

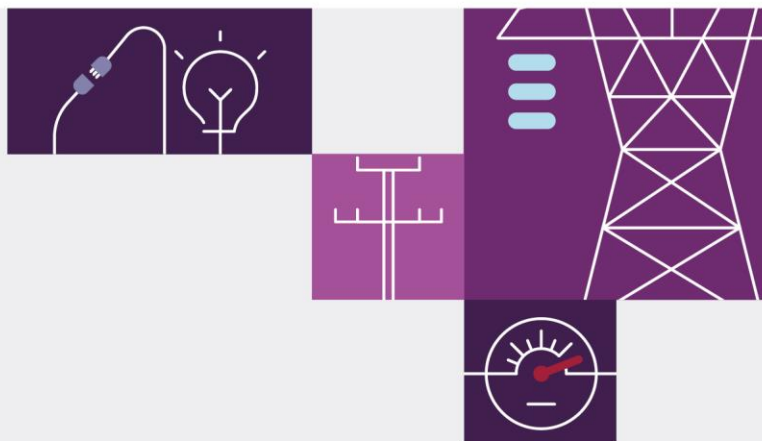
# Wholesale Electricity Market

## Procedure change report: AEPC\_2022\_01

December 2022

WEM Procedure: Certification of Reserve Capacity for the 2022 and 2023 Reserve Capacity Cycles





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# Executive summary

## Purpose

The publication of this Procedure Change Report and the accompanying Wholesale Electricity Market Procedure (**WEM Procedure**) completes the Procedure Change Process conducted by AEMO to consider proposed amendments to the WEM Procedure: Certification of Reserve Capacity for the 2022 and 2023 Reserve Capacity Cycles (**Procedure**) under the Wholesale Electricity Market Rules (**WEM Rules**).

## Proposed amendments

The purpose of the Reserve Capacity Mechanism (**RCM**) is to provide price signals for investment in the WEM, thereby facilitating the efficient entry or exit of capacity to ensure Power System Security and Power System Reliability is maintained. The accurate assignment of Certified Reserve Capacity (**CRC**) is critical to provide those price signals, and to ensure reliability of supply in the South West Interconnected System (**SWIS**).

On 23 September 2022, due to a combination of issues including ongoing fuel supply limitations, AEMO called for tenders from potential suppliers of supplementary capacity for the upcoming Hot Season (1 December 2022 to 31 March 2023). This highlighted the need for AEMO to take additional steps in its assessment of fuel availability for Non-Intermittent Generating Systems for the 2022 and future CRC process<sup>1</sup>.

Given the importance of the CRC process for the WEM and Market Participants, AEMO proposed to amend the Procedure to:

- specify additional information a Market Participant must provide as evidence of fuel availability in its CRC application under clause 4.10.1(e)(v)(2) of the WEM Rules; and
- clarify the factors AEMO may consider when determining its reasonable expectation of the amount of capacity likely to be available under clause 4.11.1(a) of the WEM Rules.

AEMO also took the opportunity to propose the following minor and administrative changes:

- amendment to paragraphs 5.2.2 and 5.2.3 of the Procedure to clarify that, in accordance with clause 4.11.1 of the WEM Rules, AEMO's plant capability assessment must reflect its reasonable expectation of the amount of capacity likely to be available. This may not be equal to that Facility's maximum capacity provided under clause 4.10.1(e), but must not exceed it;
- move the Procedure to AEMO's new WEM Procedure template; and
- minor typographical changes.

It should be highlighted that the Procedure will need to be revised again in early 2023 to reflect the *Tranche 6 Wholesale Electricity Market Amending Rules*<sup>2</sup> as they relate to the CRC process. This will provide the opportunity to address issues other than fuel availability for future Reserve Capacity Cycles, which is the scope of this Procedure.

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<sup>1</sup> The CRC application period for the deferred 2022 Reserve Capacity Cycle (2024-25 Capacity Year) opened on 18 October 2022.

<sup>2</sup> Available at: <https://www.wa.gov.au/government/document-collections/exposure-draft-2-tranche-6-wholesale-electricity-market-amending-rules>.

## Consultation

AEMO published the Procedure Change Proposal (AEPC\_2022\_01) and issued a call for submissions on 11 November 2022. AEMO specifically sought feedback on whether:

- stakeholders consider the additional information related to fuel availability proposed to be required in CRC applications provides an appropriate balance between the impost on Market Participants and risk to Power System Security and Power System Reliability, and the market overall;
- AEMO's proposed process to determine its reasonable expectation of fuel availability is appropriate; and
- the proposed changes to the Procedure effectively implement AEMO's intended changes.

