

WHOLESALE ELECTRICITY MARKET

PROCEDURE CHANGE REPORT: AEPC_2020_02

MARKET PROCEDURE: CERTIFICATION OF RESERVE
CAPACITY

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EXECUTIVE SUMMARY

Purpose

The publication of this Procedure Change Report and the accompanying Market Procedure completes 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**).

Proposed amendments

The amended Procedure will improve operational processes by clarifying the requirements for Certification of Reserve Capacity for both AEMO and Market Participants.

In summary, the amendments 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.

Consultation

A draft version of the Procedure was presented at the WEM AEMO Procedure Change Working Group (APCWG) meeting on 20 February 2020, during which one change was recommended by stakeholders. Details of this forum are available at: <https://aemo.com.au/consultations/industry-forums-and-working-groups/list-of-industry-forums-and-working-groups/wem-aemo-procedure-change-working-group>.

AEMO published the Procedure Change Proposal (AEPC_2020_02) on the Market Web Site and issued a call for submissions on 12 March 2020.

The submission period closed on 9 April 2020, with submissions received from Alinta, the Australian Energy Council, Bright Energy Investments, NewGen Kwinana, Synergy, and Tronox. AEMO has responded to the issues raised in the submissions in Section 3.3 and has updated the Procedure where necessary.

AEMO conducted a second round of informal consultation after making the amendments listed in Section 3.3. AEMO has updated the Procedure in response to additional feedback received from Alinta Energy and Synergy.

AEMO's decision

AEMO's decision is to accept the Procedure, as amended, following the consultation period. AEMO considers that the revised Procedure is consistent with the Wholesale Market Objectives, the *Electricity Industry Act 2004*, the *Electricity Industry (Wholesale Electricity Market) Regulations 2004*, and the WEM Rules.

Next steps

The revised Market Procedure: Certification of Reserve Capacity will commence at 8:00 am on 15 June 2020.



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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

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 developed the Procedure Change Proposal (AEPC_2020_02) to clarify these areas.

1.3. Procedure Change Process and timetable

On 12 March 2020, AEMO published a Procedure Change Proposal (AEPC_2020_02) for the Market Procedure: Certification of Reserve Capacity 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 9 April 2020.

2. PROPOSED PROCEDURE CHANGE

This section details the changes that AEMO proposed when the call for submissions was published.

2.1. Detail of the proposed Procedure change

The proposed changes to the 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.

2.2. Proposed drafting

AEMO published a draft of the proposed Procedure 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.

3. CONSULTATION PROCESS

3.1. Market Advisory Committee or Working Group

The Market Advisory Committee (MAC) has delegated its advisory role with respect to AEMO Procedure Change Proposals to the AEMO Procedure Change Working Group (APCWG), in accordance with clause 2.3.17(a) of the WEM Rules.

A draft version of the Procedure was presented to the APCWG 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/Stakeholder-Consultation/Industry-forums-and-working-groups/WA-Forums>.

In accordance with clause 2.10.9 of the WEM Rules, AEMO notified the MAC once the Procedure Change Proposal was published and noted that the Rule Change Panel would convene a meeting of the MAC if two or more members requested it. The MAC did not convene a meeting for this Procedure.

3.2. Public workshop

No public workshops were held in relation to this Procedure Change Proposal.

3.3. Submissions received during consultation period

AEMO received submissions from Alinta Energy, the Australian Energy Council (AEC), Bright Energy Investments, NewGen Kwinana, Synergy, and Tronox.

The submissions are available on AEMO’s website at: https://aemo.com.au/consultations/current-and-closed-consultations/aepc_2020_02-certification-of-reserve-capacity-market-procedure.

Table 1 summarises the specific comments raised in the submissions and AEMO’s response.

