



# WHOLESALE ELECTRICITY MARKET

## PROCEDURE CHANGE REPORT: AEPC\_2017\_09

MARKET PROCEDURE: RESERVE CAPACITY PERFORMANCE  
MONITORING

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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: Reserve Capacity Performance Monitoring (Procedure) under the Wholesale Electricity Market (WEM) Rules.

## Proposed amendments

The proposed revised Procedure has been developed in accordance with clause 4.27.12 of the WEM Rules, which requires AEMO to document the process by which AEMO performs Reserve Capacity monitoring and list the documents and other items that may be required by AEMO as supporting evidence.

## Consultation

As the Market Advisory Committee (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 26 June 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.

The MAC did not meet regarding this Procedure Change Proposal, and no public workshops were held in relation to this Procedure Change Proposal.

AEMO published the Procedure Change Proposal (AEPC\_2017\_09) and issued a notice calling for submissions on 6 July 2017. The submission period closed on 3 August 2017 with submissions received from Alinta Energy and Bluewaters Power. Both respondents:

- (a) Supported the proposed drafting and agreed with AEMO that the Procedure meets the rule requirements and the Wholesale Electricity Market Objectives, or did not comment to the contrary.
- (b) Indicated a need to exercise care in obtaining further consultation on Reserve Capacity Performance Reports and Reserve Capacity Improvement Reports to ensure that any expense is prudent, with Alinta Energy proposing wording to achieve this.

Alinta Energy indicated a need for clarity in information regarding Reserve Capacity Performance Reports, and provided various suggestions to improve the clarity of the Procedure. AEMO has responded to matters identified. AEMO agrees that any expenses incurred should be prudent, and has accepted suggestions to clarify information.

Informal comments were received which added clarity to 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 Electricity Industry Act, the WEM Regulations and the WEM Rules.

## Next steps

The revised Market Procedure: Reserve Capacity Performance Monitoring will commence at 8:00 AM 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 as part of the Electricity Market Review.<sup>1</sup>

Clause 4.27.12 of the WEM Rules requires AEMO to document the process by which AEMO performs Reserve Capacity monitoring and list the documents and other items that may be required by AEMO as supporting evidence. This clause provides that:

*4.27.12. AEMO must document the procedure to be followed in performing Reserve Capacity monitoring in a Market Procedure, and AEMO and Market Participants must follow that documented Market Procedure in the performance of Reserve Capacity monitoring. Amongst other things, the Market Procedure must list the documents and other items that may be required by AEMO as supporting evidence in accordance with clause 4.27.11D.*

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

## 1.3 Procedure Change Process and Timetable

On 6 July 2017, AEMO published a Procedure Change Proposal (AEPC\_2017\_09) for the Market Procedure: Reserve Capacity Performance Monitoring and issued a call for submissions, which are available at: [http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2017\\_09](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2017_09).

The proposal was progressed using the Procedure Change Process specified in clause 2.10 of the WEM Rules, with submissions required by 3 August 2017.

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<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:

- Increase clarity and update the current format.
- Reflect the amendments to the WEM Rules that were gazetted by the Minister for Energy on 31 May 2016, the last of which will commence on 1 October 2017.<sup>2</sup> These amendments included changes to the frequency and type of reporting arrangements within the Reserve Capacity performance monitoring processes.

### 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\\_09](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2017_09).

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

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<sup>2</sup> Until such time as the Minister publishes a notice in the Gazette indicating the commencement time of the amending rules set out in Schedule B, Part 4.



## 3. CONSULTATION PROCESS

### 3.1 Market Advisory Committee or Working Group

As the Market Advisory Committee (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 26 June 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.

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\_09) and issued a notice calling for submissions on 6 July 2017. The submission period closed on 3 August 2017 with submissions received from Alinta Energy and Bluewaters Power. Informal comments were received which enhanced the clarity of the Procedure.

Both respondents:

- (a) Supported the proposed drafting and agreed with AEMO that the Procedure meets the rule requirements and the Wholesale Electricity Market Objectives, or did not comment to the contrary.
- (b) Indicated a need to exercise care in obtaining further consultation on Reserve Capacity Performance Reports and Reserve Capacity Improvement Reports to ensure that any expense is prudent, with Alinta Energy proposing wording to achieve this.

