

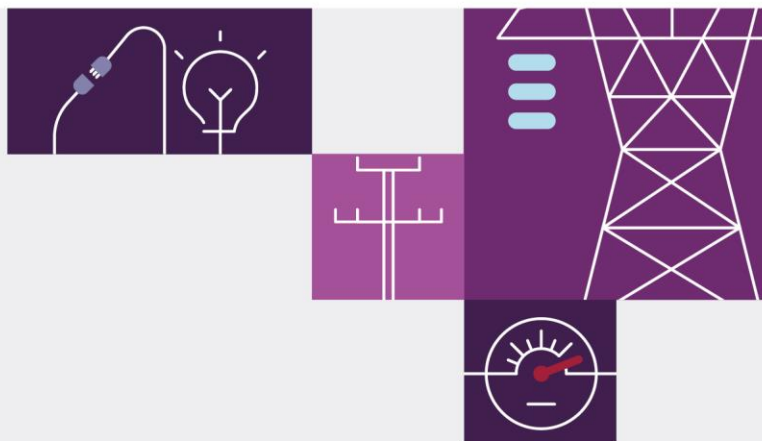
Wholesale Electricity Market

Procedure change report: AEPC_2023_02

August 2023

WEM Procedure: Reserve Capacity Security





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Executive summary

Purpose

The publication of this Procedure Change Report and the accompanying Wholesale Electricity Market Procedure (**WEM Procedure**) completes the Procedure Change Process conducted by AEMO to consider proposed amendments to the WEM Procedure: Reserve Capacity Security (**Procedure**) under the Wholesale Electricity Market Rules (**WEM Rules**).

Proposed amendments

AEMO proposed to amend the Procedure as follows:

- To allow Market Participants to submit electronically executed Security Deposit deeds and guarantees or bank undertakings.
- To require hard copies of guarantees and bank undertakings to be submitted before the deadline in clause 4.1.13.
- To update the Required Level calculations to account for Separately Certified Components from the 2023-24 Capacity Year, in line with the [Wholesale Electricity Market Amendment \(Tranche 5 Amendments\) Rules](#).
- Minor and administrative changes, including:
 - Updating to the current version of AEMO's WEM Procedure template.
 - Removal of paraphrasing and direct quotations of the WEM Rules.
 - Minor typographical and formatting changes.

Consultation

First round of consultation

On 14 June 2023, AEMO held an AEMO Procedure Change Working Group (**APCWG**) meeting to discuss the proposed amendments with interested stakeholders.

AEMO published the [Procedure Change Proposal \(PCP\)](#) and issued a call for submissions on 20 June 2023.

The submission period closed on 18 July 2023. No submissions were received.

Second round of consultation

After the closure of the first round of consultation, AEMO undertook additional consultation on further amendments related to guarantees and bank undertakings.

AEMO released a revised PCP on 21 July 2023. The submission period closed on 28 July 2023. No submissions were received.

AEMO's decision

AEMO considers the revised Procedure is consistent with the WEM Rules, would better achieve Wholesale Market Objectives (a) and (d), and is consistent with all other objectives.

The revised Procedure is also consistent with the *Electricity Industry Act 2004* (WA), the *Electricity Industry (Wholesale Electricity Market) Regulations 2004* (WA) (**WEM Regulations**), and the WEM Rules.

As such, AEMO's decision is to accept the Procedure.

Next steps

There will be two stages of release timeframes for the Procedure changes:

- The revised WEM Procedure: Reserve Capacity Security Version 6.0 will commence at 8:00 am on 18 August 2023.
- The revised WEM Procedure: Reserve Capacity Security Version 7.0 will commence at 8:00 am on 2 October 2023.



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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 section 2.10 of the WEM Rules.

1.2 Context

AEMO undertook this Procedure Change Process to streamline the Reserve Capacity Security process based on the operational experience of processing Reserve Capacity Security for the 2022 Reserve Capacity Cycle.

Amendments are also made to accommodate requirements under the [Wholesale Electricity Market Amendment \(Tranche 5 Amendments\) Rules](#) which are expected to commence on 2 October 2023.

1.3 Procedure change process and timetable

On 20 June 2023, AEMO published the Procedure Change Proposal (**PCP**) and issued a call for submissions. The proposal was progressed using the Procedure Change Process specified in section 2.10 of the WEM Rules with submissions required by 18 July 2023.

On 21 July 2023, AEMO published a revised PCP and issued a call for submissions. The proposal was progressed under modified timeframes using the Procedure Change Process specified in section 2.10.17 of the WEM Rules with submissions required by 28 July 2023.

2 Proposed procedure change

This section details the changes that AEMO proposed when the calls for submissions were published.


2.1 Detail of the proposed procedure change

2.1.1 Operational changes

The PCP released on 20 June 2023 included operational changes to allow Market Participants to submit electronic versions of Security Deposits and guarantees or bank undertakings to AEMO.

Under paragraphs 3.4.1 and 3.5.5 of the WEM Procedure: Reserve Capacity Security (effective 1 July 2020), Market Participants were required to submit original hard copies of Security Deposit deeds and guarantees or bank undertakings to AEMO before the deadline for providing Reserve Capacity Security.

In 2022, there were amendments to the *Corporations Act 2001* (Cth) which allow documents (including deeds) executed under sections 126 and 127 of that Act to be signed in electronic form and using electronic means. AEMO has considered this legislative change and changes in standard business practices in recent years and



acknowledges that submitting a hardcopy of documents in tight timeframes set by the WEM Rules and the Procedure may be onerous for Market Participants whose Directors and/or Company Secretary are not located in Perth.

