

MARKET PROCEDURE: DETERMINATION OF DSM DISPATCH PAYMENT TRANCHES AND ADJUSTMENTS

PREPARED BY: AEMO Market Operations (WA)
DOCUMENT REF:
VERSION: 1.0
EFFECTIVE DATE: 1 October 2017
STATUS: DRAFT FOR CONSULTATION

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VERSION RELEASE HISTORY

| Version | Effective Date | Summary of Changes |
|---------|----------------|---|
| 1.0 | 1 October 2017 | New Market Procedure as required by amending Wholesale Electricity Market Rules |

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1. PROCEDURE OVERVIEW

1.1. Relationship with the Wholesale Electricity Market Rules

- 1.1.1. This Market Procedure: Determination of DSM Dispatch Payment Tranches and Adjustments (Procedure) is developed in accordance with clauses 6.17.6B and 6.17.6F of the Wholesale Electricity Market Rules (WEM Rules).
- 1.1.2. Reference to particular WEM Rules within the Procedure, which are in bold and square brackets **[Clause XX]**, are current as of 1 October 2017. These references are included for convenience only and are not part of this Procedure.

1.2. Interpretation

- 1.2.1. In this Procedure:
- (a) Terms that are capitalised but not defined in this Procedure have the meaning given in the WEM Rules.
 - (b) To the extent that this Procedure is inconsistent with the WEM Rules, the WEM Rules prevail to the extent of the inconsistency.
 - (c) A reference to the WEM Rules or Market Procedures includes any associated forms required or contemplated by the WEM Rules or Market Procedures.
 - (d) Words expressed in the singular include the plural or vice versa.

1.3. Purpose and application of this Procedure

- 1.3.1. The purpose of this Procedure is to describe:
- (a) The methodology used to calculate Tranche 2 DSM Dispatch Payments and Tranche 3 DSM Dispatch Payments for Demand Side Programmes; and
 - (b) The procedure for adjusting relevant calculation parameters if the number of DSM Capacity Credits assigned to a Demand Side Programme changes during the Capacity Year.
- 1.3.2. This Procedure applies to AEMO (including in its capacity as System Management) and other Rule Participants.

1.4. Associated documents

- 1.4.1. The following Market Procedures (available on the Market Web Site¹) provide background information to this Procedure:
- (a) Determination of Expected DSM Dispatch Quantity and DSM Activation Price.
 - (b) Settlement.
 - (c) The Power System Operation Procedure relating to clause 7.13.5 (b).²

¹ <http://aemo.com.au/Electricity/Wholesale-Electricity-Market-WEM/Procedures>.

² At the time of publication the Power System Operation Procedure relating to clause 7.13.5 (b) had not been published.

1.5. Terminologies and Definitions

- 1.5.1. A word or phrase defined in the Electricity Industry Act, the WEM Regulations, or the WEM Rules has the same meaning when used in this Procedure.
- 1.5.2. In addition, the following defined term has the meaning given.

Table 1 Defined Terms

| Term | Definition |
|--|--|
| DSP Dispatch Instruction Payment (DSP DIP) | A subset of the Non-Balancing Facility Dispatch Instruction Payment. It is the dispatch payment for a Demand Side Programme for a Trading Interval, determined in accordance with clauses 6.17.6C to 6.17.6E. (This excludes any dispatch payments to Dispatchable Loads.) |

