

# RETAILER RELIABILITY OBLIGATION VOLUNTARY BOOK BUILD PROCEDURES

FINAL REPORT AND DETERMINATION

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## EXECUTIVE SUMMARY

The publication of this Final Report and Determination (Final Report) concludes the Rules consultation process conducted by the Australian Energy Market Operator (AEMO) on the draft Retailer Reliability Obligation Voluntary Book Build Procedures (Procedures) under the National Electricity Rules (NER).

On 14 August 2019, AEMO published the Notice of First Stage Consultation and the Issues Paper for the Procedures. The Issues Paper detailed key elements of the Procedures which in summary comprised:

- Criteria and conditions of accreditation to participate in a voluntary book build.
- When and how a book build will be initiated.
- The scope of the book build, describing the processes for submitting offers and registering interest in listed offers for book build contracts.
- Fees payable by Participants.
- Requirements for reporting on the outcome of contract negotiations initiated from a book build.
- The terms of the Book Build Participation Agreement (in the form of a deed) to be entered into by participants.

AEMO received three submissions to the Notice of First Stage Consultation from the Australian Energy Council, Snowy Hydro, and Meridian Energy Group.

On 17 October 2019 AEMO published the Notice of Second Stage Consultation and Draft Determination for the Procedures. AEMO received no submissions to the Second Stage Consultation.

Considering the submissions and the requirements of the NER, AEMO's final determination is to make the Procedures in the form published with this Final Report with effect from 1st January 2020. Other than minor drafting corrections and clarifications, the final Procedures are unchanged from the version published with the Draft Determination on 17 October 2019.



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## 1. STAKEHOLDER CONSULTATION PROCESS

As required by clause 4A.H.2(a) of the NER, AEMO consulted on the new Retailer Reliability Obligation Voluntary Book Build Procedures in accordance with the Rules consultation process in rule 8.9.

AEMO's timeline for this consultation was as follows.

Deliverable	date
Notice of first stage consultation and Issues Paper published	14 August 2019
First stage submissions closed	19 September 2019
Draft Report & Notice of second stage consultation published	17 October 2019
Submissions due on Draft Report	1 November 2019
Final Report published	19 December 2019

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

## 2. BACKGROUND

### 2.1. NER requirements

AEMO must develop and publish the Procedures under clause 4A.H.2 of the NER, after consultation in accordance with NER rule 8.9.

### 2.2. Context for this consultation

The book build mechanism is one option that liable entities may be able to use if they are unable to source sufficient qualifying contracts through other market channels. The book build is separate from the market liquidity obligations (MLO) placed on certain generators under Chapter 4A of the NER.

Participation in the book build is voluntary and, on the seller side, does not count towards an MLO generator's obligations. It is therefore difficult to assess the potential demand for the book build or the amount of capacity that may be offered through it. Accordingly, and consistent with feedback from market participants, the book build process has been designed to be as simple, efficient and cost effective as possible.

### 2.3. First stage consultation

AEMO issued a Notice of First Stage Consultation on 14 August 2019, and published an Issues Paper and the Draft Procedures.

AEMO received three written submissions in the first stage of consultation from the Australian Energy Council, Snowy Hydro, and Meridian Energy Australia Group.

Copies of all written submissions have been published on AEMO's website at:  
<https://www.aemo.com.au/Stakeholder-Consultation/Consultations/Book-Build-Procedure>

### 2.4. Second stage consultation

On 17 October 2019, AEMO issued a Notice of Second Stage Consultation, and published a Draft Report and Determination (Draft Report) and the Draft Procedures. AEMO received no further submissions.



### 3. SUMMARY OF MATERIAL ISSUES

#### 3.1. Fee Recovery

In the draft determination, AEMO responded to requests from participants for improved clarity in how AEMO would recover fees. AEMO determined to recover book build set up costs via the Full Retail Competition (FRC) participant fees to ensure that only retailers pay for the establishment of the service, as the class of participants the book build was primarily intended to benefit. AEMO believes that this compromise is the fairest way for AEMO to recover costs given the uncertainty about future book build participation.

Once the book build mechanism is required following declaration of a T-3 instrument, operational costs will be recovered from a fee to participate in the book build which will also cover the accreditation process and associated participant checks.

#### 3.2. Eligibility Criteria

One submission in the first round of consultation recommended that AEMO broaden the scope of participation to include market participants registered as a Trader<sup>1</sup>. AEMO's draft determination, consistent with the objective of maintaining simplicity, was not to broaden the initial scope of book build participants. This could be considered in future, if appropriate.

#### 3.3. Reporting Requirements

Stakeholder feedback in the first round of consultation indicated that reporting requirements for book build participants on completion of a book build should be limited to the minimum requirements as set out in the NER.

In the draft determination, AEMO amended the Procedures to broadly reflect the feedback from participants. AEMO did however propose to require that book build participants report whether negotiations for a book build contract were still in progress at the time of reporting. This would allow AEMO to follow up and capture contracts that may be entered into subsequently.

### 4. MINOR AMENDMENTS

AEMO has identified a small number of grammatical corrections and minor drafting clarifications in the Procedures, which are shown on the mark-up published with this Final Report.

### 5. FINAL DETERMINATION

Having received no submissions in the second stage of consultation, and being satisfied that the Procedures are consistent with the requirements in the NER, AEMO's final determination is to make the **Retailer Reliability Obligation Voluntary Book Build Procedures** in the form published with this Final Report, in accordance with clause 4A.H.2(a) of the NER, with effect from 1 January 2020.

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<sup>1</sup> As defined under 2.5A of the NER