

# WHOLESALE ELECTRICITY MARKET

## Submission to Procedure Change Proposal

**APEC\_2022\_01**

**Certification of Reserve Capacity for the 2022 and 2023 Reserve Capacity Cycles**

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### Submission

Clause 2.10.7 of the Wholesale Electricity Market Rules provides that any person may make a submission for a Procedure Change Proposal (including proposals developed by AEMO, the Economic Regulation Authority, the Coordinator of Energy or a Network Operator) by completing this Procedure Change Submission form.

Submissions should be provided by email to the nominated contact in the call for submissions published with the Procedure Change Proposal.

**Please provide your views on the Procedure Change Proposal, including any objections or suggested revisions**

NewGen Kwinana (NPK) welcomes the opportunity to provide comments on AEMOs Procedure Change Proposal and would like to provide the below comments for consideration.

NPK first wishes highlight the proposed changes appear to be in response to immediate challenges faced by certain market participants and that it believes these challenges will likely be resolved by the start of the applicable capacity year. It is therefore NPK's opinion that proposed changes place an unnecessary compliance and administrative burden on all participants (AEMO included) that will remain in effect for years to come.

As a result, NPK disagrees that there is a need to revise the current Certified Reserve Capacity Procedure. However, NPK would like to propose the following suggestions, should changes be progressed:

5.3.3. (a) In relation to each primary and alternative fuel supply contract:

(iii) 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.

This clause appears to be 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.

NPK 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.

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

5.3.3. (b) In relation to fuel supply:

(ii) The specification of fuel kept in reserve.

NPK 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.

5.3.10.(f) Any other information, of which AEMO is aware and considers relevant to the determination.

NPK 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.

**Please provide an assessment whether the Procedure Change Proposal is consistent with the Market Objectives and the Wholesale Electricity Market Rules.**

NPK questions whether this proposal is consistent with the following WEM objectives:

(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

NPK believes these proposed changes are very clearly directed towards a particular energy type as they are not practical for every fuel type.

(d) Minimise the long-term cost of electricity supplied to customers from the SWIS.

Depending on the interpretation, the proposed changes could require participants to secure all of their fuel requirement years in advance. This security from 3<sup>rd</sup> parties does come with a cost and could potentially lead to longer term price increases.

**Please indicate if the Procedure Change Proposal will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.**

As indicated above, NPK believes that this procedure change will add additional compliance and administrative burden to market participants who are seeking accreditation for Certified Reserve Capacity for the 24/25 Capacity Year and in future capacity years.

Addressing the immediate concern with 24/25 capacity year, NPK questions whether market participants will have enough time to procure sufficiently detailed information to meet AEMO's proposed drafting. This is further compounded by the fact that we are already one month into the allocated submission window. NPK also questions whether AEMO has enough resources/time to assess each application by the required deadline and hopes that AEMO is exploring the possibility of delaying current timelines.

Aside from this immediate concern, future periods will involve more work and NPK would like to stress that the proposed changes appear to be a knee-jerk reaction that will have implications for years to come.