

WHOLESALE ELECTRICITY MARKET

PROCEDURE CHANGE REPORT: AEPC_2021_01

WEM PROCEDURE: RESERVE CAPACITY TESTING

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EXECUTIVE SUMMARY

Purpose

The publication of this Procedure Change Report and the accompanying WEM Procedure completes the Procedure Change Process conducted by AEMO to consider proposed amendments to the WEM Procedure: Reserve Capacity Testing (Procedure) 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 website¹.

On 1 October 2021, changes affecting Reserve Capacity Testing for Demand Side Programmes will commence. Demand Side Programmes will be required to conduct Reserve Capacity Tests for at least two Trading Intervals.

AEMO has updated the Procedure to:

- Reflect the RCM Pricing Amendments.
- Improve clarity of the Procedure.
- Reflect AEMO's latest WEM Procedure template (including formatting, contents, and procedure administration steps in section 1).

Consultation

A draft version of the proposed amended Procedure was presented at the AEMO Procedure Change Working Group meeting on 19 July 2021. 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_2021_01) on the WEM Website and issued a call for submissions on 27 July 2021. The submission period closed on 24 August 2021, with no formal submissions received. AEMO has made minor typographical changes to the Procedure after receiving informal comments from two Market Participants during the consultation period.

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 WEM Procedure: Reserve Capacity Testing will commence at 8:00 am on 1 October 2021.

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



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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 website².

On 1 October 2021, changes affecting Reserve Capacity Testing for Demand Side Programmes will commence, requiring updates to the WEM Procedure: Reserve Capacity Testing (Procedure).

1.3. Procedure Change Process and timetable

On 27 July 2021, AEMO published a Procedure Change Proposal (AEPC_2021_01) 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 24 August 2021.

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 to reflect the RCM Pricing Amendments are summarised below:

- Demand Side Programmes are required to complete random Reserve Capacity Tests for at least two Trading Intervals at a time chosen by AEMO.
- The option for a Market Participant with a Demand Side Programme that has failed a first Reserve Capacity Test to choose to reduce the Capacity Credits instead of performing a second Reserve Capacity Test.
- Preventing Demand Side Programmes from completing a Reserve Capacity Test at the same time as a Verification Test.

In addition to the RCM Pricing Amendments, AEMO has updated the Procedure to:

- Specify the requirements for a Market Participant wishing to use a Temperature Dependence Curve provided in Standing Data for the purpose of Reserve Capacity Testing. For AEMO to use a Temperature Dependence Curve provided in Standing Data for Reserve Capacity Testing purposes, it must meet the same criteria as a Temperature Dependence Curve provided for certification of Reserve Capacity.
- Reflect AEMO's latest WEM Procedure template (including formatting, contents, and procedure administration steps in section 1).

Procedures are not intended to be standalone documents and must be read in conjunction with the WEM Rules. In line with AEMO's standard practice, direct quotes of clauses of the WEM Rules have been removed to avoid possible inconsistencies between the WEM Rules and the Procedure.

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



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_2021_01.

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 19 July 2021. 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_2021_01) on the WEM Website and issued a call for submissions on 27 July 2021.

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 Energy Policy WA 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 did not receive any formal submissions to the Procedure Change Proposal. However, AEMO received minor feedback from two Market Participants during the consultation period. AEMO made further updates to the Procedure in response to this feedback.

4. AEMO'S ASSESSMENT

4.1. Further changes to the Procedure

AEMO made minor and typographical amendments to the Procedure following the consultation period.

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 paragraphs 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 clause 4.25.14 of the WEM Rules.

The Procedure does not require system changes by AEMO.

Market Participants have not raised issues with implementing the Procedure.

Consequently, AEMO considers that commencement at 8:00 am on 1 October 2021 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 WEM Procedure: Reserve Capacity Testing will commence at 8:00 am on 1 October 2021.

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 WEM Procedure: Reserve Capacity Testing is available at:

https://aemo.com.au/consultations/current-and-closed-consultations/aepec_2021_01.