

CALL FOR SUBMISSIONS ON PROCEDURE CHANGE PROPOSAL

Wholesale Electricity Market Rules – Clause 2.10

AEPC_2020_06: Reduction of Prudential Exposure (Phase 2)

Date of Notice: 10 June 2020

This notice informs all Rule Participants and interested parties (**Consulted Persons**) that AEMO has published a Procedure Change Proposal concerning revisions to the Market Procedures (Procedures):

- Capacity Credit Allocation; and
- Prudential Requirements,

and is conducting a consultation process on this proposal.

This consultation is being conducted in accordance with the Procedure Change Process detailed in clause 2.10 of the Wholesale Electricity Market Rules (WEM Rules).

Matter under Consultation

In July 2018, AEMO commenced the Reduction of Prudential Exposure (RoPE) project to address known issues with Prudential Requirements in the Wholesale Electricity Market (WEM). Phase 1 of the project ran from July 2018 to May 2019, and implemented the changes required under Rule Change Proposal: Reduction of the Prudential Exposure in the Reserve Capacity Mechanism (RC_2017_06)¹, including amendments to the Individual Reserve Capacity Requirement, Capacity Credit Allocations and associated settlement and prudential processes.

AEMO is now progressing proposed amendments to the Procedures to implement phase 2 of the project, which will improve the accuracy of the Outstanding Amount calculation. The Outstanding Amount calculation is used in assessing Market Participants' Trading Margins.

The proposed amendments will implement a dynamic, daily Outstanding Amount calculation based on the settlement calculations specified in the WEM Rules, using the latest operational data or estimates of operational data when that data is not available.

AEMO also proposes minor updates to the Market Procedure: Capacity Credit Allocation to reflect amendments to the WEM Rules made by the Minister for Energy in February 2020 to introduce the concept of the Monthly Reserve Capacity Price for each Facility, which will result in various Reserve Capacity Prices in any one Capacity Year.

AEMO considers that the proposed amendments will better achieve the Wholesale Market Objectives as they will provide AEMO and Market Participants with a real-time estimate of the exposure to the market based on the latest operational data (or estimates of operational data when that data is not available). This will reduce the risk of a Default Levy under the WEM Rules and deliver other efficiencies in the administration and management of prudential requirements.

¹ https://www.erawa.com.au/rule-change-panel/market-rule-changes/rule-change-rc_2017_06

The Consultation Process

The consultation process is outlined below. Dates in italics are indicative only and subject to change.

PROCESS STAGE	INDICATIVE DATE
Closing date for submissions in response to the Procedure Change Proposal	8 July 2020
Extended date for submissions	15 July 2020
Publication of Procedure Change Report	<i>31 July 2020</i>
Proposed commencement of revised Market Procedures	<i>1 August 2020</i>

Invitation to Make Submissions

AEMO invites stakeholders to suggest alternative options or drafting where they consider that these would improve the proposed Procedures 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).

AEMO proposes to publish an extension notice in accordance with clause 2.10.17 of the WEM Rules to extend the due date for submissions beyond the standard 20-Business Day timeframe that would otherwise apply under clause 2.10.7 of the WEM Rules, and to also extend subsequent timeframes in the Procedure Change Process. The proposed extension (until 15 July 2020) will ensure stakeholders have sufficient time to consider the proposed Procedures in conjunction with the associated system and process changes.

Please identify any parts of your submission that you wish to remain confidential, and explain why. AEMO may still publish that information if it does not consider it to be confidential, but will consult with you before doing so.

Meetings

In your submission, you may request a meeting with AEMO to discuss the Procedure Change Proposal, stating why you consider a meeting is necessary or desirable.

If appropriate, meetings may be held jointly with other Consulted Persons. Subject to confidentiality restrictions, AEMO will generally make details of matters discussed at a meeting available to other Consulted Persons, and may publish them.

Closing Date and Time

Submissions in response to this Procedure Change Proposal must be emailed to wa@aemo.com.au, by 5.00 pm (AWST) on 15 July 2020.

All submissions must be forwarded in electronic format (both pdf and Word). Further, all emails relating to this Procedure Change Proposal must be entitled "AEPC_2020_06: Reduction of Prudential Exposure (Phase 2) - [Name of the submitting company or individual]". Submissions should use the Procedure Change Submission form available at:

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

AEMO is not obliged to consider submissions received after the closing date and time. Any late submissions should explain the reason for delay and the detriment to you if AEMO does not consider your submission.

Publication

All submissions will be published on AEMO's website, other than confidential content.