

WHOLESALE ELECTRICITY MARKET

PROCEDURE CHANGE PROPOSAL NO: AEPC_2020_04

RESERVE CAPACITY TESTING

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EXECUTIVE SUMMARY

Change requested by:	AEMO
Date submitted:	19 May 2020
Type of Procedure Change Proposal:	Amendment
Market Procedures affected:	Reserve Capacity Testing

The publication of this Procedure Change Proposal and the accompanying call for submissions commences the Procedure Change Process conducted by AEMO to consider proposed amendments to the Market Procedure: Reserve Capacity Testing under the Wholesale Electricity Market Rules (**WEM Rules**).

In summary, the proposed amendments are intended to:

- Align the Market Procedure with the current version of the WEM Rules.
- Improve clarity of the Market Procedure.
- Reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures).

AEMO considers that the Market Procedure, if amended as proposed, would better achieve the Wholesale Market Objectives, as it provides the necessary process related information for AEMO and other Rule Participants to comply with the requirements of the WEM Rules.

AEMO held a meeting of the AEMO Procedure Change Working Group on 7 April 2020. Market Participants did not raise any material issues with the proposed amended Market Procedure.

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* (and clause 1.2.1 of the WEM Rules).

Stakeholders are invited to submit written responses on the proposed Market Procedure by 5:00 pm (Australian Western Standard Time) on 17 June 2020, in accordance with the call for submissions published with this paper. Stakeholders requiring additional time to make a submission are welcome to contact AEMO at wa@aemo.com.au to request an extension.



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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 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.

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

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	19 May 2020
Submissions due on Procedure Change Proposal	17 June 2020
Procedure Change Report published	30 June 2020
Proposed commencement of amended Market Procedure	1 July 2020



Prior to the due 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

Clause 4.25.14 of the WEM Rules provides the requirement for the Market Procedure: Reserve Capacity Testing:

4.25.14. AEMO must document the procedure to be followed in performing Reserve Capacity Tests in a Market Procedure, and AEMO and Market Participants must follow that documented Market Procedure in the performance of Reserve Capacity Tests.

The current version of the Market Procedure: Reserve Capacity Testing commenced on 18 April 2017.

AEMO has developed and reviewed the proposed amended Market Procedure to ensure compliance with the relevant provisions in the *Electricity Industry Act*, Regulations and WEM Rules (as in force).

2.2. Context for this consultation

AEMO and Market Participants identified several inconsistencies between the WEM Rules and the Market Procedure during the Reserve Capacity Test processes conducted in 2019. In addition to these inconsistencies, several areas were identified as being unclear in the Market Procedure, including:

- The process and timing for updating Temperature Dependence Curves.
- Handling of errors and inaccurate data when assessing test results.
- Circumstances which may cause tests to be invalid.
- Timing for scheduling Reserve Capacity Tests if a Facility has not already passed by observation.

AEMO has developed this Procedure Change Proposal to clarify these areas and align the Market Procedure with the WEM Rules.

2.3. Consultation to date

A draft version of the proposed amended Market Procedure was presented at the AEMO Procedure Change Working Group meeting on 7 April 2020. Minor changes and formatting corrections were suggested. The minutes and papers from the AEMO Procedure Change Working Group meeting are available at: <https://aemo.com.au/en/consultations/industry-forums-and-working-groups/list-of-industry-forums-and-working-groups/wem-aemo-procedure-change-working-group>.

AEMO has incorporated the changes suggested at the AEMO Procedure Change Working Group meeting and has made minor typographical amendments to the proposed Market Procedure.

3. PROPOSED PROCEDURE CHANGE

3.1. Detail of the proposed procedure change

The proposed amendments to the Market Procedure are summarised below:

- Aligned the Market Procedure with the WEM Rules (e.g. a generation Facility passes a Reserve Capacity Test if the output is at or above the Required Level for at least Two Trading Intervals rather than if the average output over two consecutive Trading Intervals is above the Required Level).



- Restructured to improve the flow by following the same sequence of steps as the Reserve Capacity Test process.
- Clarified the process and timing for updating a Temperature Dependence Curve.
- Added a requirement for AEMO to inform Market Participants of the date when Observation Tests should be completed and first Reserve Capacity Tests will be scheduled.
- Added a formula for calculating the Required Level for a Demand Side Programme.
- Clarified situations where a Reserve Capacity Test would be treated as an Invalid Test.
- Clarified the process for investigating potential errors in results or input data.
- Removed steps for AEMO when setting the level of Certified Reserve Capacity and Reserve Capacity Obligation Quantities.
- Minor typographical and wording changes to align the Market Procedure with AEMO's latest template.

3.2. Proposed drafting

AEMO has published a draft of the Market Procedure: Reserve Capacity Testing, incorporating the changes AEMO proposes for consultation. Clean and change-marked versions are available at: https://aemo.com.au/en/consultations/current-and-closed-consultations/aepc_2020_04.

3.3. Wholesale Market Objective assessment

The steps outlined in the proposed amended Market Procedure describe how Rule Participants will fulfil their obligations under the WEM Rules.

AEMO considers the Market Procedure, if implemented as proposed, would be consistent with the Wholesale Market Objectives because it clarifies Market Participants' and AEMO's obligations under the WEM Rules.

4. SUMMARY OF MATTERS FOR CONSULTATION

AEMO invites stakeholders to suggest alternative options for drafting, where they consider these would improve the procedure or better meet the Wholesale Market Objectives.

Stakeholders are invited to submit written responses on the proposed amended Market Procedure by 5:00 pm (Australian Western Standard Time) on 17 June 2020, in accordance with the call for submissions published with this paper. Stakeholders requiring additional time to make a submission or who have queries in relation to the proposed amended Market Procedure or this Procedure Change Proposal can contact AEMO via email at wa@aemo.com.au.

All correspondence in relation to this Procedure Change Proposal must be entitled "AEPC_2020_04: Reserve Capacity Testing Market Procedure – [Name of submitting company or individual]".