

# WHOLESALE ELECTRICITY MARKET

## PROCEDURE CHANGE PROPOSAL NO: AEPC\_2020\_02

MARKET PROCEDURE: CERTIFICATION OF RESERVE  
CAPACITY

Published: **March 2020**





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## EXECUTIVE SUMMARY

Change requested by:	AEMO
Date submitted:	12 March 2020
Type of Procedure Change Proposal:	Amendment
Market Procedures affected:	Certification of Reserve Capacity

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: Certification of Reserve Capacity under the Wholesale Electricity Market Rules (**WEM Rules**).

This amended Market Procedure is required to improve operational processes by clarifying the requirements for Certification of Reserve Capacity for both AEMO and Market Participants.

In summary, the proposed amendments are intended to clarify the process for applying for Certified Reserve Capacity and the supporting documentation required, including:

- The timeframes for submitting a complete application and responding to a request from AEMO for additional supporting documentation.
- The format and contents of information required for a complete application.
- AEMO's obligations to check information provided by a Market Participant.
- Minimum fuel requirements.

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 (Perth time) on 9 April 2020, in accordance with the call for submissions published with this paper.



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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 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	12 March 2020
Submissions due on Procedure Change Proposal	9 April 2020
Procedure Change Report published	24 April 2020
Proposed commencement of amended Market Procedure	1 May 2020



Prior to the submission's 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 4.9.10 of the WEM Rules provides:

4.9.10. *AEMO must document in a Market Procedure the procedure that:*

- a) *Market Participants must follow when applying for Certified Reserve Capacity; and*
- b) *AEMO must follow when processing applications for Certified Reserve Capacity, including how Certified Reserve Capacity is assigned and Reserve Capacity Obligation Quantities are set.*

The current version of the Market Procedure commenced on 1 July 2019.

### **2.2. Context for this consultation**

During the Certification of Reserve Capacity processes for the 2018 and 2019 Reserve Capacity Cycles, several areas were identified as being unclear in the Market Procedure, including:

- Timeframes for submitting additional supporting documentation requested by AEMO.
- Requirements for a complete application.
- AEMO's obligations to check information provided and seek clarification or additional supporting documentation from Market Participants.
- Satisfactory evidence of fuel availability.

AEMO has developed this Procedure Change Proposal to clarify these areas in time for the Certification of Reserve Capacity process for the 2020 Reserve Capacity Cycle, which commences when applications for Certified Reserve Capacity open on 1 May 2020.

### **2.3. Consultation to date**

A draft version of the proposed amended Market Procedure was presented at the AEMO Procedure Change Working Group meeting held on 20 February 2020. One additional change, regarding execution of documents by a Market Participant's Authorised Officer, was recommended by stakeholders. The minutes and papers from the AEMO Procedure Change Working Group meeting can be found 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 change recommended 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 changes to the Market Procedure are summarised below:

- Specified the format and content for supporting documentation (e.g. documents must be executed and complete, with sensitive or commercial information able to be redacted).
- Added an optional requirement for Market Participants to provide documentation (where available) on any temperature restrictions that may apply to an intermittent generator.



- Clarified AEMO's obligations to perform a preliminary check of an application, to avoid situations where AEMO may be required to check an application that was submitted only a short time before the deadline (e.g. at 4:59 pm on 1 July).
- Clarified the process for AEMO to request additional supporting documentation after the close of the application period and added a step that requires AEMO to reject incomplete applications.
- Clarified satisfactory fuel arrangements.
- Specified how AEMO determines the level of Certified Reserve Capacity to assign to Scheduled Generators.
- Removed several redundant steps (e.g. step 3.2.2 of the Procedure which is covered in the Market Procedure: Reserve Capacity Security).
- Minor typographical and formatting changes to align the Market Procedure to AEMO's latest template.

### **3.2. Proposed drafting**

AEMO has published a draft of the Market Procedure: Certification of Reserve Capacity, incorporating the changes AEMO proposes for consultation. Clean and change-marked versions are available at: [https://aemo.com.au/consultations/current-and-closed-consultations/aepc\\_2020\\_02-certification-of-reserve-capacity-market-procedure](https://aemo.com.au/consultations/current-and-closed-consultations/aepc_2020_02-certification-of-reserve-capacity-market-procedure).

### **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 that the Market Procedure, if implemented as proposed, would be consistent with the Wholesale Market Objectives, because it clarifies AEMO's and Market Participant'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 Electricity Market Objectives.

Stakeholders are invited to submit written responses on the proposed amended Market Procedure by 5:00 pm (Australian Western Standard Time) on 9 April 2020, in accordance with the call for submissions published with this paper.

Stakeholders with questions in relation to the proposed amended Market Procedures or this Procedure Change Proposal can contact AEMO via email at [wa.capacity@aemo.com.au](mailto:wa.capacity@aemo.com.au).

All correspondence in relation to this Procedure Change Proposal must be entitled "AEPC\_2020\_02: Certification of Reserve Capacity Market Procedure – [Name of the submitting company or individual]".