set of complete Trading Days in the past that formed the basis of the latest Outstanding Amount calculation.

8.1.4. When considering whether ~~a Market Participant's (MP) the~~ Trading Margin ~~for Market Participant p~~ is likely to be negative after ~~a allocating the Capacity Credits as outlined in the~~ Capacity Credit Allocation ~~for a particular Trading Month is approved,~~ or ~~reversed after the reversal,~~ AEMO must calculate the change the action will have in relation to ~~the~~ Market ~~Participant's~~ Participant *p*'s Outstanding Amount, **ΔOA** using the following formulae:

$$(a) \Delta OA = -\cancel{Days_{exposed}} Days_{exposed} \times \Delta CCA \times 1.1 \times RCP(cca)$$

$$(b) \cancel{\Delta CCA} = (CCA_{rec,new} - CCA_{rec,old}) - (CCA_{made,new} - CCA_{made,old})$$

$$(b) \Delta CCA = (CCA_{rec,new} - CCA_{rec,old}) - (CCA_{made,new} - CCA_{made,old})$$

where:

Variable	Units	Definition
Days_{exposed}	days	The number of complete Trading Days in the past from the Trading Month associated with the CCA.
RCP(cca)	\$ per Capacity Credit (ex GST)	The daily Reserve Capacity Price for the Trading Day associated with the Capacity Credit Allocation <i>cca</i> , calculated as the Facility Monthly Reserve Capacity Price associated with the CCA divided by the number of days in the relevant Trading Month.
CCA_{made,new}	Capacity Credits	If Market Participant =p is the Market Generator then Participant who <u>submitted the corresponding Capacity Credit Allocation Submission,</u> then the number of Capacity Credits associated with the CCA after the action, else otherwise 0.
CCA_{made,old}	Capacity Credits	If Market Participant =p is the Market Generator, then Participant who <u>submitted the corresponding Capacity Credit Allocation Submission,</u> then the number of Capacity Credits associated with the CCA before the action, else otherwise 0.
CCA_{rec,new}	Capacity Credits	If Market Participant =p is the Market Customer Participant who <u>submitted the corresponding Capacity Credit Allocation Acceptance,</u> then the number of Capacity Credits associated with the CCA after the action, else otherwise 0.

Variable	Units	Definition
<i>CCA_{rec,old}</i>	Capacity Credits	If Market Participant =p is the Market Customer, then <u>Participant who submitted the corresponding Capacity Credit Allocation Acceptance, then the</u> number of Capacity Credits associated with the CCA before the action, else <u>otherwise</u> 0.

APPENDIX A. RELEVANT CLAUSES OF THE WEM RULES

Table 2 details:

- (a) the head of power clauses in the WEM Rules under which the Procedure has been developed; and
- (b) each clause in the WEM Rules requiring an obligation, process or requirement be documented in a WEM Procedure, where the obligation, process or requirement has been documented in this Procedure.

Table 2 Relevant clauses of the WEM Rules

<u>Clause</u>	<u>Paragraph reference within this Procedure</u>
<u>9.4.18</u>	<u>1.1.1</u>