

# WHOLESALE ELECTRICITY MARKET

## PROCEDURE CHANGE REPORT: AEPC\_2020\_10

MARKET PROCEDURE: DECLARATION OF BILATERAL  
TRADES AND THE RESERVE CAPACITY AUCTION

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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: Declaration of Bilateral Trades and the Reserve Capacity Auction under the Wholesale Electricity Market Rules (**WEM Rules**).

### Proposed amendments

The Minister for Energy amended the WEM Rules on 11 February 2020 to implement changes to the Reserve Capacity Price from the 2019 Reserve Capacity Cycle (**RCM Pricing Amendments**). Further information about the changes can be found on Energy Policy WA's website<sup>1</sup>.

The RCM Pricing Amendments introduced multiple prices for Reserve Capacity, including a Fixed Reserve Capacity Price for new generation Facilities that meet certain conditions. Market Participants may nominate a Facility to receive the Fixed Reserve Capacity Price during the trade declaration process.

Demand Side Programmes are now allowed to declare an intention to trade Certified Reserve Capacity bilaterally with another Market Participant, as well as participate in a Reserve Capacity Auction (if held).

In summary, the proposed amendments are intended to:

- Reflect the RCM Pricing Amendments.
- Improve clarity of the Procedure.
- Reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures).

### Consultation

A draft version of the proposed amended Market Procedure was presented at the AEMO Procedure Change Working Group held on 23 July 2020. AEMO made changes to the Procedure in response to stakeholder feedback, which are summarised in Section 3.1. 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\_10) on the Market Web Site and issued a call for submissions on 21 August 2020.

The submission period closed on 18 September 2020, with one submission received from Synergy. AEMO has responded to the issues raised in the submission in Section 3.3 and has updated the Procedure where necessary.

### 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.

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<sup>1</sup> At <https://www.wa.gov.au/government/document-collections/improving-reserve-capacity-pricing-signals>.



## **Next steps**

The revised Market Procedure: Declaration of Bilateral Trades and the Reserve Capacity Auction will commence at 8:00 am on 16 October 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

The Minister for Energy amended the WEM Rules on 11 February 2020 to implement changes to the Reserve Capacity Price from the 2019 Reserve Capacity Cycle (RCM Pricing Amendments). Further information about the changes can be found on Energy Policy WA's website<sup>2</sup>.

The RCM Pricing Amendments introduced multiple prices for Reserve Capacity, including a Fixed Reserve Capacity Price for new generation Facilities that meet certain conditions. Market Participants may nominate a Facility to receive the Fixed Reserve Capacity Price during the trade declaration process.

Demand Side Programmes are now allowed to declare an intention to trade Certified Reserve Capacity bilaterally with another Market Participant, as well as participate in a Reserve Capacity Auction (if held).

Changes are required to this Procedure to reflect the RCM Pricing Amendments.

### 1.3. Procedure Change Process and timetable

On 21 August 2020, AEMO published a Procedure Change Proposal (AEPC\_2020\_10) for the Market Procedure: Declaration of Bilateral Trades and the Reserve Capacity Auction 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 18 September 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 Market Procedure are summarised below:

- Updates to Appendix A of the Procedure to clarify requirements for new Facilities and Planned Facility Upgrades when applying for Committed Status.
- Drafting and structure improvements throughout to clarify steps of the Procedure and align with the wording in the WEM Rules.
- Removed flow charts for consistency with other Market Procedures.
- Updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures).
- Other minor typographical and formatting changes.

### 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/en/consultations/current-and-closed-consultations/aepc\\_2020\\_10](https://aemo.com.au/en/consultations/current-and-closed-consultations/aepc_2020_10).

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<sup>2</sup> At <https://www.wa.gov.au/government/document-collections/improving-reserve-capacity-pricing-signals>.



### 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 proposed amended Market Procedure was presented at the AEMO Procedure Change Working Group held on 23 July 2020. AEMO made the following changes in response to stakeholder feedback:

- Amended the definition of Committed Status to specify that it is determined in Appendix A of the Procedure.
- Excluded Facilities that are in Commercial Operation status from step A.1.1 of the Procedure.
- Added notification requirements where AEMO:
  - Receives an application for Committed Status for a Planned Facility Upgrade.
  - Rejects an application for Committed Status.

The minutes and papers from the AEMO Procedure Change Working Group meeting can be found 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\_10) on the Market Web Site and issued a call for submissions on 21 August 2020.

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 one submission from Synergy to the Procedure Change Proposal. The submission is summarised in Table 1 below.

**Table 1 Specific comments and AEMO’s response**

Respondent	Step	Comment	AEMO response
Synergy	Table 1 (definitions)	The definition of Proposed Status refers to Facilities ‘in operation’ which is inconsistent with step A.1.1 (which refers to Commercial Operation).	AEMO has amended the definition of Proposed Status to refer to Commercial Operation.
Synergy	A.1.6(j)	This clause may be too broad and may impose unnecessary costs on Market Participants. Synergy requests AEMO to re-draft to provide examples of what information may be requested.	AEMO has removed this sub-clause because this step already specifies that supporting information ‘may include, but is not limited to’ the items listed in steps A.1.6(a) to A.1.6(i).

Synergy proposed several administrative improvements to the Procedure in addition to the comments listed in Table 1. AEMO agrees with Synergy’s amendments and has updated the Procedure accordingly.



## 4. AEMO'S ASSESSMENT

### 4.1. Further changes to the Procedure

AEMO has amended the Procedure as indicated in Section 3.3 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 4.14.11 and 4.17.9 of the WEM Rules.

AEMO is amending the RCM portal to implement the changes to the WEM Rules as a result of the RCM Pricing Amendments. No additional changes are required from this Procedure Change Proposal.

Market Participants have not raised issues with implementing the Procedure.

Consequently, AEMO considers that commencement at 8:00 am on 16 October 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: Declaration of Bilateral Trades and the Reserve Capacity Auction will commence at 8:00 am on 16 October 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: Declaration of Bilateral Trades and the Reserve Capacity Auction is available at: [https://aemo.com.au/en/consultations/current-and-closed-consultations/aepec\\_2020\\_10](https://aemo.com.au/en/consultations/current-and-closed-consultations/aepec_2020_10).