On 15 November 2022, AEMO presented an overview of the Procedure Change Proposal to the Market Advisory Committee (**MAC**). AEMO highlighted this was because:

- fuel supplies are currently a high-profile issue that has been in the media, drawing attention to reliability over the summer; and
- the proposed changes are intended to apply from the 2022 Reserve Capacity Cycle CRC process, for which applications close on 14 February 2023.

On 21 November 2022, AEMO held an AEMO Procedure Change Working Group (**APCWG**) meeting, and invited a broader stakeholder group than usual, including those who attended the MAC and the CRC workshops for the 2022 Reserve Capacity Cycle.

In both the MAC<sup>3</sup> and APCWG<sup>4</sup> meetings, stakeholders raised concerns that the proposed amendments could potentially result in a significant amount of additional information being provided to AEMO that may not be valuable. However, both groups agreed there was a trade-off between the burden of evidence required to be provided by Market Participants and AEMO's ability to ensure compliance. AEMO agreed that the right balance needed to be struck, and welcomed feedback on alternatives as part of the Procedure Change Process.

The submission period closed on 9 December 2022. Six submissions were received from AGL, Alinta Energy, Bluewaters Power, NewGen Power Kwinana, Shell Energy and Synergy.

Consistent with feedback from MAC and the APCWG, submissions noted the intent of the changes but raised concerns about the administrative impost. Bluewaters Power and NewGen Power Kwinana consider the fuel shortages to be short-term, and making the proposed changes would place an ongoing, unnecessary burden on Market Participants. Other submissions focussed on suggestions to ensure the right balance between administrative effort and risk mitigation. AEMO has adopted several suggestions in the revised Procedure.

## AEMO's decision

AEMO's decision is to accept the Procedure, as amended following the consultation period. Cognisant of the administrative impost the new information requirements may have, AEMO has:

- introduced the requirement to provide reasons for instances only where the actual fuel delivered is materially below the contractual entitlement, rather than for all differences;

<sup>3</sup> See MAC minutes. Available at: [https://www.wa.gov.au/system/files/2022-12/MAC\\_2022\\_12\\_13 - Combined Meeting Papers.pdf](https://www.wa.gov.au/system/files/2022-12/MAC_2022_12_13_-_Combined_Meeting_Papers.pdf).

<sup>4</sup> See APCWG minutes. 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>.

- clarified the information requirements are only for the fuel contracts the Market Participant is relying on for the purposes of CRC; and
- for the purposes of AEMO's assessment of its reasonable expectation of amount of capacity likely to be available under clause 4.11.1(a) of the WEM Rules, clarified that AEMO may take matters into account where they are reasonably likely to reoccur during the relevant Capacity Year.

AEMO considers the revised Procedure is consistent with the WEM Rules, would better achieve Wholesale Market Objectives (a) and (d), and is consistent with all other objectives. The revised Procedure provides further certainty that a Facility's capacity will be available when it is needed, thereby increasing security and reliability of supply. It will also provide accurate price signals for the efficient exit and entry of capacity in the WEM, thereby minimising the long-term cost of electricity supplied to customers in the SWIS. Moreover, AEMO considers the revisions made following consultation better balance the administrative impost on Market Participants and risk.

The revised Procedure is also consistent with the *Electricity Industry Act 2004*, the Electricity Industry (Wholesale Electricity Market) Regulations 2004 (**WEM Regulations**), and the WEM Rules.

### Next steps

The revised WEM Procedure: Certification of Reserve Capacity for the 2022 and 2023 Reserve Capacity Cycles will commence at 8:00AM on 20 December 2022.



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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

Due to a combination of issues including ongoing fuel supply limitations, AEMO identified a potential shortfall of capacity for the 2022-23 Capacity Year. On 23 September 2022, AEMO called for tenders from potential suppliers of supplementary capacity for the upcoming Hot Season (1 December 2022 to 31 March 2023). This highlighted the need for AEMO to take additional steps in its assessment of fuel availability for Non-Intermittent Generating Systems for the 2022 and future CRC process<sup>5</sup>.

Given the importance of the CRC process for the WEM and Market Participants, AEMO proposed to amend the Procedure to:

- specify additional information a Market Participant must provide as evidence of fuel availability in its CRC application under clause 4.10.1(e)(v)(2) of the WEM Rules; and
- clarify the factors AEMO may consider when determining its reasonable expectation of the amount of capacity likely to be available under clause 4.11.1(a) of the WEM Rules.

## 1.3 Procedure change process and timetable

On 11 November 2022, AEMO published the Procedure Change Proposal (AEPC\_2022\_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 9 December 2022.

