



Wholesale Electricity Market

Procedure Change Proposal No:
AEPC_2023_01

WEM Procedure: Supplementary Capacity

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Australian Energy Market Operator Ltd ABN 94 072 010 327

Executive Summary

Change requested by:	AEMO
Date submitted:	25 May 2023
Type of Procedure Change Proposal:	Replacement
Market Procedures affected:	WEM Procedure: Supplementary Reserve Capacity (to be renamed WEM Procedure: Supplementary Capacity)

The publication of this Procedure Change Proposal and the accompanying notice of call for submissions commences the Procedure Change Process conducted by AEMO under clause 2.10 of the Wholesale Electricity Market Rules (**WEM Rules**).

This Procedure Change Proposal relates to revisions being made to the *WEM Procedure: Supplementary Reserve Capacity (Procedure)*, which was last updated on 18 April 2017. As part of this Procedure Change Proposal, it is proposed that the Procedure be renamed to the *WEM Procedure: Supplementary Capacity*, to be consistent with an updated nomenclature introduced via the *Wholesale Electricity Market Amendment (Supplementary Capacity) Rules 2023*¹, gazetted on 28 April 2023.

AEMO has initiated this Procedure Change Proposal to replace the Procedure following amendments to the WEM Rules¹ arising from a review by the Coordinator into potential improvements in the procurement of supplementary capacity².

AEMO has identified that replacement of the Procedure is the preferred option to update the Procedure and improve consistency with other WEM Procedures for which AEMO is responsible.

In response to the Amending Rules, gazetted on 28 April 2023, the replacement Procedure will:

- clarify the role of Western Power in supporting a call for expressions of interest and the procurement of supplementary capacity services by AEMO.
- specify timelines for the provision of information and assistance to support the call for expressions of interest and procurement of supplementary capacity services.
- clarify information requirements for applicants who request assistance or an assessment by Western Power.
- reinforce alignment to the WEM Rules, as amended.

AEMO has also taken the opportunity to incorporate into the replacement Procedure the following minor and administrative changes:

- move the Procedure to AEMO's new WEM Procedure template.
- make editorial and typographical changes.

AEMO considers the proposed changes in the replacement Procedure are consistent with the WEM Rules, would better achieve Wholesale Market Objectives (a) and (d), and are consistent with all other objectives.

¹ Available at: <https://www.wa.gov.au/government/document-collections/wholesale-electricity-market-amendment-supplementary-capacity-rules-2023>.

² Available at: <https://www.wa.gov.au/government/document-collections/supplementary-reserve-capacity-review>.

Consultation on proposed changes

AEMO will hold an AEMO Procedure Change Working Group (APCWG) meeting on 14 June 2023 to provide an opportunity for engagement on the proposed changes.

AEMO is seeking comment and feedback on:

- whether the timelines indicated in the Procedure are reasonable.
- whether stakeholders believe there are any other relevant issues that have not been considered.
- whether the proposed changes to the Procedure effectively implement AEMO's intended outcomes and give effect to the Amending Rules.

AEMO invites stakeholders to suggest alternative options for drafting, where they consider these would improve the proposed Procedure or better meet the Wholesale Market Objectives in section 122(2) of the *Electricity Industry Act 2004* (and clause 1.2.1 of the WEM Rules).

AEMO also requests that stakeholders identify any unintended adverse consequences of the proposed replacement Procedure, as drafted.

Should any stakeholder want to discuss the impact of the proposed changes with AEMO, please contact the WA Reserve Capacity Team at wa.capacity@aemo.com.au.

Stakeholders are invited to submit written responses on the proposed amended Procedures to wa.marketdevelopment@aemo.com.au, by 5:00 PM (Australian Western Standard Time) on 23 June 2023 in accordance with the call for submissions published with this Procedure Change Proposal.

1. Procedure Change Process

Clause 2.10 of the WEM Rules outlines the Procedure Change Process.

