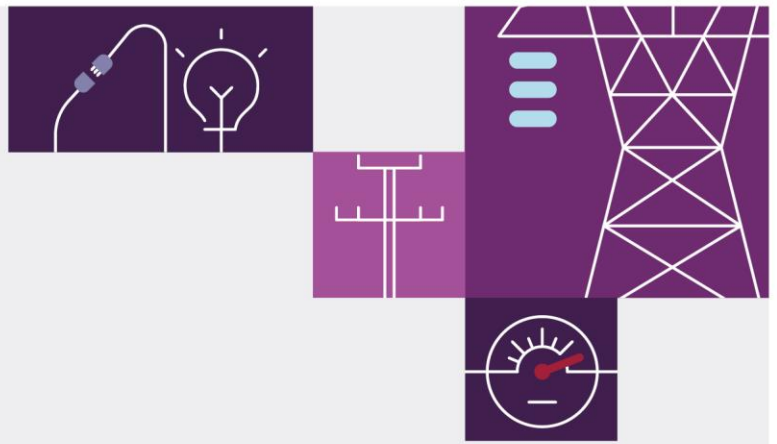


Deferral of the 2022 Reserve Capacity Cycle Timetable

February 2022

Submissions and Decision Report





Important notice

Purpose

AEMO has prepared this document to provide information about the 2022 Reserve Capacity Cycle timetable, as at the date of publication.

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Executive summary

The Network Access Quantity (NAQ) framework provides a mechanism to assign Capacity Credits in the new security constrained market design, using a NAQ Model. A Facility's NAQ reflects its physical capability limit, network access limit, and prioritisation order in receiving network access during peak demand periods.

On 26 February 2021, the Australian Energy Market Operator (AEMO) published the current 2022 Reserve Capacity Cycle timetable following a high-level assessment of the requirements for the implementation of the NAQ framework. AEMO may modify or extend dates in the 2022 Reserve Capacity Cycle timetable under clause 1.36B.3 of the Wholesale Electricity Market Rules (WEM Rules).

On 24 January 2022, AEMO published a consultation paper¹ regarding a proposed deferral of key Year 1 events in the current 2022 Reserve Capacity Cycle timetable. The consultation paper sought feedback from Market Participants and interested stakeholders. The consultation period ended on 7 February 2022.

AEMO received six submissions from Market Participants in response to the consultation paper. AEMO has taken the submissions into account (together with other relevant matters) when making its decision. AEMO has decided to extend dates in the 2022 Reserve Capacity Cycle timetable on the basis proposed in the consultation paper.

The updated 2022 Reserve Capacity Cycle timetable (see Appendix A1) has been published on the WEM Website² and is effective from 18 February 2022.

¹ See: https://aemo.com.au/-/media/files/stakeholder_consultation/consultations/wa_wem_consultation_documents/2022/deferral-of-the-2022-reserve-capacity-cycle-timetable/consultation-paper-2022-rcc-deferral.pdf.

² See: <https://aemo.com.au/energy-systems/electricity/wholesale-electricity-market-wem/wa-reserve-capacity-mechanism/reserve-capacity-timetable>.

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Abbreviations

Abbreviation	Expanded name
CRC	Certified Reserve Capacity
EOI	Expressions of Interest
ESOO	Electricity Statement of Opportunities
NAQ	Network Access Quantity
RCM	Reserve Capacity Mechanism

1 Background

1.1 Deferral of key Year 1 events in the 2022 Reserve Capacity Cycle

In December 2020, the Wholesale Electricity Market Amendment (Tranches 2 and 3 Amendments) Rules 2020 (**2020 Amending Rules**)³ were published. On 26 February 2021, the Australian Energy Market Operator (AEMO) published the current 2022 Reserve Capacity Cycle timetable following a high-level assessment of the requirements for the implementation of the Network Access Quantity (NAQ) framework in accordance with the 2020 Amending Rules.

The NAQ framework provides a mechanism to assign Capacity Credits in the new security constrained market design, using a NAQ Model. A Facility's NAQ reflects its physical capability limit, network access limit, and prioritisation order in receiving network access during peak demand periods.

AEMO may modify or extend dates in the 2022 Reserve Capacity Cycle timetable under clause 1.36B.3 of the Wholesale Electricity Market Rules (WEM Rules). On 24 January 2022, AEMO published a consultation paper⁴ regarding a proposed deferral of key Year 1 events in the current 2022 Reserve Capacity Cycle timetable (proposed 2022 Reserve Capacity Cycle timetable).