# 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

Under clause 4.10.1(e)(v)(2), a Market Participant must provide details acceptable to AEMO together with supporting evidence of both firm and any non-firm fuel supplies and the factors that determine restrictions on fuel availability that could prevent the Facility operating at its full capacity for Peak Trading Intervals on Business Days. AEMO proposed to require that fuel availability information be provided by a Market Participant to inform its

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<sup>5</sup> The CRC application period for the deferred 2022 Reserve Capacity Cycle (2024-25 Capacity Year) opened on 18 October 2022.



determination of the reasonable expectation of the amount of capacity likely to be available under clause 4.11.1(a) of the WEM Rules:

- (a) whether the contract specifies a Firm or Non-Firm arrangement;
- (b) the contractual entitlement quantity;
- (c) the actual fuel quantity delivered for each month in the previous 36 months, with reasons for any difference between the contractual entitlement quantity and the actual fuel quantity delivered;
- (d) the quantity of effective, usable fuel kept in reserve (e.g. stored or stockpiled) for each month in the previous 36 months;
- (e) the specification of contracted fuel and fuel kept in reserve;
- (f) any known or reasonably foreseeable issues that may result in restrictions on fuel availability;
- (g) for each matter specified in subsection (f), a description (with supporting evidence) of any controls and risk mitigation activities implemented by the Market Participant; and
- (h) any other information the Market Participant considers relevant.

To provide further guidance for Market Participants when developing their CRC applications, AEMO proposed to introduce a new paragraph 5.3.3 (now 5.3.4) of the Procedure requiring this information to be provided to AEMO as part of a CRC application.

AEMO considered the requirement for a Market Participant to provide this information is consistent with the requirements under clause 4.10.1(e)(v)(2) and are reasonable to include in its assessment under paragraph 5.3.1 of the Procedure and clause 4.11.1(a) of the WEM Rules.

As part of determining its reasonable expectation of the amount of capacity likely to be available, in relation to fuel availability, AEMO proposed to consider other additional factors in its assessment which may include but are not limited to:

- whether there is a valid fuel contract in place;
- historical quantities delivered under each contract;
- the likelihood and effect of known or foreseeable issues that may impact fuel availability; and
- the suitability of any applicable risk mitigation measures in preventing fuel shortages.

## 2.2 Proposed drafting

AEMO published a draft of the proposed Procedure for consultation. Clean and change-marked versions are available at: <https://www.aemo.com.au/energy-systems/electricity/wholesale-electricity-market-wem/procedures-policies-and-guides/procedures/ongoing-procedure-change-proposals>.



# 3 Consultation process

## 3.1 Market Advisory Committee and Working Group

In accordance with clause 2.10.9 of the WEM Rules, AEMO notified the MAC once the Procedure Change Proposal was published and noted its intention to discuss the proposed changes at the 15 November 2022 meeting.

Ms Kate Ryan, Executive General Manager, Western Australia and Strategy addressed the MAC, noting two reasons to discuss the proposed changes with MAC members:

- fuel supplies are currently a high-profile issue that has been in the media, drawing attention to reliability over the summer; and
- the proposed changes are intended to apply from the 2022 Reserve Capacity Cycle CRC process, for which applications close on 14 February 2023.

Ms Ryan highlighted that the WEM Rules allow AEMO to collect this information already and indicated that the Procedure Change Proposal seeks to clarify what information is required to help AEMO determine its reasonable expectation of the amount of capacity likely to be available – the relevant test.

MAC members discussed the potential administrative impost of the additional information requirements and discussed potential ways to achieve the intent in a less onerous way (for example providing only 12 months of data and requesting this information from only those affected by fuel shortages).

Overall, MAC noted it was conscious of the onus of the information but supported the need for an appropriate and effective risk assessment to maintain Power System Security and Power System Reliability.

Draft minutes of the MAC meeting are included in the 13 December 2022 meeting papers, available at: [https://www.wa.gov.au/system/files/2022-12/MAC%202022\\_12\\_13%20%20-%20Combined%20Meeting%20Papers.pdf](https://www.wa.gov.au/system/files/2022-12/MAC%202022_12_13%20%20-%20Combined%20Meeting%20Papers.pdf).


## 3.2 Working Group

An overview of the proposed amended WEM Procedure was presented at the APCWG meeting held on 21 November 2022.

In relation to the proposed changes, stakeholders raised the questions about:

- how AEMO might consider the variance between a high entitlement quantity and actual delivery;
- the rationale behind the use of 36 months of historical fuel data; and
- how AEMO would assess the credibility of “other information of which AEMO is aware and considers relevant to the determination” given the possibility of inaccurate information such as media reports.

