Capacity Market Code

Agreed Procedure 2 Default and Suspension

January 12 2017

Version 1.0
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<th>Date</th>
<th>Author</th>
<th>Comment</th>
</tr>
</thead>
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<td>1.0</td>
<td>10/01/2017</td>
<td>I-SEM Project Team</td>
<td>Issued to the Regulatory Authorities</td>
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</tbody>
</table>

RELATED DOCUMENTS

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<tr>
<td>Agreed Procedure 1</td>
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<tr>
<td>&quot;Registration&quot;</td>
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</table>
1. INTRODUCTION

1.1 Background and Purpose

This Agreed Procedure supplements the rules set out in the Capacity Market Code (hereinafter referred as the “Code”) in relation to Default and Suspension. It sets out procedures with which Parties to the Code must comply.

1.2 Scope of Agreed Procedure

This Agreed Procedure sets out the procedures in relation to:

(a) Suspension; and
(b) Termination Orders.

This Agreed Procedure forms an annex to, and is governed by the Code. It sets out procedures to be followed, subject to the rights and obligations of Parties under the Code. In the event of any conflict between a Party’s obligations set out in the Code and this Agreed Procedure, the Code shall take precedence.

It is not intended that there be any inconsistency or conflict between section 2 “Overview” and section 3 “Procedural Steps”. However, in the event of any inconsistency or conflict, section 3 “Procedural Steps” shall take precedence.

In section 3 “Procedural Steps” a corresponding process flow diagram is included for each procedural steps table. Process flow diagrams are for illustrative purposes. It is not intended that there be any inconsistency or conflict between any procedural steps table and process flow diagram however, in the event of any inconsistency or conflict, a procedural steps table shall take precedence.

1.3 Definitions

Words and expressions defined in the Code shall, unless the context otherwise requires or unless otherwise specified, have the same meanings when used in this Agreed Procedure.

References to particular sections relate internally to this Agreed Procedure unless specifically noted.

1.4 Compliance with Agreed Procedure

Compliance with this Agreed Procedure is required under the terms as set out in the Code.
2. OVERVIEW

2.1 Default and Suspension

2.1.1 Default

A Party shall be in Default where it is in material breach of any provision of the Code or the Capacity Market Framework Agreement. A Default Notice shall be issued by the System Operators in accordance with paragraph B.13.2.3 of the Code.

2.1.2 Suspension

The System Operators may suspend a Party from participation under the Code in respect of some or all of its registered Capacity Market Units in accordance with a Suspension Order. The procedure for Suspension pursuant to a Suspension Order issued in accordance with paragraph B.13.3.1 of the Code is set out at section 3.1.1 below. The procedure for Suspension pursuant to a Suspension Order issued in accordance with paragraph B.13.3.2 of the Code (i.e. in the event that a Participant of a Party fails at any time to provide Performance Security as required under the Code) is set out at section 3.1.2 below.

A Suspension Order shall include the following information:

(a) Estimated date that suspension shall take effect; and
(b) A copy of the relevant Default Notice.

2.2 Termination Orders

The System Operators may, with the prior approval of the Regulatory Authorities, issue a Termination Order to a Party in accordance with paragraph B.13.6.1 of the Code.

The procedure in relation to the issue of a Termination Order by the System Operators is set out in section 3.2 below.
3. **PROCEDURAL STEPS**

3.1 **Suspension**

3.1.1 *Suspension pursuant to a Suspension Order issued in accordance with paragraph B.13.3.1 of the code*

