



# WHOLESALE ELECTRICITY MARKET

## PROCEDURE CHANGE REPORT: AEPC\_2017\_04

MARKET PROCEDURE: CERTIFICATION OF RESERVE  
CAPACITY

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# EXECUTIVE SUMMARY

## Purpose

The publication of this Procedure Change Report, and the accompanying Market Procedure, completes the Procedure Change Process conducted by AEMO to consider a revised Market Procedure: Certification of Reserve Capacity (Procedure) under the Wholesale Electricity Market (WEM) Rules.

## Proposed amendments

The proposed revised Procedure has been developed in accordance with clauses 4.9.10 and 4.28C.15 of the WEM Rules, which require AEMO to document the process Market Participants must follow when applying for Certified Reserve Capacity or Early Certified Reserve Capacity, and AEMO must follow when processing those applications. This includes assigning Certified Reserve Capacity, setting Reserve Capacity Obligation Quantities, and approving Early Certified Reserve Capacity.

## Consultation

A draft version of the Procedure was presented at the AEMO WEM Procedure Change workshop held on 29 May 2017. Details of this forum are available at: <http://aemo.com.au/Stakeholder-Consultation/Industry-forums-and-working-groups/WA-Forums>. Stakeholders recommended minor changes to improve clarity.

The Market Advisory Committee (MAC) did not meet regarding this proposal.

No public workshops were held in relation to this Procedure Change Proposal.

AEMO published the Procedure Change Proposal (AEPC\_2017\_04) and issued a notice calling for submissions on 27 June 2017. Alinta Energy provided a submission stating that the Procedure did not reflect WEM Rule amendments gazetted during the consultation period, and requested an extension to the consultation period. On 21 July 2017, AEMO extended the consultation period by 10 business days. The extended consultation period closed on 8 August 2017 with one submission received from Bluewaters Power and a second from Alinta Energy.

In general, stakeholders suggested that the Procedure would benefit from clarification in several steps as well as various typographical matters. AEMO has responded to matters identified. Following consultation, AEMO amended the Procedure in line with suggestions made to increase clarity. Informal comments were also received which improved the clarity of the Procedure.

## AEMO's decision

AEMO's decision is to accept the Procedure as amended following the consultation period. AEMO considers that the revised Procedure is consistent with the Wholesale Market Objectives, the WEM Regulations and the WEM Rules.

## Next steps

The revised Market Procedure: Certification of Reserve Capacity will commence at 8.00 am Australian Western Standard Time (AWST) on 1 October 2017.



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# 1. BACKGROUND

## 1.1 Regulatory requirements

AEMO has published this Procedure Change Report in accordance with the Procedure Change Process specified in clause 2.10 of the WEM Rules.

## 1.2 Context

On 31 May 2016, the Minister for Energy gazetted amendments to the WEM Rules related to the Reserve Capacity Mechanism.<sup>1</sup>

Clauses 4.9.10 and 4.28C.15 of the WEM Rules require AEMO to document the process Market Participants must follow in applying for Certified Reserve Capacity or Early Certified Reserve Capacity, and AEMO must follow in processing those applications, including to assign Certified Reserve Capacity, set Reserve Capacity Obligation Quantities, and approve Early Certified Reserve Capacity. These clauses provide that:

*4.9.10. AEMO must document the procedure that:*

*(a) Market Participants must follow in the process of applying for Certified Reserve Capacity; and*

*(b) AEMO must follow in processing applications for Certified Reserve Capacity, including how Certified Reserve Capacity is assigned and Reserve Capacity Obligation Quantities are set,*

*in a Market Procedure. AEMO and Market Participants must follow that documented Market Procedure when Market Participants are applying for Certified Reserve Capacity and when AEMO is processing those applications.*

*4.28C.15. AEMO must document the process for applying for and approving Capacity Credits in accordance with this clause 4.28C in a Market Procedure, and AEMO and Market Participants must follow that documented Market Procedure.*

The proposed Procedure would be the seventh version. AEMO proposes to commence the revised Procedure on 1 October 2017 in time for the commencement of the relevant rules.

