



2018 Expressions of Interest summary report

7 May 2018

A report for the Wholesale Electricity Market

Important notice

PURPOSE

AEMO has prepared this document to provide information about the Western Australia Wholesale Electricity Market, as at the date of publication.

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VERSION CONTROL

Version	Release date	Changes
1	7/05/2018	

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1. Background

Each year, the Australian Energy Market Operator (AEMO) requests expressions of interest (EOI) from existing and potential new Market Participants to provide Reserve Capacity¹. The EOI indicates the amount of new generation and Demand Side Management (DSM) capacity that may be offered into the South West interconnected system (SWIS) for a Reserve Capacity Cycle².

On 31 January 2018, AEMO requested EOIs for the 2018 Reserve Capacity Cycle, covering the 2020-21 Capacity Year³. Following EOI submissions closing on 1 May 2018, AEMO must publish an EOI summary in accordance with the Wholesale Electricity Market (WEM) Rules.

This report provides a summary of EOIs submitted to AEMO for the 2020-21 Capacity Year. In accordance with clause 4.2.7 of the WEM Rules, the report must outline the following information:

- The number of EOIs received.
- Based on the EOIs, the additional Reserve Capacity potentially available (which must be categorised).
- AEMO's estimate of the existing capacity eligible to be assigned Certified Reserve Capacity (CRC)⁴ in the SWIS.
- The preliminary Reserve Capacity Requirement (RCR)⁵.
- AEMO's preliminary estimates of the DSM Reserve Capacity Price (RCP)⁶ for the 2018–19 to 2027–28 Capacity Years.

¹ Reserve Capacity may be provided by generation or DSM Facilities.

² A Reserve Capacity Cycle is a cycle of events (covering a four-year period) described in clause 4.1 of the WEM Rules.

³ A Capacity Year is defined in Chapter 11 (Glossary) of the WEM Rules as a period of 12 months commencing on the start of the Trading Day on 1 October and ending on the Trading Day ending on 1 October of the following calendar year.

⁴ Certified Reserve Capacity is a quantity of Reserve Capacity that AEMO has assigned to a Facility for a Reserve Capacity Cycle in accordance with the WEM Rules.

⁵ The preliminary Reserve Capacity Requirement is AEMO's estimates of the total amount of generation or DSM capacity required in the SWIS to satisfy the Planning Criterion for a Capacity Year in accordance with the WEM Rules.

⁶ Reserve Capacity Price is the price for Reserve Capacity determined in accordance with clause 4.29.1 of the WEM Rules and multiplied by 12 for a Reserve Capacity Cycle.

2. Summary

AEMO received one EOI for the 2020-21 Capacity Year which relates to a proposed new intermittent generator with a nameplate capacity of 9.900 MW. The proposed Facility would be eligible for CRC in the 2020-21 Capacity Year⁷.

2.1 Reserve Capacity supply and demand analysis

The 2017 *Electricity Statement of Opportunities*⁸ for the WEM forecast a preliminary RCR of 4,733 MW for the 2020-21 Capacity Year.

The potential supply-demand balance for capacity for the 2020-21 Capacity Year is outlined in Table 1.

Table 1 Preliminary supply-demand balance for the 2020-21 Capacity Year

Capacity Credits assigned for the 2019-20 Capacity Year	4,887.970
Potential capacity provided by 2018 EOIs	9.900
Estimate of the existing capacity eligible to be assigned CRC for the 2020-21 Capacity Year	4,897.870
Preliminary RCR for the 2020-21 Capacity Year	4,733.000
Estimated excess capacity for the 2020-21 Capacity Year	164.870 MW (3.4%)

⁷ AEMO assigns CRC for intermittent generators in accordance with the Relevant Level Methodology outlined in Appendix 9 of the WEM Rules.

⁸ AEMO, 2017. *2017 Electricity Statement of Opportunities for the WEM*, p. 57. Available at: <https://www.aemo.com.au/Electricity/Wholesale-Electricity-Market-WEM/Planning-and-forecasting/WEM-Electricity-Statement-of-Opportunities>.

2.2 Categories of EOI submissions

The EOI submission for the 2018 Reserve Capacity Cycle is summarised in Table 2 (in accordance with clauses 4.2.7(a), (b), (c) and (d) of the WEM Rules).