These issues have also been raised in formal submissions. Responses to each submission, together with AEMO’s proposed additional revisions to the Procedure, are provided in Attachment 1 and section 4.1 of this report.



The papers and minutes from the 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>.

### 3.3 Submissions received during consultation period

AEMO published the Procedure Change Proposal (AEPC\_2022\_01) and issued a call for submissions on 11 November 2022. The submission period closed on 9 December 2022. AEMO received six submissions from:

- AGL;
- Alinta Energy;
- Bluewaters Power;
- NewGen Power Kwinana;
- Shell Energy; and
- Synergy.

Submissions noted the intent of the changes but raised concerns about the administrative impost. Bluewaters Power and NewGen Power Kwinana consider the fuel shortages to be short-term, and that making the proposed changes would place an ongoing, unnecessary burden on Market Participants. Other submissions focussed on suggestions to ensure the right balance between administrative effort and risk mitigation. AEMO has adopted several suggestions in the revised Procedure.

AEMO's response to drafting suggestions is provided at Attachment 1.

The submissions are available at: [https://www.aemo.com.au/consultations/current-and-closed-consultations/aepec\\_2022\\_01](https://www.aemo.com.au/consultations/current-and-closed-consultations/aepec_2022_01).

## 4 AEMO's assessment

### 4.1 Further changes to the Procedure

AEMO has made the following changes to reflect submissions:

- introduced the requirement to provide reasons for instances only where the actual fuel delivered is materially below the contractual entitlement, rather than for all differences;
- clarified the information requirements are only for the fuel contracts the Market Participant is relying on for the purposes of certification; and
- for the purposes of AEMO's assessment of its reasonable expectation of the amount of capacity likely to be available, clarified that AEMO may take matters into account where they are reasonably likely to reoccur during the relevant Capacity Year.



## 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*;
- WEM Regulations 2004; and
- WEM Rules.

## 4.3 Consistency with Wholesale Market Objectives

AEMO considers the revised Procedure is consistent with the WEM Rules, would better achieve Wholesale Market Objectives (a) and (d), and is consistent with all other objectives.

The revised Procedure provides further certainty that a Facility's capacity will be available when it is needed, thereby increasing security and reliability of supply. It will also provide accurate price signals for the efficient exit and entry of capacity in the WEM, thereby minimising the long-term cost of electricity supplied to customers in the SWIS. Moreover, AEMO considers the revisions made following consultation better balance the administrative impost on Market Participants and risk.

The revised Procedure is also consistent with the *Electricity Industry Act 2004*, the WEM Regulations, and the WEM Rules.

## 4.4 Implementation of the Procedure

Bluewaters Power and NewGen Power Kwinana have questioned whether Market Participants will have sufficient time to comply with the additional information requirements, also highlighting the CRC application window is already open. Both Market Participants also question whether AEMO has the resources to conduct the assessments within the required timeframes, suggesting the possibility of deferring current timelines.


AEMO acknowledges the changes will come into effect after the CRC application window opened<sup>6</sup>. However, AEMO considers two months is sufficient to allow Market Participants to comply with the new information requirements because:

- Market Participants already provide fuel contracts as part of their applications for certification;
- monthly delivered fuel quantity information for the past 36 months should be readily available and therefore not overly onerous; and
- no other Market Participants have indicated implementation issues as a result of the requirements applying to the current Reserve Capacity Cycle.

Consequently, AEMO considers that commencement at 8:00AM on 20 December 2022 will allow Market Participants sufficient time to ensure compliance. AEMO's decision and commencement

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<sup>6</sup> The 2022 Reserve Capacity Cycle timetable is available at: <https://aemo.com.au/en/energy-systems/electricity/wholesale-electricity-market-wem/wa-reserve-capacity-mechanism/reserve-capacity-timetable>.



AEMO's decision is to accept the Procedure as amended following the consultation period. The new WEM Procedure: Certification of Reserve Capacity for the 2022 and 2023 Reserve Capacity Cycles will commence at 8:00 AM on 20 December 2022.

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

- is consistent with the Wholesale Market Objectives, and would better address objectives (a) and (d);
- is consistent with the *Electricity Industry Act 2004*, WEM Regulations, and WEM Rules; and
- balances the administrative impost on Market Participants and the supply risk caused by potential fuel shortages.

The revised WEM Procedure: Certification of Reserve Capacity for the 2022 and 2023 Reserve Capacity Cycles is available at [https://www.aemo.com.au/consultations/current-and-closed-consultations/aepc\\_2022\\_01](https://www.aemo.com.au/consultations/current-and-closed-consultations/aepc_2022_01).