<table>
<thead>
<tr>
<th>Step</th>
<th>Step Description</th>
<th>Timing</th>
<th>Method</th>
<th>From / By</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>In the circumstances set out in paragraph B.13.3.1(g) of the Code, issue a Default Notice in accordance with paragraph B.13.2.3 of the Code, otherwise go to step 4</td>
<td>Immediately on becoming aware of a Default in relation to a Party</td>
<td>Registered post and a copy by email</td>
<td>System Operators</td>
<td>Defaulting Party</td>
</tr>
<tr>
<td>2</td>
<td>Remedy the Default in compliance with the terms of the Default Notice</td>
<td>Immediately on receipt of Default Notice</td>
<td>-</td>
<td>Defaulting Party</td>
<td>System Operators</td>
</tr>
<tr>
<td>3</td>
<td>Assess whether the Default has been remedied by the Defaulting Party. If the Default has been remedied, <strong>end process</strong>. If the Default has not been remedied, continue to step 4</td>
<td>Within the timelines set out in the Default Notice</td>
<td>-</td>
<td>System Operators</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>The System Operators may seek approval from Regulatory Authorities to issue Suspension Order in accordance with paragraph B.13.3.1 of the Code</td>
<td>In accordance with paragraph B.13.3.1 of Code</td>
<td>-</td>
<td>System Operators</td>
<td>Regulatory Authorities</td>
</tr>
<tr>
<td>5</td>
<td>Confirm whether the issue of a Suspension Order is approved. If issue of a Suspension Order is not approved, <strong>end process</strong>, otherwise continue to step 6</td>
<td>Within 2 WD of step 4</td>
<td>-</td>
<td>Regulatory Authorities</td>
<td>System Operators</td>
</tr>
<tr>
<td>6</td>
<td>Issue Suspension Order</td>
<td>On receipt of approval in step 5</td>
<td>Registered Post and a copy by email</td>
<td>System Operators</td>
<td>Defaulting Party</td>
</tr>
<tr>
<td>Step</td>
<td>Step Description</td>
<td>Timing</td>
<td>Method</td>
<td>From / By</td>
<td>To</td>
</tr>
<tr>
<td>------</td>
<td>----------------------------------------------------------------------------------</td>
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<td>--------------------------------</td>
<td>---------------------------------------------</td>
</tr>
<tr>
<td>7</td>
<td>Send a copy of the Suspension Order</td>
<td>With step 6</td>
<td>Email</td>
<td>System Operators</td>
<td>Regulatory Authorities, Market Operator</td>
</tr>
<tr>
<td>8</td>
<td>Publish Suspension Order</td>
<td>With step 6</td>
<td>System Operators' website</td>
<td>System Operators</td>
<td>System Operators website</td>
</tr>
<tr>
<td>9</td>
<td>If the Defaulting Party has remedied Default(s) in accordance with the Code, lift the Suspension Order, <strong>end process</strong>, otherwise continue to step 10</td>
<td>Immediately</td>
<td>Registered post</td>
<td>System Operators</td>
<td>Defaulting Party</td>
</tr>
<tr>
<td>10</td>
<td>Confirm suspension has been given effect</td>
<td>In accordance with the timelines specified in the Suspension Order</td>
<td>Email</td>
<td>System Operators</td>
<td>Defaulting Party, Regulatory Authorities, Market Operator</td>
</tr>
<tr>
<td>11</td>
<td>Publish confirmation of suspension</td>
<td>With step 10</td>
<td>System Operators' website</td>
<td>System Operators</td>
<td>System Operators' website</td>
</tr>
</tbody>
</table>
Suspension - Suspension pursuant to a Suspension Order issued in accordance with paragraph B.13.3.1 of the code

1. If there is a Default in relation to a Party issue a Default Notice

   DEFAULT?
   
   YES
   Issue Default Notice
   
   NO
   Default Remedied?
   
   NO
   
   YES
   END

2. Remedify the Default in compliance with the terms of the Default Notice

3. Assess if the Default has been remedied

   Default Remedied?
   
   NO
   
   YES
   END

4. Seek approval from Regulatory Authorities to issue Suspension Order

5. Regulatory Authorities decide on the Suspension Order

   Suspension Approved?
   
   NO
   2 WD
   
   YES
   
   Publish Suspension Order

6. Issue Suspension Order

7. Send a copy of the Suspension Order to RAS and MO

8. Publish Suspension Order

9. If Default(s) remedied, lift the Suspension Order

10. Confirm suspension has been given effect

11. Publish confirmation of suspension

Regulatory Authorities Notified

Market Operator Notified

System Operators

Defaulting Party

Regulatory Authorities

Market Operator

Legends

Email
Website
Notices
Registered Post
Time Constraints
Regulatory Authorities
### 3.1.2 Suspension pursuant to a Suspension Order issued in accordance with paragraph B.13.3.2 of the Code

<table>
<thead>
<tr>
<th>Step</th>
<th>Step Description</th>
<th>Timing</th>
<th>Method</th>
<th>From / By</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>In the event that a Party has failed to provide Performance Security under the Code, issue Default Notice in accordance with paragraph B.13.2.3 of the Code.</td>
<td>Immediately on becoming aware of a Default in relation to a Party</td>
<td>Registered post</td>
<td>System Operators</td>
<td>Defaulting Party</td>
</tr>
<tr>
<td>2</td>
<td>Remedy the Default in compliance with the terms of the Default Notice</td>
<td>Immediately on receipt of Default Notice</td>
<td>-</td>
<td>Defaulting Party</td>
<td>System Operators</td>
</tr>
<tr>
<td>3</td>
<td>Assess whether the Default has been remedied by the Defaulting Participant. If the Default has been remedied, <strong>end process</strong>. If the Default has not been remedied, continue to step 4</td>
<td>Within the timelines set out in the Default Notice</td>
<td>-</td>
<td>System Operators</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>In accordance with paragraph B.13.3.2 of the Code, issue a Suspension Order</td>
<td>At the same time and/or in accordance with the terms of the Default Notice</td>
<td>Registered post</td>
<td>System Operators</td>
<td>Defaulting Party</td>
</tr>
<tr>
<td>5</td>
<td>Send a copy of the Suspension Order</td>
<td>Together with step 3</td>
<td>Email</td>
<td>System Operators</td>
<td>Regulatory Authorities, Market Operator</td>
</tr>
<tr>
<td>6</td>
<td>Publish Suspension Order</td>
<td>Together with step 5</td>
<td>System Operators’ website</td>
<td>System Operators</td>
<td>System Operators’ website</td>
</tr>
<tr>
<td>7</td>
<td>If the Defaulting Party has remedied Default(s) in accordance with the Code, lift the Suspension Order and <strong>end process</strong>, otherwise continue to</td>
<td>As required</td>
<td>Registered post</td>
<td>System Operators</td>
<td>Defaulting Party</td>
</tr>
<tr>
<td>Step</td>
<td>Step Description</td>
<td>Timing</td>
<td>Method</td>
<td>From / By</td>
<td>To</td>
</tr>
<tr>
<td>------</td>
<td>-----------------------------------------------</td>
<td>---------------------------------------------</td>
<td>--------------</td>
<td>------------------------------------</td>
<td>------------------------------------------------------------</td>
</tr>
<tr>
<td>step 8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Confirm suspension has been given effect</td>
<td>In accordance with the timelines specified in the Suspension Order</td>
<td>Email</td>
<td>System Operators</td>
<td>Impacted Party, Regulatory Authorities, Market Operator</td>
</tr>
<tr>
<td>9</td>
<td>Publish confirmation of suspension</td>
<td>With step 7</td>
<td>System Operators' website</td>
<td>System Operators</td>
<td>System Operators’ website</td>
</tr>
</tbody>
</table>
Suspension - Suspension pursuant to a Suspension Order issued in accordance with paragraph B.13.3.2 of the Code

