

# BOOK BUILD PROCEDURES

For the National Electricity Market Retailer Reliability Obligation

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## 1. INTRODUCTION

### 1.1. Purpose and scope

These are the Book Build Procedures made under Part 4A.H.2 of the National Electricity Rules (NER) (Procedures).

These Procedures have effect only for the purposes set out in the NER. The NER and the National Electricity Law (NEL) prevail over these Procedures to the extent of any inconsistency.

These Procedures set out the *voluntary book build* mechanism and the requirements for participation in it. As expressed in the NER, the purpose of a *voluntary book build* is to assist a *liable entity* to secure *qualifying contracts* for the purposes of the retailer reliability obligations under Part 2A, Division 3 of the NEL. A *voluntary book build* will be facilitated under these Procedures if a *T-3 reliability instrument* has been made in respect of a given *region* and *forecast reliability gap period*.

### 1.2. Definitions and interpretation

#### 1.2.1. Glossary

Terms defined in the NEL and the NER (Chapter 10 and clause 4A.A.1) have the same meanings in these Procedures. Those defined terms are intended to be identified in these Procedures by italicising them, but failure to italicise a defined term does not affect its meaning.

In addition, the words, phrases and abbreviations in the table below have the meanings set out opposite them when used in these Procedures.

Term or abbreviation	Definition
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator Limited
AER	Australian Energy Regulator
Book Build Participation Deed	An instrument executed by a <i>book build participant</i> in favour of AEMO and all other <i>book build participants</i> in the form of schedule 1 to these Procedures. This is the <i>book build participation agreement</i> defined in NER clause 4A.H.4(b).
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
RRO	Retailer Reliability Obligation, being the set of <i>reliability obligations</i> applicable to <i>liable entities</i> under Part 2A, Division 3 of the NEL
T-2 Date	The first anniversary of the T-3 Date.
T-3 Date	The date on which the AER makes a <i>T-3 reliability instrument</i> for a given <i>forecast reliability gap</i> in a <i>region</i> .
VBB Buyer	A <i>book build participant</i> accredited by AEMO as a prospective buyer of <i>book build contracts</i>
VBB Seller	A <i>book build participant</i> accredited by AEMO as a prospective seller of <i>book build contracts</i>
VBB Site	The part of AEMO's website that hosts listings of <i>book build participants</i> , offers for <i>book build contracts</i> and the other information AEMO is required to publish under these Procedures in relation to a <i>voluntary book build</i> .

### 1.2.2. Interpretation

These Procedures are subject to the principles of interpretation set out in Schedule 2 of the National Electricity Law.

### 1.3. Related documents

Title	Issued by
National Electricity Rules Chapter 4A	AEMC
Reliability Forecast Guidelines	AEMO
Electricity Statement of Opportunities	AEMO
Contracts and Firmness Guidelines	AER

## 2. BACKGROUND AND OVERVIEW

### 2.1. Limitations

This section provides context for these Procedures only and does not impose obligations or confer rights any person. It includes high level summaries of NEL and NER requirements to explain how the book build mechanism can be used. These must not be relied on as a complete, accurate or up to date summary of the relevant obligations.

### 2.2. RRO

- (a) The RRO applies to *liable entities* for a *region*, as determined under NER Chapter 4A, Part D, for specified *trading intervals* during a *reliability gap period* (*gap trading intervals*) identified in a *T-1 reliability instrument*.
- (b) For each *gap trading interval*, a *liable entity* must have a sufficient *net contract position* under *qualifying contracts* to cover the *liable entity's* share of the *one in two peak demand forecast* in the relevant *region*. The share is based on the metered energy consumption at *connection points* in the *region* for which the *liable entity* is *financially responsible*.
- (c) For the purposes of the RRO, the *liable entity* must establish its required *net contract position* by the *position day* specified in the *T-1 reliability instrument*. The AER sets the *position day* within the week leading up to the date that is one year before the *forecast reliability gap period* starts.
- (d) A *liable entity's net contract position* may only be adjusted after the *position day* where permitted under NER clause 4A.E.7.

### 2.3. Qualifying contracts

- (a) *Qualifying contracts* are described in section 14O of the NEL and NER clause 4A.E.1. They are contracts or other arrangements entered into by a *liable entity* that directly relate to the purchase or sale of electricity in the *spot market*, to manage the *liable entity's* exposure to the *spot price* for a given quantity of electricity, in megawatts (MW).
- (b) A *qualifying contract* should have the effect of supporting the availability of *dispatchable* electricity, or demand response that can be activated, to meet energy requirements in a relevant *region* for *gap trading intervals*.

- (c) The *Contracts and Firmness Guidelines* made by the AER may include guidance on the types of contracts that are *qualifying contracts*, and must be used to determine a firmness factor to be applied to each contract.