# A1. Response to drafting suggestions

Issue	Proposed drafting changes	Response
1	<p><b>Paragraph 5.3.3, now 5.3.4</b></p> <p>SHELL ENERGY</p> <p>At Clause 5.3.3. we suggest removal of the wording “at a minimum”.</p> <p>The clause states that the MP must provide the listed information, therefore this wording becomes redundant.</p>	<p>AEMO included the phrase ‘at minimum’ such that the drafting did not preclude the Market Participant from submitting any other information.</p> <p>AEMO has removed this reference, and introduced a new paragraph 5.3.4(a)(iv) explicitly requiring the Market Participant to provide any other relevant information.</p>
2	<p><b>Paragraph 5.3.3, now 5.3.4</b></p> <p>SYNERGY</p> <p>Synergy considers the historical fuel arrangements that the current drafting of paragraph 5.3.3 requires all market participants to provide with each CRC application is overly onerous and in most circumstances, will require applicants to provide large amounts of irrelevant information.</p> <p>As currently drafted, paragraph 5.3.3 requires each CRC application to include the new historical fuel information for every fuel contract it held, and for any fuel it had in storage or in stockpiles over the relevant period, even where the:</p> <ul style="list-style-type: none"> <li>market participant is not relying on the relevant fuel contract, storage or stockpile as part of its CRC application (i.e., where the contract, stockpile or storage is not required in order for the facility to be able to operate for Peak Trading Intervals during the relevant period); or</li> </ul>	<p>AEMO has clarified in paragraph 5.3.4(a) this requirement relates to fuel contracts the Market Participant is relying on for the purposes of its CRC application.</p> <p>AEMO has also clarified in paragraphs 5.3.4(a)(iii) and 5.3.4(b)(iii) that reasons for variances are only required where the delivered fuel is materially below the contracted amount.</p> <p>AEMO considers these changes will ensure AEMO is provided sufficient information to make its assessment under clause 4.11.1(a) of the WEM Rules, while not requiring irrelevant</p>

Issue	Proposed drafting changes	Response
	<ul style="list-style-type: none"> <li>market participant required less than the available contractual volumes to meet its historic fuel needs; or</li> <li>there have been no issues with fuel delivery under any of the relevant fuel arrangements.</li> </ul> <p>Synergy considers, in many circumstances, the proposed amendments to paragraph 5.3.3 will likely require market participants to provide fuel information that is irrelevant to AEMO's determination under clause 4.11.1(a). This issue is compounded because even where this information is irrelevant, failure to provide all the information would technically mean the applicant has not made a valid CRC application under the WEM Rules and, consequently, would not be eligible to be assigned CRC.</p>	<p>information to be provided by Market Participants.</p>
<p><b>3</b></p>	<p><b>Paragraph 5.3.3, now 5.3.4</b></p> <p>ALINTA ENERGY</p> <p>1. Remove the requirement for information comparing the contractual entitlement quantities and the actual delivered quantities. Replace it with a requirement for information comparing delivered and scheduled fuel quantities.</p> <p>Why?</p> <p>For many facilities (especially gas-fired), differences between contracted entitlement quantities and delivered quantities will not indicate an unreliable supply. The 14-hour fuel requirement obliges such high entitlement quantities that normal market conditions may rarely support gas-fired facilities' daily scheduled (and delivered) quantities reaching their daily total entitlement quantities. Further, fluctuations in the differences are primarily driven by market conditions, including electricity demand, the availability of renewable</p>	<p>AEMO acknowledges contracts may be for a higher volume of fuel than required (scheduled for gas plant) in any month.</p> <p>The purpose of this analysis is to test the reliability of the contract.</p> <p>AEMO notes that the drivers of such differences may not indicate fuel supply issues. The requirement for a Market Participant to provide reasons for any variance below contract volumes will allow consideration of these reasons.</p>