Table 2 Summary of EOI for the 2018 Reserve Capacity Cycle

Summary of Expressions of Interest	2020-21 Capacity Year (MW)
Committed Facilities (in place or under construction)	0.000
Facilities that are not yet committed	9.900
Total	9.900
For Facilities that are not yet committed	
Facilities for which an Access Proposal has been made and all necessary Environmental Approvals granted	0.000
Facilities for which applications for both Access Proposals and Environmental Approvals have been made and one or both are being processed	0.000
Facilities for which no Access Proposal has been applied for or some or all Environmental Approvals have not been applied for	9.900
Total	9.900
Categorisation based on plant type	
Intermittent generators	9.900
Non-intermittent generators	0.000
Demand side management	0.000
Total	9.900
Categorisation based on primary fuel type	
Diesel	0.000
Natural gas	0.000
Renewable energy	9.900
Total	9.900
Categorisation based on backup/alternative fuel option	
None or not applicable	9.900
Total	9.900

2.3 Estimates of DSM RCP

AEMO has developed a Market Procedure: *Determination of Expected DSM Dispatch Quantity and DSM Activation Price* to document the process that it follows when calculating the Expected DSM Dispatch Quantity and the DSM Activation Price⁹.

Clause 4.2.7(g) of the WEM Rules requires AEMO to publish its preliminary estimate of the DSM Reserve Capacity Price based on the preliminary DSM Activation Price and Expected DSM Dispatch Quantity (EDDQ) that were included

⁹ AEMO. *Market Procedure: Determination of Expected DSM Dispatch Quantity and DSM Activation Price*. Available at: https://www.aemo.com.au/-/media/Files/Stakeholder_Consultation/Consultations/WA_WEM_Consultation_Documents/2017/PCP/Determination-of-Expected-DSM-Dispatch-Quantity-and-DSM-Activation-Price.pdf.

in the *Request for Expression of Interest*, which was published on 31 January 2018¹⁰. These figures are presented in Table 3.

Table 3 EDDQ and DSM RCP^a – from the Request for EOI (January 2018)

Reserve Capacity Cycle	Capacity Year	EDDQ (MWh)	Estimated DSM RCP (\$/MW)
2015	2017-18	0.01	17,050
2018	2020-21	0.12	20,774

^a See Table 25, Appendix B of 2017 ES00. Available at: https://www.aemo.com.au/-/media/Files/Electricity/WEM/Planning_and_Forecasting/ES00/2017/2017-Electricity-Statement-of-Opportunities-for-the-WEM.pdf. The DSM RCP for the 2017-18 Capacity Year was published in the 2017 ES00, p. 3.

Since the publication of the 2018 *Request for Expressions of Interest*, AEMO completed the deferred 2017 Reserve Capacity Cycle and assigned Capacity Credits for the 2019-20 Capacity Year¹¹. As a result, AEMO has re-calculated the EDDQ and the preliminary estimates of the DSM RCP based on the Capacity Credits assigned to Demand Side Programmes (66 MW) for the 2019-20 Capacity Year as shown in Table 4.

Table 4 EDDQ and DSM RCP – updated for the 2017 Reserve Capacity Cycle

Reserve Capacity Cycle	Capacity Year	EDDQ (MWh)	Estimated DSM RCP (\$/MW)
2015	2017-18	0.01	17,050
2018	2020-21	0.11 ^a	20,248 ^a

^a Calculations have been updated since the publication of the *Request for Expressions of Interest* in January 2018 to reflect the Capacity Credit assignment for the deferred 2017 Reserve Capacity Cycle on 7 March 2018. See: https://www.aemo.com.au/-/media/Files/Electricity/WEM/Reserve_Capacity_Mechanism/Assignment/2018/Capacity-Credits-assigned-for-the-2019-20-Capacity-Year.pdf.

Based on the EOIs received, no additional DSM capacity is expected to be offered for the 2020-21 Capacity Year. Therefore, an update to the above numbers under clause 4.2.7(g)(ii) of the WEM Rules is not required.

¹⁰ AEMO. 2018 *Request for Expressions of Interest*, 31 January 2018. Available at: <https://www.aemo.com.au/Electricity/Wholesale-Electricity-Market-WEM/Reserve-capacity-mechanism/Expressions-of-interest>.

¹¹ AEMO. *Capacity Credits assigned for the 2019-20 Capacity Year*, 7 March 2018. Available at: https://www.aemo.com.au/-/media/Files/Electricity/WEM/Reserve_Capacity_Mechanism/Assignment/2018/Capacity-Credits-assigned-for-the-2019-20-Capacity-Year.pdf.