## 1.3 Procedure Change Process and Timetable

On 27 June 2017, AEMO published a Procedure Change Proposal (AEPC\_2017\_04) for the Market Procedure: Certification of Reserve Capacity and issued a call for submissions, which are available at: [http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2017\\_04](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2017_04). The proposal was progressed using the Procedure Change Process specified in clause 2.10 of the WEM Rules, with submissions required by 25 July 2017.

The Minister for Energy gazetted amendments to the WEM Rules on 23 June 2017 that introduced additional certification processes for new generation facilities entering under the Generator Interim Access (GIA) solution. The published Procedure Change Proposal required further amendments to be consistent with the WEM Rules, as amended by the Minister.

On 21 July 2017, AEMO extended the consultation period by 10 business days, publishing an extension notice and further amendments to the Procedure. The submission period closed on 8 August 2017. Full details can be found in the notice of extension available at: [http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2017\\_04](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2017_04).

<sup>1</sup> See Government Gazette No.89 dated 31 May 2016, *Wholesale Electricity Market Amending Rules 2016*.



## 2. PROPOSED PROCEDURE CHANGE

This section details the changes that AEMO proposed when the call for submissions was published.

### 2.1 Detail of the proposed procedure change

AEMO proposed to update the Procedure to:

- Reflect the amendments to the WEM Rules which commenced on or before 1 July 2016. These amendments varied the process Market Participants must follow in applying for Certified Reserve Capacity and Early Certified Reserve Capacity, and that AEMO must follow in processing those applications. These changes were captured in the guideline published by AEMO on 1 June 2016.<sup>2</sup>
- Reflect the amendments to the WEM Rules which will commence on 1 October 2017. These amendments introduce the new Appendix 10, which details the process to determine Relevant Demand for Demand Side Programmes.

### 2.2 Proposed drafting

AEMO published a draft of the proposed Procedure for consultation. The Procedure as drafted is available at: [http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2017\\_04](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2017_04).

AEMO also provided a marked-up version of the revised Procedure.

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<sup>2</sup> See <http://aemo.com.au/Electricity/Wholesale-Electricity-Market-WEM/Reserve-capacity-mechanism/Certification-of-reserve-capacity>.





## 3. CONSULTATION PROCESS

### 3.1 Market Advisory Committee or Working Group

As the MAC Working Group was not constituted in time for the Procedure Change Proposal, a draft version of the Procedure was presented at the AEMO WEM Procedure Change workshop held on 29 May 2017. Details of this forum are available at: <http://aemo.com.au/Stakeholder-Consultation/Industry-forums-and-working-groups/WA-Forums>. Minor changes to improve clarity were recommended by stakeholders.

On 13 July 2017, AEMO discussed further amendments to the Procedure and the upcoming extension notice at the AEMO Procedure Change Working Group. Details are available at <http://aemo.com.au/Stakeholder-Consultation/Industry-forums-and-working-groups/WA-Forums/WEM-APCWG>.

In accordance with clause 2.10.9 of the WEM Rules, AEMO notified the MAC once the Procedure Change Proposal was published, and noted that the Rule Change Panel would convene a meeting of the MAC should two or more members request it. The Rule Change Panel did not convene a meeting of the MAC in regard to this Procedure Change Proposal.

### 3.2 Public Workshop

No public workshops were held in relation to this Procedure Change Proposal.

### 3.3 Submissions received during consultation period

AEMO published the Procedure Change Proposal (AEPC\_2017\_04) and issued a notice calling for submissions on 27 June 2017.

Alinta Energy provided an initial submission requesting an extension of the consultation period, suggesting that the amended Procedure may not be consistent with the WEM Rules as a result of the Amending Rules gazetted by the Minister for Energy on 23 June 2017. AEMO agreed with Alinta's submission and developed further amendments so that the Procedure would be consistent with the WEM Rules, as amended by the Minister. The extension notice and further amendments to the Procedure were published on 21 July 2017.

The submission period closed on 8 August 2017 with submissions received from Alinta Energy (a second submission) and Bluewaters Power. Informal comments were received which improved the clarity of the Procedure. In general, stakeholders suggested that the Procedure would benefit from clarification in several steps as well as various typographical matters.

AEMO has provided responses to matters identified. Following consultation, AEMO amended the Procedure in line with suggestions made to increase clarity.