Table 1 Specific comments and AEMO’s responses

| Respondent | Step | Comment | AEMO response |
|---------------|--------|---|--|
| Alinta Energy | 3.1.11 | Alinta Energy suggests that this step be amended further to clarify how AEMO would use temperature dependence curves for intermittent generators. | <p>AEMO requests temperature dependence information to better understand the characteristics of the Facility, particularly during high temperatures. AEMO does not intend to use this data to amend the CRC level calculated under the Relevant Level Methodology.</p> <p>AEMO has amended the Procedure to clarify how the temperature dependence information will be used.</p> |



| Respondent | Step | Comment | AEMO response |
|---------------|--------|--|---|
| Alinta Energy | 4.2.2 | Alinta Energy specifically supports this step because it will help avoid the risk of administrative errors causing invalid applications. | AEMO notes Alinta Energy's support. |
| Alinta Energy | 5.3.4 | Alinta Energy considers that it is unnecessary to add further prescription around fuel requirements, given the WEM Rules already require a Facility to have sufficient fuel for 14 hours operation. | <p>AEMO's intention is to reflect current practice and not to impose additional fuel requirements on Market Participants.</p> <p>AEMO has amended the Market Procedure to define 'firm' and 'non-firm' fuel. The 90% firm requirement has been removed, but Market Participants will need to ensure they meet the requirements of the WEM Rules regarding fuel availability during Peak Trading Intervals. AEMO notes that this cannot be met with 100% non-firm fuel arrangements.</p> |
| Alinta Energy | 5.3.6 | Alinta Energy considers that this step may conflict with clause 4.10.1(e)(v) of the WEM Rules and may cause dual fuel Facilities to over-procure fuel. | <p>AEMO intends steps 5.3.6 and 5.3.7 of the Procedure to only apply to dual fuel Facilities that nominate to be certified on both fuels. The current practice of dual fuel Facilities being able to nominate one fuel to be certified on will remain.</p> <p>AEMO has amended the Market Procedure to clarify the application of step 5.3.6 and 5.3.7.</p> |
| Alinta Energy | 5.3.7 | Alinta Energy is concerned that this step may result in dual fuel Facilities being assigned a lower quantity of Capacity Credits for investing in a secondary fuel. Alinta Energy suggests that generators should only be assigned CRC to the lower level where both fuels are required. | <p>See comment above on step 5.3.6.</p> <p>AEMO agrees that this step should only apply to Facilities that require both fuels (or nominate to be certified on two fuels) and has updated the Procedure accordingly.</p> |
| AEC | 3.1.11 | The AEC requests AEMO to clarify the purpose of the request for temperature dependence information and how it will be used. | See response to Alinta Energy's comment on step 3.1.11 above. |
| AEC | 4.2.2 | The AEC welcomes AEMO's addition of a preliminary screening review in helping reduce the risk of administrative errors that result in invalid applications. | AEMO notes the AEC's support. |
| AEC | 5.3.4 | The AEC is concerned that the proposed step is more prescriptive than warranted by the WEM Rules, and suggests AEMO remove the 90% firm requirement and assess fuel on a case-by-case basis. | See response to Alinta Energy's comment on step 5.3.4 above. |
| AEC | 5.3.6 | The AEC considers that a Facility should only need to satisfy the requirements of steps 5.3.4 and 5.3.5 for each fuel type when both primary and secondary fuel sources are needed. | See response to Alinta Energy's comment on step 5.3.6 above. |



| Respondent | Step | Comment | AEMO response |
|---------------------------|-------------------------|--|---|
| AEC | 5.3.7 | The AEC is concerned that this step may result in dual fuel Facilities being assigned a lower quantity of Capacity Credits for investing in a secondary fuel. The AEC suggests that generators should only be assigned CRC to the lower level where both fuels are required. | See response to Alinta Energy's comment on step 5.3.7 above. |
| Bright Energy Investments | 3.1.11 | Bright Energy Investments requests clarity on how the temperature dependence information will be used. The optional nature of the information could result in inconsistent assessments for intermittent generators. | See response to Alinta Energy's comment on step 3.1.11 above. |
| NewGen Kwinana | 3.1.8 | NewGen Kwinana supports the specification of supporting documentation. | AEMO notes NewGen Kwinana's support. |
| NewGen Kwinana | 4.2 | NewGen Kwinana supports the addition of a preliminary screening review for applications. | AEMO notes NewGen Kwinana's support. |
| NewGen Kwinana | 5.3.4 | NewGen Kwinana supports this step which specifies that 90% firm fuel is required. | AEMO notes NewGen Kwinana's support. |
| Synergy | 3.1.11 | Synergy requests that the procedure be amended to clarify how the temperature dependence information will be used. | See response to Alinta Energy's comment on step 3.1.11 above. |
| Synergy | 3.1.8(a) | Synergy notes that, where a Facility is due to retire during a Capacity Year, the requirement for supporting documentation should only relate to the part of the Capacity Year when the Facility will be operational. | AEMO agrees with Synergy's comment and has amended the Procedure accordingly. |
| Synergy | 4.2.6 | Synergy considers that Market Participants should be able to provide clarifications or correct manifest errors after the application deadline. | <p>Allowing Market Participants to submit any supporting documentation (including clarifications or correcting errors) after the CRC application deadline conflicts with the WEM Rules.</p> <p>AEMO notes that the preliminary screening review should detect any omissions or manifest errors before the application deadline.</p> |
| Synergy | 5.1.4 5.1.5 5.5.1 | Synergy encourages AEMO to include the Market Participant's requested level of CRC in AEMO's assessment. | AEMO notes that Market Participants can withdraw some capacity during the trade declaration window if they are uncomfortable with the quantity of CRC assigned to their Facilities. |