AEMO may initiate the Procedure Change Process in respect of WEM Procedures for which it is responsible by developing a Procedure Change Proposal. Rule Participants may notify AEMO where they consider an amendment or replacement of a WEM Procedure would be appropriate.

If an Amending Rule requires AEMO to develop new WEM Procedures or to amend or replace existing WEM Procedures, then AEMO is responsible for the development, amendment, or replacement of WEM Procedures so as to comply with the Amending Rule.

Clause 2.9.3 of the WEM Rules states that WEM Procedures:

- (a) must:
 - (i) be developed, amended or replaced in accordance with the process in the WEM Rules;
 - (ii) be consistent with the Wholesale Market Objectives; and
 - (iii) be consistent with the WEM Rules, the Electricity Industry Act and the WEM Regulations; and
- (b) may be amended or replaced in accordance with section 2.10 of the WEM Rules and must be amended or replaced in accordance with section 2.10 of the WEM Rules where a change is required to maintain consistency with Amending Rules.

The Wholesale Market Objectives are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;

- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

AEMO has published this Procedure Change Proposal in accordance with the Procedure Change Process.

AEMO's indicative timeline for this consultation is outlined below. Dates may be adjusted depending on the number and complexity of issues raised in submissions and any meetings with stakeholders.

Process Stage	Indicative date
Publication of Procedure Change Proposal	25 May 2023
APCWG forum	14 June 2023
Closing date for submissions on Procedure Change Proposal	23 June 2023
Publication of Procedure Change Report	30 June 2023
Proposed commencement of amended WEM DER Register Information Procedure	1 July 2023

Before the closing date for submissions, stakeholders may request a meeting with AEMO to discuss the issues and proposed changes raised in this Procedure Change Proposal.

2. Background

2.1. Regulatory requirements

2.1.1. Changes to take effect on 1 July 2023

Amendments to clause 4.24.18 of the WEM Rules will commence on 1 July 2023 and require AEMO to document in a WEM Procedure:

- (a) the processes it follows in:
 - (i) acquiring Eligible Services;
 - (ii) entering into Supplementary Capacity Contracts; and
 - (iii) determining the maximum contract value per hour of availability for any Supplementary Capacity Contract;
- (b) requirements regarding the information and assistance AEMO may require from Western Power to support an expression of interest process or a procurement process for supplementary capacity under this section 4.24;
- (c) requirements, developed in consultation with Western Power, regarding the information that must be provided by those applying to provide Eligible Services, who request assistance or an assessment from Western Power in accordance with clause 4.24.18B;

- (d) timelines, developed in consultation with Western Power where applicable, for the provision of requested information and for assistance or an assessment of requests submitted; and
- (e) contact details for Western Power which must be used by AEMO or those applying to provide Eligible Services when assistance or assessment by Western Power is requested in accordance with clause 4.24.18B.

Text in green specifies new requirements introduced via the *Wholesale Electricity Market Amendment (Supplementary Capacity) Rules 2023*³ gazetted on 28 April 2023. Text in black above details existing requirements under the WEM Rules.

Other clauses in section 4.24, as amended, that are of relevance to this Procedure Change Proposal include:

4.24.1C	<p>Following the close of a call for expressions of interest for supplementary capacity in accordance with clause 4.24.1A, AEMO:</p> <p>[...]</p> <p>(b) must consult with Western Power on any network access matters related to the proposed Eligible Services specified in the responses in accordance with the WEM Procedure referred to in clause.4.24.18; [...]</p>
4.24.18A	<p>Western Power must provide information and respond to requests for assistance or assessment related to the provision of supplementary capacity under this section 4.24 in accordance with the WEM Procedure referred to in clause 4.24.18.</p>
4.24.18B	<p>A request to Western Power for assistance or an assessment by those applying to provide Eligible Services or a request to Western Power by AEMO must:</p> <p>(a) be in writing and addressed to the contact nominated by Western Power in the WEM Procedure referred to in clause 4.24.18;</p> <p>(b) allow sufficient time to enable Western Power to provide the assistance or make the assessment requested in accordance with the timelines specified under clause 4.24.18(d); and</p> <p>contain the information and analysis as may be required under the WEM Procedure referred to in clause 4.24.18.</p>

2.2. Context for this consultation

On 23 September 2022, AEMO published a call for tenders from potential providers of supplementary capacity ahead of the 2022-23 Hot Season.