Issue	Proposed drafting changes	Response
	<p>generation, outages, and the availability of fuel under cheaper, alternative arrangements – not reliability.</p> <p>A comparison of ‘scheduled quantities’ and ‘delivered quantities’ will provide a much better measure of fuel supply reliability because unlike ‘contracted entitlement quantities’, ‘scheduled quantities’ account for market conditions. Consequently, while there may be other factors causing a difference between scheduled and delivered quantities, fuel reliability issues are much more likely to be among the primary causes.</p> <p>2. Make the requirement for reasons subject to a materiality threshold.</p> <p>Why?</p> <p>We suggest reasons are only necessary for relatively material differences because small differences are routine for gas supply. In practice, tolerance ranges are used because it is almost impossible for a supplier to perfectly match a large scheduled quantity of gas.</p> <p>3. Add a broader requirement for participants to provide information demonstrating their fuel supply reliability.</p> <p>Why?</p> <p>The difference between scheduled and delivered quantities may not be an effective indicator of reliability for all contracts, noting the potential variety of arrangements across fuel types. A general requirement permits AEMO to consider other factors that might better indicate the future reliability of a given facility’s fuel supply. It also provides more explicit permission for AEMO to consider reasons why previous differences in scheduled and delivered quantities will or will not be likely to restrict a facility’s capacity in future.</p>	<p>If Alinta Energy considers scheduled fuel quantities are relevant to AEMO’s assessment of availability, this information could also be provided.</p> <p>AEMO has not replaced references to delivered quantities with scheduled quantities.</p> <p>As discussed in response to issue 2, AEMO has clarified in paragraph 5.3.4(a)(iii) that reasons for variances are only required where the delivered fuel is materially below the contracted amount.</p> <p>AEMO has included a new paragraph 5.3.4(a)(iv) to explicitly allow a Market Participant to provide any other relevant information. This complements paragraph 5.3.4(b)(v).</p>

Issue	Proposed drafting changes	Response
4	<p><b>5.3.3(a)(iii) now 5.3.4(a)(iii)</b></p> <p>NEWGEN POWER KWINANA/BLUEWATERS POWER</p> <p>This clause appears to operate on the premise that historical performance is indicative of future performance, however this view does not accurately capture the nature of many fuel supply arrangements, and its application may lead to perverse outcomes against AEMO’s intent.</p> <p>NPK/BW suggests that this clause should instead consider any times where fuel was unavailable to the participant and the causes of this unavailability. This would reduce the reporting burden placed on participants whilst still indicating shortfalls in fuel supply that are outside the control of the participant and also reduce workload for AEMO.</p> <p>Additionally, it does not preclude participants from including historical data should they think it necessary in their application, which could be provided under 5.3.3.(b)(v) of the proposed drafting.</p>	<p>AEMO notes historical information may not be representative of the future. However, this is potentially relevant information, to be considered as part of the complete information set, on which AEMO may form its reasonable expectation of the amount of capacity likely to be available. While historical information is a factor, AEMO will consider it in the context of all other information, including (for example) reasons for material variance.</p> <p>AEMO has requested the information in paragraph 5.3.4(b), including fuel kept in reserve, and known or reasonably foreseeable issues to provide a view of the future.</p> <p>AEMO considers both historical and forward-looking information are important in making this assessment.</p> <p>AEMO has not removed the requirement for Market Participants to provide historical information on fuel quantities.</p>



Issue	Proposed drafting changes	Response
5	<p><b>5.3.3(a)(iii) now 5.3.4(a)(iii)</b></p> <p>SHELL ENERGY</p> <p>At Clause 5.3.3.(a)(iii), AEMO requests the following information:</p> <p>“the actual fuel quantity delivered for each month in the previous 36 months, with reasons for any difference between the contractual entitlement quantity and the actual fee quantity delivered”</p> <p>AEMO’s assessment in Clause 5.3.1 centres on the availability of capacity during Peak Trading Intervals on Business Days. Shell Energy consider the supporting information provided by MP’s in Clause 5.3.3 should focus on fuel and transport availability for the Peak Trading intervals on Business Days rather than fuel delivery. Shell Energy requests this clause is revised as the use of the word “delivered” in this context is unrelated to AEMO’s assessment in Clause 5.3.1 and more appropriate information would be the amount of fuel available for delivery for Peak Trading Intervals on Business Days.</p> <p>This amendment to drafting would remove impacts of market cycles, commercial arrangements and focus towards the MP’s fuel/transportation supplier’s capability to supply the amount of fuel required.</p> <p>In addition, please remove the word “any” from this clause as there could be multiple reasons for “any” differences and there implies there is no limit to the amount of information that AEMO would like MPs to provide in this instance and therefore increases both administrative and regulatory burden.</p> <p>We consider a request for 36 months of historical data for a 12-month Capacity Cycle to be misaligned and not fit for purpose. Going forward, in practice, based on a 12-month Capacity Cycle where the application is submitted 2 years ahead, there would be a 24 month overlap in data which should already have been provided by a MP and assessed by AEMO for the previous Capacity</p>	<p>AEMO considers the contracted quantities, together with any fuel kept in reserve, and the actual delivered quantity reflects fuel availability.</p> <p>If Shell Energy considers there is better information to demonstrate fuel availability, it may provide it to AEMO under paragraph 5.3.4(a)(iv) or 5.3.4(b)(v).</p> <p>AEMO has clarified in paragraphs 5.3.4(a)(iii) and 5.3.4(b)(iii) that reasons for variances are only required where the delivered fuel is materially below the contracted amount.</p> <p>AEMO notes Shell Energy’s concern of administrative burden. However, it is imperative that each application is complete (without</p>