Copies of submissions received during the submission period are available at: [http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2017\\_04](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2017_04).

#### 3.3.1 Specific comments

##### General

Alinta Energy commented on various steps.

Alinta Energy noted that, with the gazetted amendments of the GIA scheme on 23 June 2017, the proposed Procedure may not be consistent with the WEM Rules.



### **AEMO's response**

AEMO agreed with Alinta Energy and extended the consultation period accordingly.

### **Timing of 'not operational'**

Bluewaters Power commented on step 4.4.1.

Bluewaters Power noted that the Procedure did not clearly define when a Facility would become 'not operational', and suggested a clarification to specify that 'not operational' means a Facility is not operational by 1 October of Year 3 of the relevant Reserve Capacity Cycle.

### **AEMO's response**

AEMO has considered Bluewaters Power's proposal but concluded that step 4.4.1(a) (and the words 'not operational' in the context of step 4.4.1(a) as a whole) mirrors clause 4.11.1(c)(ii) of the WEM Rules. As such, AEMO has decided not to amend the Procedure as proposed. However, AEMO has amended the Procedure so as to reproduce the exact wording of clause 4.11.1(c)(ii) of the WEM Rules.

### **Determination of mandatory supporting information**

Alinta Energy commented on steps 3.1.6 and 3.1.7.

Alinta Energy noted that the determination of whether supporting information is mandatory or optional occurs outside the Procedure (in the Wholesale Electricity Market Systems (WEMS)). As such, AEMO may make unilateral amendments to the requirements, which could change a Market Participant's obligations regarding what supporting information is required, without adequate consultation. Alinta Energy preferred that the determination occur as part of the Procedure.

### **AEMO's response**

AEMO understands Alinta Energy's concern. However, determination of whether an item of information is mandatory is guided by the WEM Rules, and while specification may add clarity to the Procedure, this would restrict WEMS changes and may necessitate a Procedure Change Proposal for an administrative matter. As such, AEMO has decided against amending the Procedure as proposed.

### **Submitting applications**

Alinta Energy commented on steps 3.1.4 and 3.1.5.

Alinta Energy proposed the following re-drafting to increase clarity:

Step [x] Before submitting an application for a Facility under step 3.1.1, 3.1.2 or 3.1.3 an applicant must ensure that it is registered as a Market Participant.

Step [x] A Market Participant may then apply for certification of the amount of Reserve Capacity which can be provided by a Facility if:

(a) the Facility is a Registered Facility; or

(b) subject to step [x], the Facility is not a Registered Facility but the applicant intends to have the Facility registered by the commencement date of the Reserve Capacity Obligations for the relevant Reserve Capacity Cycle.

Step [x] If the Facility is not yet a Registered Facility then an applicant must ensure that a Facility name is registered in the WEMS for the purposes of Certified Reserve Capacity in accordance with the Procedure for Facility Registration, De-Registration and Transfer.

### **AEMO's response**

AEMO has amended steps 3.1.4 and 3.1.5 in line with Alinta Energy's suggestion.





### Notification of exceedance of outage rates

Alinta Energy commented on step 4.6.3.

Alinta Energy proposed that, as part of the notification to Market Participants, AEMO should inform an applicant as to how it has come to its conclusion, especially in the case where AEMO has “reason” to believe that a Facility will exceed the relevant outage rates.

#### AEMO’s response

AEMO understands Alinta Energy’s concerns and wishes to clarify the process. AEMO calculates outages in accordance with the relevant Power System Operation Procedure and does not forecast or estimate outages. For future time periods, AEMO uses information provided by the Participant from (for example) applications for Certified Reserve Capacity or outage requests. The term 'reason to believe' is therefore based only on the information provided that pertains to the future. Given this, AEMO has decided against amending the Procedure as proposed, but has added an indication of factors that may be assessed.

### Assignment of Certified Reserve Capacity

Alinta Energy commented on step 4.10.2.

This step notes that “some aspects of this notification to applicants may be provided through the WEMS”. Alinta Energy considered that this step should indicate what aspects are provided through WEMS and indicate that the remaining aspects will be provided to applicants in accordance with the Market Procedure: Notices and Communications.