Under clause 4.24.19, following each call for tenders for supplementary capacity, the Coordinator must review the supplementary capacity provisions of section 4.24 with regard to the Wholesale Market Objectives, and must undertake a public consultation process in respect of the outcome of the review. Energy Policy WA, on behalf of the Coordinator, is undertaking this review in two stages:

³ Available at: <https://www.wa.gov.au/government/document-collections/wholesale-electricity-market-amendment-supplementary-capacity-rules-2023>

- **Stage 1** - Review of the provisions related to the procurement of supplementary capacity.
- **Stage 2** - Review of the operation of the procured supplementary capacity services.

Full details of the review are provided in the Scope of Works, published by Energy Policy WA on the Western Australian Government website⁴.

Stage 1 of the review is now complete, following public consultation and written submissions on draft Amending Rules proposed in a consultation paper published on 7 March 2023⁵. The final outcomes of the review and the consultation process were detailed in the Stage 1 Information Paper⁶.

Amendments arising from the review include:

- new provisions relating to a discretionary and non-binding expressions of interest process, which AEMO may initiate at any time after 1 April, if it considers that there may be a requirement for supplementary capacity in the upcoming Hot Season.
- new provisions requiring the following matters to be addressed in the Procedure:
 - clarify Western Power's role in supporting the call for expressions of interest and procurement process.
 - specify timelines for the provision of information and/or assistance to support the call for expressions of interest and procurement processes.
 - detail the information requirements for parties requesting assessment or assistance from Western Power.
 - provide contact details to be used by parties requesting Western Power assistance.
- other amendments aimed at improving the efficiency of processes to procure Eligible Services.

Amendments relating to the Procedure are scheduled to commence on 1 July 2023.

This Procedure Change Proposal will ensure that the replacement Procedure aligns with the Amending Rules on commencement of relevant provisions on 1 July 2023.

2.3. Consultation

AEMO has consulted with Western Power via two workshops on 1 May 2023 and 10 May 2023 ahead of formal consultation on this Procedure Change Proposal.

AEMO will hold an AEMO Procedure Change Working Group (APCWG) meeting on 14 June 2023 to provide an opportunity for engagement on the proposed Procedure. Any stakeholder wishing to attend the APCWG meeting or discuss the proposed Procedure with AEMO should contact AEMO at wa.marketdevelopment@aemo.com.au.

AEMO is seeking comment and feedback on:

- whether the timelines indicated in the Procedure are reasonable.
- whether stakeholders believe there are any other relevant issues that have not been considered.

⁴ Available at: <https://www.wa.gov.au/government/document-collections/supplementary-reserve-capacity-review>.

⁵ Available at: <https://www.wa.gov.au/system/files/2023-03/SRC%20Review%20-%20Stage%201%20Consultation%20Paper.pdf>.

⁶ Available at: <https://www.wa.gov.au/system/files/2023-04/SRC%20Review%20-%20Stage%201%20Information%20Paper-r1.pdf>.

- whether the proposed changes to the Procedure effectively implement AEMO's intended outcomes and give effect to the Amending Rules.

AEMO invites stakeholders to suggest alternative options for drafting, where they consider these would improve the proposed Procedure or better meet the Wholesale Market Objectives in section 122(2) of the *Electricity Industry Act 2004* (and clause 1.2.1 of the WEM Rules).

AEMO also requests that stakeholders identify any unintended adverse consequences of the proposed replacement Procedure, as drafted.

Should any stakeholder want to discuss the impact of the proposed changes with AEMO, please contact the WA RCM Team at wa.capacity@aemo.com.au.