| Respondent | Step | Comment | AEMO response |
|------------|-------|--|---|
| Synergy | 5.3.4 | Synergy believes that tightening fuel requirements is unnecessary and could be costly to the market and recommends the removal of this step. | See response to Alinta Energy's comment on step 5.3.4 above. |
| Tronox | 4.2 | Tronox notes that AEMO's discretionary preliminary screening review should be conducted for all applications made at least 10 Business Days before the CRC window closes. Tronox requests that applicants be given a reasonable time to respond to a request for information. | AEMO intends to complete preliminary screening reviews for all applications, in line with current practice. AEMO will complete its preliminary screening review and advise Market Participants of any omissions as soon as practicable. However, it is the Market Participant's responsibility to ensure that they allow sufficient time to rectify any issues before the window closes. |
| Tronox | 5.3 | Tronox considers that the fuel assessment should incorporate risk for the primary fuel supply, where a current supply agreement is not in place for entire Capacity Year, and that AEMO should consider a generator's track record of securing fuel. | See response to Alinta Energy's comment on step 5.3.4 above. |

In addition to specific comments on individual Procedure steps, Synergy proposed several minor typographical amendments to the Procedure. AEMO agrees with Synergy's suggested changes and has amended the Procedure accordingly.

3.4. Further consultation

AEMO conducted a second round of consultation after making the amendments listed in Section 3.3 following the formal consultation period. Additional comments were received from Alinta Energy and Synergy. In response to these comments, AEMO has updated the definition of Firm and Non-Firm in the Procedure to:

- Allow AEMO to consider fuel arrangements consisting of multiple contracts.
- Account for planned and unplanned outages when determining whether a fuel supply or transportation is interruptible.

4. AEMO'S ASSESSMENT

4.1. Further changes to the Procedure

AEMO has amended the Procedure as indicated in Sections 3.3 and 3.4 and has made additional minor administrative, typographical, and formatting amendments.

4.2. 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*.
- *Electricity Industry (Wholesale Electricity Market) Regulations 2004* (WEM Regulations).



- WEM Rules.

4.3. Consistency with Wholesale Market Objectives

AEMO considers that the steps are drafted in a way that is consistent with the objectives of the WEM Rules. As a result, AEMO considers that the revised Procedure is consistent with the Wholesale Market Objectives.

4.4. Implementation of the Procedure

The Procedure was developed in accordance with clauses 4.9.10 and 4.28C.15 of the WEM Rules.

The Procedure does not require system changes by AEMO¹.

Market Participants have not raised issues with implementing the Procedure.

Consequently, AEMO considers that commencement at 8:00 am on 15 June 2020 will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance.

4.5. AEMO's decision and commencement

AEMO's decision is to accept the Procedure as amended following the consultation period. The new Market Procedure: Certification of Reserve Capacity will commence at 8:00 am on 15 June 2020.

AEMO has made this decision on the basis that the new Procedure:

- Is consistent with the Wholesale Market Objectives.
- Is consistent with the *Electricity Industry Act*, WEM Regulations, and WEM Rules.
- Has the general support of submissions received during the consultation period.

The revised Market Procedure: Certification of Reserve Capacity is available at:

https://aemo.com.au/consultations/current-and-closed-consultations/aepc_2020_02-certification-of-reserve-capacity-market-procedure.

¹ AEMO may, following the commencement of the Procedure, change the system to remove the Market Participant's requested quantity of CRC.