Alinta Energy also indicated a need for clarity in information regarding Performance Reports, and provided various suggestions to improve the clarity of the Procedure.

AEMO has provided responses to matters identified. AEMO agrees that any expenses incurred should be prudent, and has accepted suggestions to clarify information.

Copies of submissions received during the submission period are available at:

[http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2017\\_09](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2017_09).

#### 3.3.1 Specific comments

##### Consultation on Reserve Capacity Performance Reports and Reserve Capacity Improvement Reports

Alinta Energy and Bluewaters Power commented on step 2.1.5.

Both Alinta Energy and Bluewaters commented on how the relevant participant can be reassured that any costs associated with this step are reasonable. Bluewaters indicated that AEMO should exercise care to ensure that any expense will be incurred in a prudent manner. Alinta Energy proposed wording to achieve this.



### **AEMO's response**

AEMO has amended the Procedure to add step 2.1.6 in line with Alinta Energy's proposal.

### **Assessment matters to take into account**

Alinta Energy commented on step 2.1.4.

Alinta Energy considered that this step could be enhanced by giving examples of the matters AEMO may consider when making this assessment (drafted as an "including, but not limited to" list). The inclusion of such a list will ensure that the Procedure provides additional guidance and relevant information to participants.

### **AEMO's response**

AEMO has amended the Procedure to provide further clarity in line with Alinta Energy's suggestion.

### **Reserve Capacity Progress Report template**

Alinta commented on step 4.2.2 (now step 4.2.1).

Alinta Energy considered that the Reserve Capacity Progress Report template should be included in the Procedure to ensure AEMO is not able to make unilateral amendments to this template which could place additional burden on a Market Participant's reporting requirements without adequate consultation.

### **AEMO's response**

AEMO understands Alinta Energy's concerns, but has decided to retain the template as a separate document. The reason for this is:

1. The template cannot request information that is not permitted under the Procedure, which limits any burden on Market Participants.
2. The template may need to be varied for minor matters to improve clarity. By incorporating the template within the Procedure, AEMO would be required to undergo the full Procedure Change Process, which increases the cost and burden on both AEMO and Market Participants for small administrative changes.
3. The requirements of the template may change between Reserve Capacity Cycles, which would place an administrative burden on both AEMO and Market Participants.

### **Completion of Reserve Capacity Progress Reports**

Alinta Energy commented on step 4.2.3 (now 4.2.2).

Alinta Energy considered that a report could be finalised without all details being completed, and proposed alternative drafting.

### **AEMO's response**

AEMO has reviewed the clause, and determined that the additional clarity is already provided in step 4.2.4 (now 4.2.3).

### **General**

Alinta Energy commented on various steps, and made suggestions to improve clarity of the Procedure, including re-ordering and streamlining.

### **AEMO's response**

AEMO has adopted suggestions for steps 1.4, 4.1.1, and 4.2.1 (now step 4.1.2) and has amended the Procedure in line with the suggestions, although AEMO has maintained consistency with the existing





WEM Rules in the use of “confirmed” for step 4.2.1. AEMO has revised the Reserve Capacity Progress Report template, which will be published prior to commencement of the amended Procedure.

AEMO considers the remaining suggestions to re-order and streamline are valuable, but sees benefit in the more expansive approach taken in the Procedure. As such, the suggestions for the following steps have not been adopted:

- 3.1.2 and 3.1.3(h);
- 3.2.2 and 3.2.3(f);
- 4.2.3 (now 4.2.2);
- 4.2.5 (now 4.2.4); and
- 4.2 and 4.4, 4.3 and 4.5.

## 4. AEMO'S ASSESSMENT

### 4.1 Further changes to the Procedure

In accordance with the submissions, AEMO has made the following revisions to the Procedure:

- a) AEMO agrees that any expenses incurred should be prudent, and has accepted suggestions to clarify information.
- b) AEMO has also revised the Procedure to improve clarity in line with comments received.

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

[http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2017\\_09](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2017_09).

### 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 by which AEMO performs Reserve Capacity monitoring and lists the documents and other items that may be required by AEMO as supporting evidence.

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 revised Procedure was developed in accordance with clause 4.27.12 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 on 1 October 2017 will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance.

### 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: Reserve Capacity Performance Monitoring will commence at 8:00 AM 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: Reserve Capacity Performance Monitoring is available at:

[http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2017\\_09](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2017_09).