Issue	Proposed drafting changes	Response
	<p>Cycle. This amounts to considerable administrative and regulatory burden, adding further costs for consumers.</p>	<p>relying on information provided in previous applications) to be valid under the WEM Rules. The requirement for this information to be provided each year is consistent with other information, including (for example) Facility specifications.</p> <p>AEMO has not changed the requirement for 36 months of data.</p>
<p><b>6</b></p>	<p><b>5.3.3(b) now 5.3.4(b)</b></p> <p>ALINTA ENERGY</p> <p>Add that fuel reserve information is only required ‘where relevant’, noting that many facilities will not have reserves that are required for certification purposes.</p> <p>SHELL ENERGY</p> <p>In addition, the current drafting includes the use of the words “stored” or “stockpiled” which are not applicable to all MP’s. If it is deemed reasonable for this clause to remain in the Draft Procedure, please amend this clause to include “if applicable”.</p>	<p>AEMO considers the inclusion of the phrase "if any" addresses this concern.</p> <p>AEMO has not amended this paragraph.</p>
<p><b>7</b></p>	<p><b>5.3.3(b)(i) now 5.3.4(b)(i)</b></p> <p>SHELL ENERGY</p> <p>At Clause 5.3.3.(b)(i) AEMO requests information in relation to fuel supply:</p> <p>“the quantity of usable fuel kept in reserve (e.g. stored or stockpiled), if any, for each month in the previous 36 months”</p>	<p>See response to issue 5.</p>

Issue	Proposed drafting changes	Response
	For reasons described above, please amend 36 months to 12 months.	
8	<p><b>5.3.3(b)(ii) now 5.3.4(b)(ii)</b></p> <p>NEWGEN POWER KWINANA/BLUEWATERS POWER</p> <p>NPK/BW questions whether this clause is necessary. The specification of fuel and what is kept in reserve is an arbitrary way of looking at fuel specifications which can change over time. Therefore, the current specification of fuel may not indicate the specification of what the fuel may be at a point in the future. NPK suggests this clause should be removed altogether.</p>	<p>Fuel specification has the ability to affect a Facility's output. AEMO considers this a relevant factor in its assessment of its reasonable expectation of the amount of capacity likely to be available.</p> <p>AEMO has not removed this requirement.</p>
9	<p><b>5.3.5 now 5.3.6</b></p> <p>ALINTA ENERGY</p> <p>1. Note that for the assessment of a generator's fuel supply reliability, AEMO may consider the difference between scheduled and delivered quantities, and any other information provided on the Facility's fuel reliability. This change is required to reflect the changes to 5.3.3(a).</p> <p>2. Add that AEMO should only consider a historical difference between scheduled and delivered quantities as a restriction on its capacity, where it reasonably considers the difference could likely recur. This would avoid historical issues that have since been rectified unduly impacting Capacity Credits. Noting the features of the RCM which account for unforeseen outages, like the allowance in the planning criterion, and the refund mechanism, we suggest that AEMO should only be revising CRC where it reasonably considers historical differences are more likely than not to impact a Facility's future availability.</p> <p>3. Restructure the clause to improve clarity and consistency with conventional rule drafting whereby sub-clauses are discrete and list elements relevant to the</p>	<p>See response to issue 3.</p> <p>AEMO has updated paragraph 5.3.6 to include the potential for reoccurrence.</p> <p>AEMO has removed paragraph 5.3.6(c) to reduce repetition.</p>