## 2.4. Role of voluntary book build

- (a) To establish a sufficient *net contract position* by the *position day*, *liable entities* may wish to seek *qualifying contracts* with appropriate counterparties after a *T-3 reliability instrument* indicates a *forecast reliability gap*.
- (b) The *voluntary book build* provides a service for prospective sellers of eligible contracts (referred to as *book build contracts*) to have offers for those contracts listed on the VBB Site, and for prospective buyers to notify AEMO of their interest in any listed offer. AEMO provides the buyer's and seller's contact details to each other and records any contracts that may subsequently be entered into.
- (c) The *voluntary book build* puts potential buyers in contact with contract sellers, and they may then negotiate the full terms of a *book build contract*. It does not provide a trade matching or contract execution facility.
- (d) There is no obligation for anyone to use the *voluntary book build* to list or search for *qualifying contracts*.
- (e) The *voluntary book build* is independent of the RRO market liquidity obligations. It is not connected with the obligations of market liquidity obligations (*MLO generators* to offer *MLO products*). Any *qualifying contracts* offered through the *voluntary book build* do not count towards meeting those obligations.

## 3. ACCREDITATION OF BOOK BUILD PARTICIPANTS

### 3.1. Requirement for accreditation

- (a) A person must not participate in the *voluntary book build* without a current accreditation from AEMO as a *book build participant*.
- (b) AEMO will maintain a list of *book build participants* on the VBB Site, indicating for each participant:
  - (i) whether that participant is accredited under this section 3 as a VBB Seller or a VBB Buyer, or both;
  - (ii) the date of its accreditation; and
  - (iii) if applicable, the date of revocation of its accreditation.

### 3.2. Eligibility criteria

To be eligible for accreditation as a *book build participant*, a person must meet the following requirements:

- (a) For accreditation as a VBB Buyer:
  - (i) be a *Market Customer* or another category of *Market Participant* that may be a *liable entity*, but not a suspended *Market Participant*;
  - (ii) be an *Intending Participant* in one of the above categories of *Market Participant*; or
  - (iii) be registered with the AER as a *large opt-in customer* or a *prescribed opt-in customer*;

- (b) For accreditation as a VBB Seller:
  - (i) be a *Market Generator*, *Market Small Generation Aggregator*, *Market Customer* or another category of *Market Participant* that can offer a *qualifying contract*, but not a *suspended Market Participant*; or
  - (ii) be an *Intending Participant* in one of the above categories of *Market Participant*;
- (c) Enter into, and comply with the terms of, a Book Build Participation Deed; and
- (d) Pay fees and provide reports to AEMO when due in accordance with these Procedures.

### 3.3. Application

- (a) A person in one or more of the categories in section 3.2(a) or 3.2(b) may apply to AEMO for accreditation as a *book build participant* by submitting an application comprising:
  - (i) a completed application form, in the form provided by AEMO on the VBB Site;
  - (ii) any additional information or documents specified in the application form that are relevant to the applicant; and
  - (iii) the Book Build Participation Deed executed by the applicant, without modification unless agreed with AEMO in advance,to the address and/or email address specified for that purpose on the VBB Site.
- (b) An applicant for accreditation must pay the application fee (if any) specified on the VBB Site or as part of AEMO's published schedule of participant fees for the *NEM*. The application fee is non-refundable.

### 3.4. Determination

- (a) On receipt of an application that meets the requirements of section 3.3(a) and any required fee, AEMO will assess the application and either:
  - (i) if satisfied that the applicant is a person in one or more categories specified in section 3.2(a) or 3.2(b) and has duly executed the Book Build Participation Deed, accredit the applicant as a VBB Buyer or VBB Seller; or
  - (ii) if not so satisfied, reject the application.
- (b) AEMO will notify the applicant of its determination under paragraph (a) within 15 *business days* after receiving the application and any applicable fee.

### 3.5. Revocation of accreditation

- (a) AEMO may, by notice to a *book build participant*, revoke that participant's accreditation as a VBB Buyer or VBB Seller with effect from a date specified in the notice, if any of the following events occurs:
  - (i) in AEMO's reasonable opinion the *book build participant* does not meet, or ceases to meet, the eligibility requirements in section 3.2; or
  - (ii) the *book build participant* is not currently a *matched book build participant* and requests AEMO to revoke its accreditation.
- (b) As soon as reasonably practicable after giving a notice of revocation of accreditation to a *book build participant* (de-accredited participant), AEMO must:

- (i) update the list of *book build participants* on the VBB Site, indicating the effective date of revocation;
  - (ii) give notice of the revocation and its effective date to all *matched book build participants* in relation to the de-accredited participant and the current *voluntary book build* process; and
  - (iii) if the de-accredited participant was a VBB Seller, remove any contracts listed by it in the *voluntary book build* and relating to a period that is wholly or partly after the effective date.
- (c) To the extent applicable, a de-accredited participant must still comply with:
- (i) its reporting obligations under section 7;
  - (ii) any continuing obligations under the Book Build Participation Deed; and
  - (iii) the terms of any *book build contract* it has entered into.