Stakeholders are invited to submit written responses on the proposed amended Procedures to wa.marketdevelopment@aemo.com.au, by 5:00 PM (Australian Western Standard Time) on 23 June 2023 in accordance with the call for submissions published with this Procedure Change Proposal.

3. Proposed procedure change

3.1. Detail of the proposed procedure changes - replacement Procedure to commence on 1 July 2023

The proposed replacement Procedure has been structured to step through the relevant processes⁷ that AEMO undertakes in:

- conducting a call for expressions of interest and assessing responses (paragraph 2); and
- procuring Eligible Services via either:
 - a tender process (paragraph 3); or
 - direct negotiation with potential suppliers (paragraph 4).

The replacement Procedure also provides new paragraphs to specify:

- elements of the process by which an applicant may request assistance or an assessment from Western Power (paragraph 3.2);
- Western Power's contact details for requests for information and assistance or an assessment (paragraph 5);
- settlement (paragraph 6); and
- the determination of the Maximum Contract Value (paragraph 7).

Other minor and administrative amendments include updating the document to AEMO's current Procedure template, removing duplicate information that is already contained in the WEM Rules, removing content that is inconsistent with the WEM Rules as amended, and amending paragraph 1 (Introduction) to align its content with that provided in other updated AEMO Procedures.

Provisions regarding the information and assistance that Western Power must provide to support AEMO in undertaking the call for expressions of interest and procurement process are specified in the relevant paragraph for each activity. AEMO has chosen to do this to make the Procedure more

⁷ Processes for which there is a head of power in the corresponding Procedure clauses.

accessible to the reader, as these requirements are situated at the relevant point in the process, rather than indicated in a separate section.

Similarly, AEMO has specified the timelines for the provision of information and assistance in paragraphs relevant to each activity to create a clear link between the requirements for provision of information and assistance and the corresponding timelines for these activities.

Information requirements for applicants requesting an assessment or assistance from Western Power under clause 4.24.18B are provided in Table 3, within paragraph 3.2.

Further detail on the proposed content of the replacement Procedure is provided in the following sections.

3.1.1. Undertaking a call for expressions of interest

Paragraph 2.1 outlines some elements of a call for expressions of interest for the provision of supplementary capacity services, including:

- information that AEMO may require from a respondent in the form specified under clause 4.24.1B(i) to be used in responding to the call for expressions of interest; and
- information that AEMO may include in the call for expressions of interest to provide guidance to those who may seek to provide a response to the call for expressions of interest, including instructions on how to respond, terms and conditions, timelines, assessment criteria, and any other information that may be relevant.

The WEM Rules require that, following a call for expressions of interest, AEMO must:

- consult with Western Power on any network access matters related to the proposed Eligible Services specified in the responses in accordance with the WEM Procedure (clause 4.24.1C(b)); and
- provide feedback to each respondent on whether AEMO or Western Power, as applicable, consider the Eligible Services they propose to provide would be capable of meeting the requirements outlined in the call for expressions of interest and contained in the standard Supplementary Capacity Contract (clause 4.24.1C(c)).

Consequently, paragraph 2.2 of the Procedure specifies:

- how AEMO is to consult with Western Power on network access matters, and request information and assistance from Western Power.
- provisions for Western Power to request additional information it requires to provide the assistance requested by AEMO.
- the assistance that Western Power must provide for matters for which AEMO has requested information or assistance, namely:
 - a categorisation of Proposed Services assessed as being ‘capable’ or ‘not capable’ of meeting the requirements in the call for expressions of interest and standard Supplementary Capacity Contract; and
 - the reasons for Western Power’s categorisation, including relevant supporting information such outputs of any associated modelling and analysis.
- timelines around the provision of information and assistance, including provisions around extensions of timelines, and the factors that will be considered in agreeing any such extension.

3.1.2. Procuring eligible services via a call for tenders

The WEM Rules require that the Procedure document the process AEMO follows in procuring Eligible Services (clause 4.24.18(a)(i)). One avenue for AEMO to procure Eligible Services is via a call for tenders from potential suppliers of supplementary capacity, and the WEM Rules specify the circumstances under which AEMO is to call for tenders in seeking to procure Eligible Services (clause 4.24.2).