AEMO considers that the proposed 2022 Reserve Capacity Cycle timetable discussed in the consultation paper will allow:

- AEMO to resolve complexities in the NAQ framework implementation and build a NAQ Model that can effectively determine each Facility's NAQ taking into consideration the prioritisation order requirement.
- Market Participants to fully understand the NAQ framework and associated changes in the Certified Reserve Capacity processes to support their commercial decisions.
- AEMO to engage with stakeholders more closely on the NAQ-related WEM Procedures development.
- Western Power to have additional time to develop its first Reserve Capacity Mechanism (RCM) Limit Advice and AEMO to develop its first RCM Constraint Equations.

Market Participants and interested stakeholders were invited to submit written responses on the potential impacts of the proposed 2022 Reserve Capacity Cycle timetable. This report summarises the consultation outcomes and AEMO's decision on the proposed 2022 Reserve Capacity Cycle timetable.

³ In December 2021, the Minister for Energy further amended the WEM Rules as set out in the Wholesale Electricity Market Amendment (Tranche 5 Amendments) Rules 2021.

⁴ See https://aemo.com.au/-/media/files/stakeholder_consultation/consultations/wa_wem_consultation_documents/2022/deferral-of-the-2022-reserve-capacity-cycle-timetable/consultation-paper-2022-rcc-deferral.pdf.

1.2 Regulatory requirements

In accordance with clause 1.36B.7 of the WEM Rules, if AEMO wishes to modify or extend the date for completion of specified Year 1 events in the 2022 Reserve Capacity Cycle timetable (which relevantly include notifying each Market Participant of the NAQ determined for each of its Facilities in accordance with clause 4.15.11 of the WEM Rules) to a date that falls after 31 December 2022, then AEMO must:

1. Consult with Market Participants and other interested stakeholders on the proposed modified or extended date,
2. Call for submissions, and
3. Publish on the WEM Website:
 - a. AEMO's decision on the modified or extended date,
 - b. any submissions received, and
 - c. an updated timetable in accordance with clause 1.36B.3 of the WEM Rules.

2 AEMO's consultation process

AEMO published a consultation paper on 24 January 2022 which discussed the benefits, challenges, and rationale for deferring key Year 1 events in the current 2022 Reserve Capacity Cycle timetable. Market Participants and interested stakeholders were invited to submit written responses to the impacts of AEMO's proposal to defer key Year 1 events in the 2022 Reserve Capacity Cycle timetable by 5.00 pm (AWST) on 7 February 2022.

AEMO received a total of six submissions from the following Market Participants, which have been published on the WEM Website⁵:

- Alinta Energy
- Bluewaters Power 1 Pty Ltd
- Bluewaters Power 2 Pty Ltd (BW2)
- Collgar Wind Farm
- Metro Power Company Pty Ltd (Metro Power)
- NewGen Power Kwinana Pty Ltd (NPK)

AEMO has taken the submissions into account when making its decision on the proposed 2022 Reserve Capacity Cycle timetable, together with other relevant matters, including:

- The proportion of Market Participants and stakeholders impacted by each Year 1 event deferred.
- The degree of impact on AEMO and stakeholders as a result of the deferral.

All six submissions noted a positive or no impact resulting from the proposed 2022 Reserve Capacity Cycle timetable (see Table 1). Five out of six of the Market Participants agreed with AEMO's assessment that additional time was required to resolve the complexities of the NAQ framework implementation and to build a robust and sound NAQ Model.

⁵ See <https://aemo.com.au/consultations/current-and-closed-consultations/deferral-of-the-2022-reserve-capacity-cycle-timetable>.



In addition, the Market Participants agreed that deferring the key Year 1 events in the 2022 Reserve Capacity Cycle timetable would:

- Enable Market Participants to fully understand the NAQ framework and its implications on business decisions,
- Enable AEMO to engage with Market Participants in developing the NAQ-related WEM Procedures prior to the submission of applications for the Certified Reserve Capacity process, and
- Allow additional time for Western Power to develop its first RCM Limit Advice and AEMO to develop its first RCM Constraint Equations.

The comments received from the Market Participants for each key Year 1 event in the proposed 2022 Reserve Capacity Cycle timetable are provided in Table 2.



