



WHOLESALE ELECTRICITY MARKET

PROCEDURE CHANGE PROPOSAL: AEPC_2017_010

POWER SYSTEM OPERATING PROCEDURE: DISPATCH

Published: **July 2017**





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EXECUTIVE SUMMARY

The publication of this Procedure Change Proposal and accompanying call for submissions commences the Procedure Change Process conducted by AEMO to consider a proposed revised Power System Operating Procedure: Dispatch under the Wholesale Electricity Market Rules (WEM Rules).

The proposed revised Power System Operating Procedure is required by clauses 7.6.10A and 7.13.5 of the WEM Rules, which commence on 1 October 2017 and which require AEMO to include the process for Market Participants who have been assigned Demand Side Management (DSM) Capacity Credits to provide AEMO with their consumption information as well as the process for AEMO to calculate how much each Demand Side Programmes was instructed to reduce consumption.

AEMO proposes to update the Procedure to increase clarity and update to the current format, and reflect the amendments to the WEM Rules gazetted by the Minister for Energy on 31 May 2016, the last of which will commence on 1 October 2017.

This Procedure Change Proposal includes this document, which outlines the reason for the proposed amendments to the Market Procedure, and the proposed Market Procedure itself, which is available at:

http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2017_10.

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

Stakeholders are invited to submit written responses on the proposed Power System Operating Procedure by 5.00 pm Australian Western Standard Time (AWST) on 18 August 2017, in accordance with the call for submissions published with this Procedure Change Proposal.



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1. PROCEDURE CHANGE PROCESS

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

AEMO may initiate the Procedure Change Process in respect of Market Procedures (including Power System Operation Procedures and the Monitoring and Reporting Protocol) for which it is responsible, by developing a Procedure Change Proposal. Rule Participants may notify AEMO where they consider an amendment or replacement of an AEMO Market Procedure would be appropriate (Clauses 2.10.1 and 2.10.2).

If an Amending Rule requires AEMO to develop new Market Procedures or amend or replace existing Market Procedures, then AEMO is responsible for the development, amendment or replacement of Market Procedures to comply with the Amending Rule (Clause 2.10.3).

Under clause 2.9.3 of the WEM Rules, Market 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 in clause 2.10 of the WEM Rules.

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
Procedure Change Proposal published	21 July 2017
Submissions due on Procedure Change Proposal	18 August 2017
Procedure Change Report published	28 September 2017
Proposed commencement of revised Market Procedure	1 October 2017

Prior to the submissions due date, 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

Clause 7.6.10A of the WEM Rules, which commence on 1 October 2017, provides that:

7.6.10A. System Management must develop a Power System Operation Procedure documenting the manner and time in which the obligation in clause 7.6.10 is to be complied with, including how consumption is to be measured or estimated.

7.13.5. System Management must—

(a) for the purposes of clause 7.13.1(eG) calculate, for each Demand Side Programme for each Trading Interval, the amount, in MWh, by which the Facility was requested by the applicable Dispatch Instruction to decrease its consumption for the Trading Interval, which amount—

i. must be measured as a requested decrease from the Facility's Relevant Demand (and so must not include any amount above the Relevant Demand);

ii. must not assume a ramp rate faster than was requested in the Dispatch Instruction;

iii. must not include any Further DSM Consumption Decrease; and

iv. must not take account of the Facility's actual performance in response to the Dispatch Instruction; and

(b) develop a Power System Operating Procedure that details how it will calculate the amount in clause 7.13.5(a).

The proposed Power System Operating Procedure would be the eighth version of this Procedure. AEMO proposes to commence the revised procedure on 1 October 2017 in line with the commencement of the relevant WEM Rules

2.2 Context for this consultation

On 31 May 2016, the Minister for Energy gazetted amendments to the WEM Rules related to the Reserve Capacity Mechanism.¹ The Final Report² indicated these reforms addressed the problem of excess capacity in the South West Interconnected System (SWIS) by making the Reserve Capacity Mechanism more responsive to market conditions; that is, more responsive to the level of capacity in the market relative to the Reserve Capacity Requirement. There were four principal elements of the reforms:

1. Adoption of a three-year ahead auction as the basis for procurement and pricing of capacity, following a period of transition.
2. Changes to the capacity price formula for a transition period prior to the auction, that involves maintaining the existing administered price mechanism but with a steeper pricing curve and a different pricing arrangement for demand side management capacity.
3. Implementation of measures to harmonise demand side management availability requirements with requirements for conventional generators.
4. Stronger commercial incentives for all forms of capacity to be made available for dispatch.

¹ See Government Gazette No.89 dated 31 May 2016, *Electricity Industry (Commencement of Electricity Industry (Wholesale Electricity Market) Amendment Regulations) Order 2016*.

² April 2016, Public Utilities Office, "Final Report: Reforms to the Reserve Capacity Mechanism". Available at: http://www.finance.wa.gov.au/cms/uploadedFiles/Public_Utility_Office/Electricity_Market_Review/Reforms-to-the-Reserve-Capacity-Mechanism-Final-Report.pdf.



3. PROPOSED PROCEDURE CHANGE

3.1 Detail of the proposed procedure change

AEMO proposes to update the Procedure to:

- Increase clarity and update to 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.

3.2 Proposed drafting

AEMO has published a draft of the proposed Market Procedure: Dispatch for consultation, which is available at: http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2017_10. AEMO has also provided a marked-up version of the revised Procedure.

3.3 Consultation to date

A draft version of the Market Procedure was presented at the WEM AEMO Procedure Change Working Group (WEM APCWG) meeting held on 18 July 2017. Details of this forum are available at: <http://aemo.com.au/Stakeholder-Consultation/Industry-forums-and-working-groups/WA-Forums/WEM-APCWG>.

Minor changes to improve clarity were recommended by stakeholders. Stakeholders were advised of document format and numbering changes to match Market Procedure standards. These minor changes have been incorporated into the proposed Market Procedure that forms part of this Procedure Change Proposal.

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

The proposed revised WEM Market 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.

3.5 Consistency with Wholesale Market Objectives

The steps outlined in this revised Power System Operating Procedure describe the process for Market Participants who have been assigned DSM Capacity Credits to provide AEMO with their consumption information. The steps further describe how AEMO will determine the amount by which each DSP has been instructed to reduce their consumption.

AEMO considers that the steps are drafted in a way that does not change the objectives of the Market Rules. As a result, AEMO considers that the revised Procedure, as a whole, is consistent with the Wholesale Market Objectives.



4. CONSULTATION PROCESS

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

Stakeholders are invited to submit written responses on the proposed Power System Operating Procedure by 5.00 pm (AWST) on 18 August 2017, in accordance with the call for submissions published with this paper.

Stakeholders with questions in relation to the proposed Power System Operating Procedure or this Procedure Change Proposal can contact AEMO via email to wa@aemo.com.au.

All correspondence in relation to this Procedure Change Proposal must be entitled “AEPC_2017_10 Dispatch - [Name of the submitting company or individual]”.