Where AEMO decides to call for tenders, the WEM Rules require that AEMO determine the result of a call for tenders and enter into Supplementary Capacity Contracts in accordance with clause 4.24.8. Paragraph 3 of the proposed replacement Procedure contains relevant provisions regarding the procurement of eligible services via a call for tenders.

Paragraph 3.1 outlines some elements of a call for tenders for the provision of supplementary capacity services, including:

- information that AEMO may include in the call for tenders to provide guidance to prospective applicants, including instructions on how to respond, terms and conditions, timelines, assessment criteria, and any other information that may be relevant to the tender process; and
- the requirements of a valid tender, specifically that it must, unless otherwise agreed by AEMO:
 - be submitted by the advertised deadline;
 - contain information required to assess the tender and support technical assessment, including the information in Table 3 of the Procedure; and
 - indicate whether the applicant has requested assistance or an assessment under clause 4.24.18B.

The WEM Rules specify that those applying to provide an Eligible Service may request assistance or an assessment from Western Power under clause 4.24.18B, and that Western Power must provide information and respond to requests for assistance or assessment in accordance with the Procedure (clause 4.24.18A). The WEM Rules also require that the Procedure document the information that must be provided by applicants who request assistance or an assessment from Western Power in accordance with clause 4.24.18B (clause 4.24.18(c)).

Paragraph 3.2 contains the provisions relating to the process by which an applicant can request assistance or an assessment from Western Power, including:

- the information the applicant must provide to Western Power – outlined in Table 3 – unless otherwise agreed by Western Power. The information in Table 3 is organised by sub-type of Eligible Services specified in clause 4.24.3, as the information requirements may differ by service type;
- the timelines that Western Power must adhere to in acknowledging a request for assistance or an assessment from an applicant and in responding to a request;
- conditions under which Western Power may decide not to provide assistance or an assessment, specifically where Western Power determines that the request relates to a service that is substantively the same as a service categorised as not capable of meeting the requirements of the call for expressions of interest and/or Supplementary Capacity Contract; and
- a requirement for an applicant to advise AEMO of the outcome of any request.

Paragraph 3.2 has been included within paragraph 3 as AEMO considers that this is the point in the process whereby an applicant would seek assistance or an assessment from Western Power. Including

the relevant provisions here places these matters in context of the overall process and improves accessibility of the document.

Paragraph 3.3 of the proposed replacement Procedure relates to the processes that are undertaken in assessing and determining the result of a call for tenders and entering into related Supplementary Capacity Contracts for Eligible Services. Provisions in the proposed replacement Procedure specify:

- AEMO activities in determining whether a proposed service is an Eligible Service, and resultant actions;
- how AEMO may request information and assistance from Western Power to assess an Eligible Service in accordance with clause 4.24.8 and any assessment criteria for the tender process;
- the matters in relation to which AEMO may request Western Power's assistance, namely:
 - any identified network access matters related to Proposed Services contained in responses to the call for expressions of interest; and
 - any other information that AEMO considers is likely to be available to Western Power that will assist in assessing the proposed Eligible Service; and
- the assistance that Western Power must provide for matters for which AEMO has requested information or assistance;
- how AEMO must consider Western Power's response in assessing tenders and entering into Supplementary Capacity Contracts; and
- timelines around the provision of information and assistance required to support the procurement process via a call for tenders.

3.1.3. Procuring Eligible Services via direct negotiation

The second avenue for AEMO to procure Eligible Services is via direct negotiation with potential suppliers under clause 4.24.2(b)(ii). Paragraph 4.1 of the Procedure relates to the procurement of Eligible Services via direct negotiation, and specifies:

- how AEMO is to request information and assistance from Western Power, including the information that AEMO is to provide to Western Power to support the request for assistance;
- the assistance that Western Power must provide for matters for which AEMO has requested information or assistance; and
- timelines around the provision of information and assistance, to support the procurement of Eligible Services via direct negotiation.