Issue	Proposed drafting changes	Response
	<p>parent clause. Under the current drafting, (c) is effectively the parent clause but included as sub clause to 5.3.5, noting that AEMO may consider the sub clauses above.</p>	
<p><b>10</b></p>	<p><b>5.3.5 now 5.3.6</b></p> <p>SYNERGY</p> <p>Synergy proposes the below changes [to add “during the period starting 1 October in Year 3 of the Reserve Capacity Cycle to the end of July in Year 4 of the Reserve Capacity Cycle”] to paragraph 5.3.5 for the same reasons as its proposed changes to paragraph 5.3.3.</p> <p>Synergy has also suggested a change to paragraph 5.3.5(c) to clarify that, when assessing fuel arrangements as part of its determination under clause 4.11.1(a), AEMO can only consider disruptions to fuel supply to the extent AEMO considers the disruption is likely to occur during the relevant Capacity Year. As currently drafted, paragraph 5.3.5(c) appears to allow AEMO to consider a historical supply disruption that has since been resolved.</p>	<p>AEMO has updated paragraph 5.3.6 to reference the relevant Capacity Year.</p> <p>AEMO has updated paragraph 5.3.6 to include the potential for reoccurrence.</p>
<p><b>11</b></p>	<p><b>5.3.5(b) now 5.3.6(b)</b></p> <p>SHELL ENERGY</p> <p>At Clause 5.3.5.(b) AEMO assessment of capacity based on information in relation to fuel supply:</p> <p>“the actual fuel quantity delivered under the fuel supply or fuel transportation arrangement has been less than the contractual entitlement quantity to an extent that AEMO considers consistent, sustained, or ongoing; or”</p> <p>For reasons described above, please amend reflect fuel availability rather than delivery.</p>	<p>See response to issue 5.</p>

Issue	Proposed drafting changes	Response
	<p>At Clause 5.3.5.(c) AEMO assessment of capacity based on information in relation to fuel supply:</p> <p>“AEMO reasonably considers the actual fuel quantity delivered under the fuel supply or fuel transportation arrangement will be less than the contractual entitlement quantity, AEMO may take the relevant matter in paragraph 5.3.5(a), (b) or (c), as applicable, as indicating a restriction on fuel availability that could prevent the Component or Facility Upgrade from operating at its full capacity for Peak Trading Intervals on Business Days.”</p> <p>For reasons described above, please amend reflect fuel availability rather than delivery.</p>	
12	<p><b>Clause 5.3.10 now 5.3.2</b></p> <p>AGL</p> <p>Suggested to re-order this paragraph as 5.3.2.</p>	AEMO has re-ordered this as paragraph 5.3.2.
13	<p><b>5.3.10(f) now 5.3.2(f)</b></p> <p>NEWGEN POWER KWINANA/BLUEWATERS POWER</p> <p>NPK/BW wishes to stress that this clause could be open to interpretation and suggests that a vetting process should be introduced to allow the participant to confirm the validity and relevancy of information.</p> <p>SYNERGY</p> <p>Synergy considers the CRC procedure should explicitly ensure that AEMO provides market participants with procedural fairness in relation to any ‘other information’ AEMO considers as part of making a determination under clause 4.11.1(a).</p>	<p>AEMO has retained this requirement with its original drafting.</p> <p>AEMO reiterates that the assessment of CRC regarding fuel security is based on a range of factors, and expects that in most cases this will be based on information provided by the Market Participant. The drafting requires any external information used by AEMO to be relevant to the assessment of CRC for that Facility.</p> <p>Industry expressed concern at the APCWG meeting that AEMO may rely on media articles as the basis for its assessment. As noted in the</p>

Issue	Proposed drafting changes	Response
	<p>SHELL ENERGY</p> <p>Clause 5.3.10.(f) – any other information from AEMO:</p> <p>“any other information, of which AEMO is aware and considers relevant to the determination.”</p> <p>Shell Energy considers this clause should be amended to incorporate the principals of procedural fairness and require AEMO to engage in good faith with the affected MP prior to including “other information” into its assessment under Clause 5.3.1.</p>	<p>APCWG meeting, AEMO will only rely on credible information from trusted sources.</p>
14	<p>NEWGEN POWER KWINANA/BLUEWATERS POWER</p> <p>BW and NPK question whether this proposal is consistent with the following WEM objectives:</p> <p><i>“(b) 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”,</i></p> <p>BW/NPK believe these proposed changes are very clearly directed towards a particular energy type as they are not practical for every fuel type.</p> <p><i>(d) Minimise the long-term cost of electricity supplied to customers from the SWIS.</i></p> <p>Depending on the interpretation, the proposed changes could require participants to secure all of their fuel requirement years in advance. This security from 3rd parties does come with a cost and could potentially lead to longer term price increases.</p>	<p>As noted in section 4.3, AEMO considers the revised Procedure would better achieve Wholesale Market Objectives (a) and (d), and is consistent with all other objectives.</p> <p>The WEM Procedure amendments have been drafted in a fuel-neutral way. AEMO notes that no drafting suggestions have been proposed, and no other Market Participants have identified concerns of inconsistency with these objectives.</p> <p>Regarding the requirement to secure fuel in advance, AEMO notes that the proposed amendments do not represent a change to the existing requirements of providing evidence of fuel supply for the relevant Capacity Year.</p>