<table>
<thead>
<tr>
<th>System Operators</th>
<th>Defaulting Party</th>
<th>Regulatory Authorities</th>
<th>Market Operator</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Issue Default Notice</td>
<td>2. Remedy the Default in compliance with the terms of the Default Notice</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3. Assess whether the Default has been remedied</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Issue Suspension Order</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Send a copy of the Suspension Order to RAs and MO</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>6. Publish Suspension Order</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7. If Default(s) remedied, lift the Suspension Order</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>8. Confirm suspension has been given effect</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9. Publish confirmation of suspension</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Legends**

- Registered Post
- Email
- Time Constraints
- Notices
- Website
- Party / Participant
- Market Operator
- Regulatory Authorities

**END**

**YES**

**NO**

SO Website

END YES

ASAP

Party Notified

Party Notified

Party Notified

AP2 – 11
### 3.2 Termination Orders

<table>
<thead>
<tr>
<th>Step</th>
<th>Step Description</th>
<th>Timing</th>
<th>Method</th>
<th>From / By</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>In the circumstances set out in paragraph B.13.6.1 of the Code, the System Operators may seek written approval from Regulatory Authorities to issue Termination Order</td>
<td>As required</td>
<td>Registered post</td>
<td>System Operators</td>
<td>Regulatory Authorities</td>
</tr>
<tr>
<td>2</td>
<td>Notify System Operators of decision in relation to the issue of a Termination Order in accordance with paragraph B.13.6.1 of the Code</td>
<td>As soon as practicable</td>
<td>Registered post</td>
<td>Regulatory Authorities</td>
<td>System Operators</td>
</tr>
<tr>
<td>3</td>
<td>If approval is received from Regulatory Authorities, issue Termination Order, otherwise end process</td>
<td>On receipt of approval to issue Termination Order from Regulatory Authorities</td>
<td>Registered post</td>
<td>System Operators</td>
<td>Party</td>
</tr>
<tr>
<td>4</td>
<td>Send copy of the Termination Order</td>
<td>With step 3</td>
<td>Registered post</td>
<td>System Operators</td>
<td>Regulatory Authorities and Market Operator</td>
</tr>
<tr>
<td>5</td>
<td>Publish Termination Order</td>
<td>With step 3</td>
<td>System Operators's website</td>
<td>System Operators</td>
<td>System Operators' website</td>
</tr>
<tr>
<td>6</td>
<td>Deregister Capacity Market Units as applicable</td>
<td>As required</td>
<td>-</td>
<td>System Operators</td>
<td>-</td>
</tr>
<tr>
<td>7</td>
<td>Termination takes effect</td>
<td>In accordance with the time and date specified by the System Operators in the Termination Order</td>
<td>-</td>
<td>System Operators</td>
<td>Party</td>
</tr>
</tbody>
</table>
Issuing of a Termination Order

System Operators

1. Seek approval from Regulatory Authorities to issue Termination Order

2. If approval is received from Regulatory Authorities, issue Termination Order.

Regulatory Authorities

2. Regulatory Authorities decide on the Termination Order

3. If approval is received from Regulatory Authorities, issue Termination Order.

Party

4. Send copy of the Termination Order

5. Publish Termination Order

Market Operator

6. Deregister Capacity Market Units as applicable.

7. Termination takes effect

Legends

- Registered Post
- Email
- Website
- Party / Participant
- Time Constraints
- Notices
- Market Operator
- Regulatory Authorities

Market Operator Notified

Party Notified

Regulatory Authorities Notified

End of the Trading Day