3.1.4. Western Power contact details

The WEM Rules require that the Procedure provides the contact details to be used for requests for information, assistance and an assessment from Western Power (clause 4.24.18(e)). Paragraph 5 provides this information separately for clarity and ease of updating, as and when required. As drafted, Western Power will be able to advise of an alternative contact for requests.

3.1.5. Settlement

Paragraph 6 relates to settlement of supplementary capacity payments and will be updated to specify that:

- settlement for providers that are Market Participants will be in accordance with Chapter 9.
- calculation of supplementary capacity payments for providers that are not Market Participants will be undertaken in accordance with the Supplementary Capacity Contract.
- supplementary capacity payments to providers that are not Market Participants will be in accordance with and by the date and time specified in the Supplementary Capacity Contract.

3.1.6. Determination of Maximum Contract Value

Provisions regarding the determination of Maximum Contract Value have been moved into a dedicated paragraph (paragraph 7) to improve accessibility of this information. Paragraph 7 comprises information contained in paragraph 2.3 of the current Procedure, and an updated version of the example calculation of Maximum Contract Value and Maximum Availability Percentage that is provided as Appendix A of the current Procedure. In the proposed replacement Procedure, the example calculation is provided within an explanatory textbox and moved into the body of the Procedure. The formatting of paragraph 7 and the associated example calculation has been updated to improve readability of the mathematical equations and calculations. Other minor amendments to the content in paragraph 7 include updated document references and more up-to-date values within the example calculation.

3.1.7. Other minor and administrative amendments

The proposed replacement Procedure contains a number of minor administrative amendments to align the document with AEMO's current template and to improve alignment with the WEM Rules.

Introductory content in paragraph 1 has been revised to be consistent with that contained in other Procedures for which AEMO is responsible and outlines the purpose and scope of the Procedure (paragraph 1.1.); definitions (paragraph 1.2); matters of interpretation (paragraph 1.3); and related documents (paragraph 1.4). Paragraph 1.5, relating to information confidentiality, has been drafted to facilitate the sharing of information between AEMO and Western Power as part of the call for expressions of interest and procurement process.

Much of the content in the current Procedure is a reproduction of clauses in the WEM Rules. Where the WEM Rules specifically cover activities undertaken to support the procurement of supplementary capacity, this content has been deleted from the Procedure, consistent with current practice.

Further, paragraph 2.9 of the current Procedure is no longer consistent with the WEM Rules, as the responsibility for reviewing the provisions of section 4.24 of the WEM Rules following each call for supplementary capacity now sits with the Coordinator. Accordingly, this paragraph has been removed from the Procedure.

3.2. Proposed drafting

AEMO has published a draft version of the amended WEM Procedure: Supplementary Capacity incorporating the changes AEMO proposes for consultation. The draft Procedure is available [here](#).

4. Other matters

AEMO has consulted with Western Power on the proposed Procedure changes via two workshops, held on 1 May 2023 and 10 May 2023 and follow-up written communication. Western Power input provided

via these workshops and associated written communication has been considered in developing the proposed replacement Procedure.

5. Summary of matters for consultation

AEMO is seeking comment and feedback on:

- whether the timelines indicated in the Procedure are reasonable.
- whether stakeholders believe there are any other relevant issues that have not been considered.
- whether the proposed changes to the Procedure effectively implement AEMO's intended outcomes.

AEMO invites stakeholders to suggest alternative options for drafting, where they consider these would improve the proposed Procedures or better meet the Wholesale Market Objectives in section 122(2) of the *Electricity Industry Act 2004* (and clause 1.2.1 of the WEM Rules).

AEMO also requests that stakeholders identify any unintended adverse consequences of the proposed replacement Procedure, as drafted.

Should any stakeholder want to discuss the impact of the proposed changes with AEMO, please contact the WA RCM Team at wa.capacity@aemo.com.au.

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