#### 4. VOLUNTARY BOOK BUILD PERIODS

- (a) In accordance with NER clause 4A.H.3(b), AEMO will publish a notice on the VBB Site at least 20 *business days* before opening a *voluntary book build* for a given *forecast reliability gap period* and *region*, specifying the start and end date of the *voluntary book build*.
- (b) The *voluntary book build* will remain open for at least eight weeks, and may be extended at AEMO's discretion.
- (c) AEMO will publish a notice under paragraph (a) within three months after the T-3 Date for the relevant *forecast reliability gap*.
- (d) AEMO will publish a further notice under paragraph (a) within one month after the T-2 Date for that *forecast reliability gap*:
  - (i) if the latest *reliability forecast* published by AEMO for the *region* indicates a *forecast reliability gap* is still forecast to occur;
  - (ii) unless AEMO determines, after consulting with *book build participants*, that a further *voluntary book build* for that *forecast reliability gap* is unlikely to be consistent with the *national electricity objective*.

#### 5. VOLUNTARY BOOK BUILD PROCESS

##### 5.1. Book build scope

A *voluntary book build* comprises, in accordance with these Procedures:

- (a) Submission by VBB Sellers of minimum offer terms from VBB Sellers for *book build contracts*, and listing of those offers by AEMO on the VBB Site.
- (b) Requests from VBB Buyers for VBB Seller contact details in respect of *book build contract* offers for negotiation purposes, and provision of those details by AEMO.

##### 5.2. Book build contract requirements

A VBB Seller must not submit an offer for a *book build contract* unless it meets the criteria for:

- (a) A *qualifying contract* within the meaning of section 14O of the NEL and clause 4A.E.1 of the NER; and

- (b) either a *standard qualifying contract* or a contract listed in the AER's *Contracts and Firmness Guidelines* as a common type of *non-standard qualifying contract*.

### 5.3. Book build contract offers

- (a) An 'offer' for a *book build contract* submitted under this section and displayed on AEMO's *voluntary book build* web page has the legal effect of an invitation to treat and is subject to contract. That is, the offer must be made in good faith in accordance with the Book Build Participation Deed, but is conditional on the parties' reaching agreement on all the terms of the *book build contract*.
- (b) A VBB Seller may post details (in accordance with paragraph (c)) of a *book build contract* that relates to a specified MW capacity of the VBB Seller to supply electricity to, or reduce the demand for electricity in, the relevant *region* during *gap trading intervals*.
- (c) The details of the offer must be specified in the form of Appendix B and must include, as a minimum:
  - (i) the VBB Seller's reference and contact details;
  - (ii) the type of *standard qualifying contract* or *non-standard qualifying contract* (see section 5.2(b));
  - (iii) the quantity of available capacity (in MW) and the *region*;
  - (iv) the *gap trading intervals* in which the *book build contract* is available; and
  - (v) the expiry date of the offer (unless withdrawn earlier by the VBB Seller), not to be later than the relevant end date for offers specified in AEMO notice under section 4(a).
- (d) A VBB Seller may include additional details in the field(s) provided in the form.
- (e) Offers are to be submitted by email to RRO.bookbuild@aemo.com.au or, if another submission method is specified on the VBB Site, by that method.
- (f) On becoming aware that it is no longer able to offer a *book build contract* in accordance with the terms of its submitted offer, a VBB Seller must promptly:
  - (i) submit a replacement offer in the form of Appendix B, referencing the original offer that it replaces; or
  - (ii) withdraw the offer by completing and submitting a withdrawal in the form of Appendix C.
- (g) AEMO must:
  - (i) generate a unique AEMO reference number for each offer received;
  - (ii) publish all offer details on the VBB Site, other than the VBB Seller's identity, offer reference and contact details; and
  - (iii) remove a withdrawn offer from the VBB Site,

within 2 *business days* of receiving the offer (including a replacement offer) or withdrawal, as applicable.

### 5.4. VBB Buyer requests (matching)

- (a) A VBB Buyer seeking to acquire a *book build contract* on the terms of a specified offer listed on the VBB Site may request AEMO to provide the contact information for the relevant VBB

Seller by sending an email to [RRO.bookbuild@aemo.com.au](mailto:RRO.bookbuild@aemo.com.au) or, if another method is specified on the VBB Site, by that method.