The revisions to the Procedure published on 20 June 2023 allowed Market Participants to submit either an electronic or hard copy original before the deadline to provide Reserve Capacity Security. Original hard copies were required to be submitted to AEMO within 20 Business Days.

2.1.2 Additional consultation on guarantees and bank undertakings

A revised PCP was published on 21 July 2023, including further changes from AEMO relating to guarantees and bank undertakings, and a revision following feedback at the AEMO Procedure Change Working Group (APCWG) meeting.

After further investigation, AEMO identified that some security providers require original hard copies of guarantees or bank undertakings to be presented to draw upon a guarantee or bank undertaking. AEMO considers there is significant risk if it is unable to draw upon the guarantee if an original is not provided, as it may result in customers paying for capacity that is not delivered. To address the risk, AEMO made updates to the Procedure to require hard copies of guarantees and bank undertakings to be submitted before the deadline in clause 4.1.13.

At the AEMO Procedure Change Working Group on 14 June 2023, a Market Participant requested AEMO to review the arrangements for electronic signatures. AEMO has subsequently revised the WEM Procedure to allow Market Participants to submit electronically executed Security Deposit deeds. Original hard copies of these documents are still required to be submitted to AEMO within 20 Business Days as per the revisions published on 20 June 2023.

2.1.3 WEM Reform changes

The introduction of the concept of Separately Certified Components for the 2021 Reserve Capacity Cycle required changes to several calculations performed during the 2023-24 Capacity Year. These changes were included in the PCP published on 20 June 2023 and were not revised following consultation.

Reserve Capacity Security is returned when a Facility or an upgrade to a Facility achieves output of at least 90% of its Required Level, which is calculated in accordance with the WEM Procedure: Reserve Capacity Security. From 1 October 2023, a Scheduled Facility or Semi-Scheduled Facility's Required Level must be calculated by summing the Required Level for each of its Separately Certified Components.

The Procedure has been amended to include the calculation of the Required Level for Non-Intermittent Generating Systems, Intermittent Generating Systems, and Electric Storage Facilities that are Separately Certified Components of Scheduled Facilities or Semi-Scheduled Facilities.

Two separate methodologies for calculating Required Level for Non-Scheduled Facilities are included in the updated WEM Procedure, depending on whether the Facility's Certified Reserve Capacity application was assessed via the Relevant Level Methodology or Linearly Derating Capacity.

The processes for returning Reserve Capacity Security will continue to be at the Facility level.

2.1.4 Minor changes

AEMO has made the following additional changes to the WEM Procedure:

- Updated to the current version of AEMO's WEM Procedure template.
- Removal of paraphrasing and direct quotations of clauses of the WEM Rules.
- Other minor typographical and formatting changes.

2.2 Proposed drafting

AEMO published drafts of the proposed Procedure for consultation. Clean and change-marked versions are available at: <https://www.aemo.com.au/energy-systems/electricity/wholesale-electricity-market-wem/procedures-policies-and-guides/procedures/ongoing-procedure-change-proposals>.

3 Consultation process

3.1 Market Advisory Committee and Working Group

3.1.1 AEMO Procedure Change Working Group

An overview of the proposed amended WEM Procedure was presented at the APCWG meeting held on 14 June 2023.

In relation to the proposed changes, a stakeholder raised a query about whether AEMO would be accepting digital signatures. AEMO advised that it would investigate this request and recommended the stakeholder make a submission highlighting their feedback.

The papers and minutes from the meeting can be found at: <https://aemo.com.au/consultations/industry-forums-and-working-groups/list-of-industry-forums-and-working-groups/wem-aemo-procedure-change-working-group>.

3.2 Submissions received during the consultation period

AEMO published the PCP and issued a call for submissions on 20 June 2023. The submission period closed on 18 July 2023. AEMO received no submissions.

AEMO initiated an additional consultation and the revised PCP was published on 21 July 2023. The submission period closed on 28 July 2023. AEMO received no submissions.

4 AEMO's assessment

4.1 Consistency with Electricity Industry Act, WEM Regulations, and WEM Rules

The revised Procedure has been reviewed by AEMO to ensure compliance with the relevant provisions in the:

- *Electricity Industry Act 2004* (WA).
- WEM Regulations.
- WEM Rules.

4.2 Consistency with Wholesale Market Objectives

AEMO considers the revised Procedure is consistent with the WEM Rules, would better achieve Wholesale Market Objectives (a) and (d), and is consistent with all other Wholesale Market Objectives.

4.3 AEMO's decision

AEMO's decision is to accept the Procedure, as amended during the consultation process.

AEMO has made this decision on the basis that:

- The revised Procedure is consistent with:
 - The *Electricity Industry Act 2004*, WEM Regulations 2004, and WEM Rules.
 - The Wholesale Market Objectives and may better address objectives (a) and (d).
- AEMO received no submissions on the proposed amendments.
- The amendments support Market Participant operations and align the Procedure with standard business practices and changes to the *Corporations Act 2001* (Cth).
- The amendments for October update the Required Level calculations to align with the changes from the introduction of the [Wholesale Electricity Market Amendment \(Tranche 5 Amendments\) Rules](#).

4.4 Implementation of the Procedure

The amended Procedure relating to changes to allow electronic copies of Security Deposit deeds (version 6.0) will commence at 8:00 am on 18 August 2023.

The amended Procedure relating the Wholesale Electricity Amendment (Tranche 5 Amendments) Rules (version 7.0) will commence at 8:00 am on 2 October 2023.

Both versions of the revised WEM Procedure: Reserve Capacity Security are available at https://www.aemo.com.au/consultations/current-and-closed-consultations/aepc_2023_02.