Table 1 Summary of the degree of impact on Market Participants resulting from deferring key Year 1 events in the 2022 Reserve Capacity Cycle

Event Description	Date	Alinta Energy	BW1	BW2	Collgar Wind Farm	Metro Power	NPK
EOI applications close.	Current: 24 February 2022 Proposed: 9 May 2022	Positive	Not Applicable	Not Applicable	Positive	Positive	Not Applicable
Provision of Facility information to Western Power by AEMO.	Current: 3 March 2022 Proposed: 16 May 2022	Positive	None	None	Positive	None	None
AEMO publishes a summary of the results of the EOI.	Current: 28 March 2022 Proposed: 30 June 2022	Positive	None	None	Positive	None	None
Market Participants may apply for CRC.	Current: 8 April 2022 Proposed: 18 October 2022	Positive	Positive	Positive	Positive	Positive	Positive
Provision of information to AEMO by Western Power.	Current: 15 April 2022 Proposed: 18 July 2022	Positive	Positive	Positive	Positive	None	Positive
Publication of the RCM Limit Advice and RCM Constraint Equations to be used in the NAQ Model.	Current: 3 June 2022 Proposed: 6 December 2022	Positive	Positive	Positive	Positive	None	Positive
CRC applications close.	Current: 8 July 2022 Proposed: 14 February 2023	Positive	Positive	Positive	Positive	Positive	Positive
AEMO advises assignment of CRC.	Current: 6 September 2022 Proposed: 14 April 2023	Positive	Positive	Positive	Positive	Positive	Positive
Market Participants must advise AEMO the total CRC that will be traded bilaterally or not available to market.	Current: 20 September 2022 Proposed: 28 April 2023	Positive	Positive	Positive	Positive	Positive	Positive
AEMO confirms quantity of CRC that can be traded bilaterally.	Current: 3 October 2022 Proposed: 11 May 2023	Positive	Positive	Positive	Positive	Positive	Positive
AEMO publishes CRC for each Facility.	Current: 4 October 2022 Proposed: 12 May 2023	Positive	Positive	Positive	Positive	Not Applicable	Positive
AEMO assigns NAQ and Capacity Credits.	Current: 5 December 2022 Proposed: 28 June 2023	Positive	Positive	Positive	Positive	Not Applicable	Positive

Table 2 Comments received from Market Participants for each deferred key Year 1 event in the 2022 Reserve Capacity Cycle *

Event Description	Date	Alinta Energy	BW1, BW2 and NPK	Collgar Wind Farm
EOI applications close.	Current: 24 February 2022 Proposed: 9 May 2022	<p>Alinta Energy supports AEMO's proposed timeline for the 2022 Reserve Capacity Cycle for the reasons stated above. Alinta Energy considers that any adverse impacts to its business resulting from the deferral would be outweighed by the relative benefits of allowing appropriate time for:</p> <ul style="list-style-type: none"> • AEMO to implement the new process, and • Stakeholders to review and provide feedback on the relevant WEM Procedures. 		<p>Collgar understands that AEMO has had limited time to implement the NAQ model following the finalisation of the policy position and associated Amending Rules. It is critical there is sufficient time for AEMO to develop a robust NAQ model, and for stakeholders to review and comment on the associated WEM Procedures. Given this, Collgar understands and supports AEMO's proposed deferral of the RCM timetable, including EOI and CRC application timelines and associated processes. This comment extends to the other items listed below. However, while Collgar supports the deferral, there is also a balance with providing information (including RCM Limit Advice and Constraints) to Market Participants in a timely way to inform their decision making. Given this, Collgar does not support further deferral beyond the timelines proposed.</p>
Provision of Facility information to Western Power by AEMO.	Current: 3 March 2022 Proposed: 16 May 2022			
AEMO publishes a summary of the results of the EOI.	Current: 28 March 2022 Proposed: 30 June 2022			
Market Participants may apply for CRC.	Current: 8 April 2022 Proposed: 18 October 2022		Allows additional time for BW1, BW2 and NPK to understand the NAQ framework and engage with AEMO on WEM procedures prior to submission of CRC.	
Provision of information to AEMO by Western Power.	Current: 15 April 2022 Proposed: 18 July 2022		Additional time to prepare for initial RCM Limit advice is critical to the assignment of CRC.	
Publication of the RCM Limit Advice and RCM Constraint Equations to be used in the NAQ Model.	Current: 3 June 2022 Proposed: 6 December 2022		Additional time to prepare for initial RCM Limit advice is critical to the assignment of CRC.	
CRC applications close.	Current: 8 July 2022 Proposed: 14 February 2023		Allows additional time for BW1, BW2 and NPK to understand the NAQ framework and engage with AEMO on WEM procedures prior to submission of CRC.	
AEMO advises assignment of CRC.	Current: 6 September 2022 Proposed: 14 April 2023		Additional time for AEMO to understand and troubleshoot complexities is pivotal to assigning each Facility the optimal amount of Capacity Credits.	
Market Participants must advise AEMO the total CRC that will traded bilaterally or not available to market.	Current: 20 September 2022 Proposed: 28 April 2023		Required based on other delays to CRC windows.	
AEMO confirms quantity of CRC that can be traded bilaterally.	Current: 3 October 2022 Proposed: 11 May 2023		Required based on other delays to CRC windows.	