#### AEMO’s response

AEMO understands Alinta Energy’s concern, however while specification may add clarity to the Procedure, this would restrict WEMS changes and may necessitate a Procedure Change Proposal for an administrative matter. As such, AEMO has decided against amending the Procedure as proposed.

### Notification of information by AEMO

Alinta Energy commented on step 4.10.2 (proposing new steps 4.10.2A and 4.10.2B).

Step 4.10.2 outlines the information AEMO must provide an applicant if it assigns Certified Reserve Capacity to a Facility (by referring to the information as specified in clause 4.9.9 of the WEM Rules). Alinta Energy noted that clause 4.9.9(e) of the WEM Rules outlines that AEMO must advise the applicant “upon the request of the applicant, of the calculations upon which AEMO’s determinations are based”. Alinta Energy considered that this information should be specifically referred to in the Procedure and proposed alternate drafting.

#### AEMO’s response

AEMO has amended the Procedure in line with the drafting proposed by Alinta Energy, adding new steps 4.10.3 and 4.10.4.

### Rejection of nomination

Alinta Energy commented on step 6.1.2, and proposed alternate drafting for this step.

#### AEMO’s response

AEMO has amended step 6.1.2 in line with Alinta Energy’s suggestion.



### **Reserve Capacity Obligation Quantity**

Alinta Energy commented on step 6.5.1.

This step only covers Intermittent Generators. Alinta Energy considered that the Procedure should describe setting the Reserve Capacity Obligation Quantity for other Facilities.

#### **AEMO's response**

AEMO has amended the Procedure to indicate that AEMO must set the initial Reserve Capacity Obligation Quantity for a generation system other than an Intermittent Generator in accordance with clause 4.12.4(b) of the WEM Rules.

### **General**

Alinta Energy commented on various steps noting typographical issues and suggested amendments to promote clarity.

#### **AEMO's response**

AEMO has amended the Procedure in line with Alinta Energy's suggestions.



## 4. AEMO'S ASSESSMENT

### 4.1 Further changes to the Procedure

In accordance with the submissions, AEMO has amended the Procedure to improve clarity in accordance with submissions.

A tracked-changes version indicating these amendments is available at:

[http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2017\\_04](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2017_04).

### 4.2 Consistency with Electricity Industry Act, WEM Regulations, and WEM Rules

The proposed Procedure has been reviewed as a whole by AEMO to ensure compliance with the relevant provisions in the:

- Electricity Industry Act.
- WEM Regulations.
- WEM Rules.

### 4.3 Consistency with Wholesale Market Objectives

The steps outlined in this revised Procedure describe the process Market Participants must follow in applying for Certified Reserve Capacity or Early Certified Reserve Capacity, and AEMO must follow in processing those applications. This includes assigning Certified Reserve Capacity, setting Reserve Capacity Obligation Quantities, and approving Early Certified Reserve Capacity.

AEMO considers that the steps are drafted in a way that is consistent with the objectives of the WEM Rules. As a result, AEMO considers that the revised Procedure, as a whole, is consistent with the Wholesale Market Objectives.

### 4.4 Implementation of the Procedure

The Procedure was developed in accordance with clauses 4.9.10 and 4.28C.15 of the WEM Rules. This Procedure does not require system changes by AEMO.

The Procedure will not require Rule Participants to implement any procedural or system amendments before commencement.

Consequently, AEMO considers that the commencement at 8.00 am AWST on 1 October 2017 will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance with the amended Procedure.

### 4.5 AEMO's decision and commencement

AEMO's decision is to accept the Procedure as amended following the consultation period. The revised Market Procedure: Certification of Reserve Capacity will commence at 8.00 am AWST on 1 October 2017.

AEMO has made this decision on the basis that the revised Procedure:

- Is consistent with the Wholesale Market Objectives.
- Is consistent with the Electricity Industry Act, WEM Regulations and WEM Rules.
- Has the general support of submissions received during the consultation period.



Additional detail outlining the analysis behind AEMO's decision is outlined in section 3 of this Procedure Change Report.

The revised Market Procedure: Certification of Reserve Capacity is available at:

[http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2017\\_04](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2017_04).