- (b) Within two *business days* after receiving a request from a VBB Buyer under paragraph (a), AEMO will notify the VBB Buyer of the reference and contact details submitted to AEMO by the VBB Seller as part of the offer, and notify the VBB Seller that it has done so.
- (c) Once AEMO has notified the VBB Buyer and the VBB Seller in accordance with paragraph (b), they are taken to be *matched book build participants* in respect of the relevant offer.

## 6. NEGOTIATION

- (a) The negotiation and execution of *book build contracts* based on offers listed in the *voluntary book build* is not part of the *voluntary book build* process conducted by AEMO.
- (b) The Book Build Participation Deed requires *matched book build participants* to negotiate the terms of a *book build contract* in good faith.
- (c) AEMO has no role or responsibilities in relation to the verification of any matter in connection with a *book build contract* or its negotiation, including in relation to:
  - (i) the creditworthiness of any *book build participant*;
  - (ii) whether the contract is a *qualifying contract*, the applicable *firmness methodology* or resulting firmness factor; or
  - (iii) the capacity of a *book build participant* to enter into or perform its obligations under the contract,

and the *matched book build participants* are expected to satisfy themselves of these matters in the course of their negotiation.

## 7. RECORDS AND REPORTING

- (a) Not later than six months after the commencement date of a *voluntary book build*, each *matched book build participant* in that *voluntary book build* (reporting participant) must give AEMO the information specified in paragraph (b).
- (b) The information to be reported is as follows, current as of the date specified by the reporting participant, not to be earlier than 5 months after the commencement date of a *voluntary book build*:
  - (i) the identity of all *matched book build participants* that the reporting participant contacted, or was contacted by, in relation to an offer on the VBB Site (identified by its AEMO reference number);
  - (ii) whether a *book build contract* was entered into with a *matched book build participant* on the basis of that offer, and if so:
    - (A) the date of the contract and name of the counterparty; and
    - (B) any material departures from the offer terms published on the VBB Site;
  - (iii) the duration of any negotiations that did not result in a *book build contract*; and
  - (iv) whether any negotiations are ongoing as at the date of reporting.
- (c) The information provided to AEMO by a *book build participant* under this section is *confidential information* for the purposes of the NER and NEL, subject to AEMO's reporting requirements under section 9.2.

## 8. BOOK BUILD FEES

- (a) A book build fee is payable in respect of each *voluntary book build* by each person who is a *book build participant* at any time from the commencement of that process to the date on which offers are closed.
- (b) AEMO must publish the amount of the fee on the VBB Site and may adjust it from time to time. The fee will be designed to recover the cost to AEMO of operating the *voluntary book build*.

## 9. PUBLIC INFORMATION

### 9.1. VBB Site

All information that is to be published by AEMO on the VBB Site in accordance with these Procedures will be publicly accessible. This includes:

- (a) Information about accreditation and a list of accredited *book build participants*.
- (b) Information about a current or forthcoming *voluntary book build*.
- (c) Offers for *book build contracts* for the duration of a *voluntary book build*.
- (d) The information described in section 9.2.

### 9.2. Book build reporting

AEMO may publish non-identifying information on the use or effectiveness of a *voluntary book build* process, including:

- (a) The number and total size (MW capacity) of *book build contract* offers received in respect of a *forecast reliability gap* in a given region; and
- (b) The number and total size of resulting *book build contracts* entered into.

## **APPENDIX A. BOOK BUILD PARTICIPATION DEED**

[See separate document]

## APPENDIX B. VBB OFFER SUBMISSION FORM

Field († denotes optional)	Example	
Non-public information		
Book Build Participant name	Energy Company Ltd	
Participant offer reference	ECRRO1234	
Contact person/position	Jane Brown	
Contact phone	(08) 2222 5555	
Contact email	j.brown@energy.company.com.au	
†Additional information (non-public)		
Public information		
Contract period (within or equal to forecast reliability gap period)	1 January 2023 to 28 February 2023	
Region	NSW	
Offer validity period	Offer available until 15 July 2020	
Gap trading intervals AEST	16:00 – 19:00 weekdays	
Qualifying contract details	Std/Non-Std	Standard
	Type	100% Load Following
	Estimated firmness factor	1.0
MW volume per trading interval (fixed/range)	10-15MW	
†Project/Capacity type		
†Reserve Price (\$/MWh)		
†Additional information (public)		

**APPENDIX C. VBB OFFER WITHDRAWAL FORM**

Field	Example
Book Build Participant name	Energy Company Ltd
Participant offer reference	ECRRO1234
AEMO offer reference (as listed)	RROVBB9876
Brief reason for withdrawal	Offer capacity fully contracted