Event Description	Date	Alinta Energy	BW1, BW2 and NPK	Collgar Wind Farm
AEMO publishes CRC for each Facility.	Current: 4 October 2022 Proposed: 12 May 2023		Required based on other delays to CRC windows.	
AEMO assigns NAQ and Capacity Credits.	Current: 5 December 2022 Proposed: 28 June 2023		Required based on other delays to CRC windows and vital for AEMO to determine NAQ using the new model.	

* AEMO clarified the EOI window close and Information from Western Power proposed deferred dates with Metro Power, which were incorrectly stated in the Stakeholder Impact Assessment Form and Appendix A of the consultation paper. The Stakeholder Impact Assessment Form was revised correcting this error.



3 AEMO'S decision and commencement

AEMO has taken the submissions received into account (together with other relevant matters) to inform its decision-making process. As Market Participants have advised that the impacts of deferring key Year 1 events in the current 2022 Reserve Capacity Cycle timetable would be positive or none, AEMO has decided to extend dates in the 2022 Reserve Capacity Cycle timetable on the basis proposed in the consultation paper (see Appendix A1).

The updated 2022 Reserve Capacity Cycle timetable has been published on the WEM Website⁶ and is effective from **18 February 2022**.

⁶ See: <https://aemo.com.au/energy-systems/electricity/wholesale-electricity-market-wem/wa-reserve-capacity-mechanism/reserve-capacity-timetable>.

A1. Updated 2022 Reserve Capacity Cycle timetable

For Reserve Capacity to be provided between 1 October 2024 and 1 October 2025.

Date	Action
Monday 10 January 2022	AEMO publishes the Request for Expression of Interest (EOI) and Benchmark Reserve Capacity Price.
Monday 9 May 2022	EOI submissions close.
Monday 16 May 2022	AEMO provides information about EOIs, Facility retirements, and Early Certified Reserve Capacity (CRC) applications to Western Power.
Friday 17 June 2022	AEMO publishes the 2022 WEM Electricity Statement of Opportunities and Reserve Capacity Information Pack.
Thursday 30 June 2022	AEMO publishes a summary of the results of the EOI.
Monday 18 July 2022	Western Power must develop and provide the following information to AEMO: <ul style="list-style-type: none"> • Estimated proportion of peak demand at each Electrical Location on the network. • Thermal Network Limits. • Electrical Location and identity of new loads larger than 10 MW. RCM Limit Advice and an explanation of any changes from previous Reserve Capacity Mechanism (RCM) Limit Advice.
Tuesday 18 October 2022	Market Participants may apply for CRC.
Tuesday 6 December 2022	AEMO publishes information from Western Power and the Preliminary RCM Constraint Equations.
Tuesday 14 February 2023	CRC applications close.
Friday 14 April 2023	AEMO advises assignment of CRC.
Friday 28 April 2023	Market Participants who hold CRC must notify AEMO as to how their Reserve Capacity will be dealt with as follows: <ul style="list-style-type: none"> • Advise the total amount of Reserve Capacity they intend will be traded bilaterally; or • Advise the total amount of Reserve Capacity that they have decided will not now be made available to the market. If required, Market Participants must provide Reserve Capacity Security (RCS) or Demand Side Management RCS. Market Participants may nominate an eligible Facility as a Candidate Fixed Price Facility.
Thursday 11 May 2023	AEMO confirms the quantity of CRC that can be traded bilaterally.
Friday 12 May 2023	AEMO publishes CRC for each Facility.
Wednesday 28 June 2023	AEMO: <ul style="list-style-type: none"> • Assigns Capacity Credits and Network Access Quantity. • Determines whether the Reserve Capacity Requirement has been met or exceeded with the Capacity Credits for which no RCS was required. • Publishes Reserve Capacity Price information.
Wednesday 28 June 2023	Market Participants may apply to AEMO for a recalculation of the amount of RCS or Demand Side Management RCS required to be held for a Facility (applications may be made after this date/time).
Wednesday 27 July 2023	Market Participants must notify AEMO of the number of Capacity Credits that are to be associated with each component of a Facility, where applicable.