2. METHODOLOGY FOR DETERMINING TRANCHE 2 AND TRANCHE 3 DSM DISPATCH PAYMENTS

2.1. Rule requirement

- 2.1.1. AEMO must calculate the DSP Dispatch Instruction Payment (DSP DIP), for Market Participant p and Trading Interval t of Trading Day d as the sum over all Demand Side Programmes registered to Market Participant p of the amount that is the product sum of **[Clause 6.17.6(c)]**:
- the Tranche 2 DSM Dispatch Payments; and
 - the Tranche 3 DSM Dispatch Payments.
- 2.1.2. AEMO must determine the DSP DIP subject to clauses 6.17.6D and 6.17.6E as follows **[Clause 6.17.6C]**:
- (Tranche 1)** while the Demand Side Programme's Cumulative Annual DSM Dispatch for a Capacity Year is less than or equal to the Demand Side Programme's Calculated DSP Quantity – the DSP DIP for each MWh of Deemed DSM Dispatch is zero;
 - (Tranche 2)** once the Demand Side Programme's Cumulative Annual DSM Dispatch for a Capacity Year exceeds the Demand Side Programme's Calculated DSP Quantity – the DSP DIP for each MWh of Deemed DSM Dispatch is the Extra Consumption Decrease Price, as specified in Standing Data, until:
 - an amount equal to:
 - the sum, across all 12 months in the Capacity Year, of all the amounts payable (or anticipated to become payable) in respect of the Demand Side Programme as "DSM Capacity Payments (p,m)" under clause 9.7.1A;
 plus
 - the aggregate of all DSP DIP received by the Demand Side Programme up to that time in the Capacity Year,
 equals or exceeds
 - an amount equal to the Reserve Capacity Price multiplied by an amount equal to the number of the Demand Side Programme's DSM Capacity Credits; and
 - (Tranche 3)** thereafter until the end of the Capacity Year – the DSP DIP for each MWh of Deemed DSM Dispatch is the Consumption Decrease Price, as specified in Standing Data.

2.2. Methodology

- 2.2.1. The formula to determine the relevant Tranche for the Deemed DSM Dispatch of a DSP in a Trading Interval is specified in step 2.1.2 of this Procedure [**Clause 6.17.6C**].
- 2.2.2. The methodology to calculate the Tranche 2 DSM Dispatch Payment and the Tranche 3 DSM Dispatch Payment is specified in step 2.1.2 of this Procedure [**Clause 6.17.6C**].

3. METHODOLOGY FOR THE ADJUSTMENT OF DSM CAPACITY CREDIT RELATED THRESHOLDS AND VARIABLES DURING A CAPACITY YEAR

3.1. Rule requirement

- 3.1.1. if the number of DSM Capacity Credits assigned to a Demand Side Programme changes during a Capacity Year, then either or both of:
 - (a) the thresholds for Tranche 1 and Tranche 2 described in steps 2.2.1(a) and 2.2.1(b); and
 - (b) the values of Cumulative Annual DSM Dispatch or Calculated DSP Quantity (or both) for the Demand Side Programme for the Capacity Year,are to be adjusted on a proportional basis in accordance with steps 3.2.1 to 3.2.5 of this Procedure [**Clause 6.17.6E**].

3.2. Methodology

- 3.2.1. If the number of DSM Capacity Credits assigned to a Demand Side Programme changes during a Capacity Year, then the variables associated with the calculation of the Tranche 2 DSM Dispatch Payments and Tranche 3 DSM Dispatch Payments must be adjusted in a manner that is proportionate to the change in the number of DSM Capacity Credits.
- 3.2.2. The variables associated with calculation of the Tranche 2 DSM Dispatch Payments and Tranche 3 DSM Dispatch Payments will be adjusted effective on the same date as the DSM Capacity Credit reduction and apply prospectively.
- 3.2.3. The Cumulative Annual DSM Dispatch for a given Capacity Year is the cumulative total (in MWh) of all the Demand Side Programme's Deemed DSM Dispatch amounts across all Trading Intervals in the Capacity Year prior to the Trading Interval in question. As such, this value cannot be varied in retrospect.
- 3.2.4. The Calculated DSP Quantity will be updated prospectively using the revised number of DSM Capacity Credits.
- 3.2.5. As the thresholds in 2.2.1(a) and 2.2.1(b) use Calculated DSP Quantity and the number of DSM Capacity Credits as inputs, the thresholds for Tranche 2 DSM Dispatch Payments and Tranche 3 DSM Dispatch Payments will be automatically updated prospectively following amendment of those values. Settlement adjustments for dispatch payments using these variables, for periods prior to the change in DSM Capacity Credits, will use the pre-updated thresholds.