



Wholesale Electricity Market

Procedure Change Proposal No:
[AEPC_2025_02]

WEM Procedure: Certification of Reserve Capacity

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New South Wales | Queensland | South Australia | Victoria | Australian Capital Territory | Tasmania | Western Australia

Australian Energy Market Operator Ltd ABN 94 072 010 327

Notice of call for submissions on Procedure Change Proposal

Clause 2.10.7 of the Wholesale Electricity Market Rules (WEM Rules)

Closing date for submissions on Procedure Change Proposal

17 March 2025

This notice informs all Rule Participants and interested parties that AEMO has published a Procedure Change Proposal in respect of the WEM Procedure: Certification of Reserve Capacity. AEMO invites submissions on this Procedure Change Proposal, including any alternative options or drafting you consider may improve the proposed WEM Procedure or better meet the State Electricity Objective set out in section 3A of the *Electricity Industry Act 2004* (WA) (and clause 1.2.1 of the WEM Rules).

A Procedure Change Submission may be made using the Procedure Change Submission form maintained on the Coordinator's Website in accordance with clause 2.9.4 of the WEM Rules and the WEM Website. All submissions must be provided in PDF or Microsoft Word format by email to wa.marketdevelopment@aemo.com.au. Please send any queries about this consultation to the same email address.

AEMO is not obliged to consider submissions received after the closing date and time. Any late submissions should explain the reason for lateness and the detriment to the person making the submission if AEMO does not consider their submission.

All submissions will be published on the WEM Website, with the exception of any content that is identified as confidential. A person making a submission must identify any parts of the submission that they believe should remain confidential, and explain why that content cannot be published. When making a claim for confidentiality, AEMO encourages respondents to familiarise themselves with Chapter 10 of the Wholesale Electricity Market Rules, which imposes obligations in respect to the release of documents. AEMO may still publish the information if it does not consider it to be confidential, but will consult with the relevant parties before doing so.

Procedure change summary

Procedure Name:	AEPC_2025_02
What is proposed to be changed?	<p>AEMO is proposing the following amendments:</p> <ul style="list-style-type: none"> • Inclusion of the processes related to the application, assessment and assignment of Flexible Certified Reserve Capacity. • Updated wording to reference Peak Certified Reserve Capacity instead of Certified Reserve Capacity, where relevant throughout the Procedure. <p>There are also additional clarifying and minor updates being proposed.</p>
Why are the changes being made?	<p>The changes ensure consistency with Schedule 1 of the Wholesale Electricity Market Amendment (RCM Reviews Sequencing) Rules 2025, that commenced on 15 January 2025 and introduced the Flexible Capacity product (in time for the 2025 Reserve Capacity Cycle).</p>
What are the anticipated outcomes and impact?	<p>To provide a clear description of the procedures to be followed by industry relating to both Peak Certified Reserve Capacity and Flexible Certified Reserve Capacity.</p>
How do the changes achieve the State Electricity Objective?	<p>The proposed amendments achieve the State Electricity Objective under section 3A of the <i>Electricity Industry Act 2004</i>, by supporting the quality, safety, security and reliability of supply of electricity.</p>

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1. Procedure Change Process

1.1. Initiating the Procedure Change Process

In accordance with clause 2.10.1 of the WEM Rules, AEMO may initiate the Procedure Change Process by developing a Procedure Change Proposal.

AEMO has published this Procedure Change Proposal in accordance with clause 2.10.5A.

1.2. WEM Procedure Development

In accordance with clause 2.10.3 of the WEM Rules, if an Amending Rule requires AEMO to develop new WEM Procedures or to amend or replace existing WEM Procedures, then AEMO is responsible for the development, amendment, or replacement of WEM Procedures so as to comply with the Amending Rule.

Clause 2.9.3 of the WEM Rules states that WEM Procedures:

- (a) must:
 - (i) be developed, amended or replaced in accordance with the process in the WEM Rules;
 - (ii) be consistent with the State Electricity Objective; and
 - (iii) be consistent with the WEM Rules, the *Electricity Industry Act (WA)* and the WEM Regulations; and
- (b) may be amended or replaced in accordance with section 2.10 of the WEM Rules and must be amended or replaced in accordance with section 2.10 of the WEM Rules where a change is required to maintain consistency with Amending Rules.

The State Electricity Objective is outlined in section 3A of the *Electricity Industry Act 2004 (WA)*.

1.3. Procedure Change Proposal timeline

AEMO's indicative timeline for this consultation is outlined below. Dates may be adjusted depending on the number and complexity of issues raised in submissions and any meetings with stakeholders.

Process Stage	Indicative date
Publication of Procedure Change Proposal	14 February 2025
Closing date for submissions on Procedure Change Proposal	17 March 2025
Publication of Procedure Change Report	7 April 2025
Proposed commencement of WEM Procedure	14 April 2025

Before the closing date for submissions, stakeholders may request a meeting with AEMO to discuss the issues and proposed changes raised in this Procedure Change Proposal.

2. Background

2.1. Regulatory requirements

The WEM Procedure: Certification of Reserve Capacity (**Procedure**) is made in accordance with AEMO's functions under clause 2.1A.2(h) of the WEM Rules.

Clause 4.9.10 of the WEM Rules requires AEMO to document the following in a WEM Procedure:

- (a) the procedures that Market Participants must follow when applying for Certified Reserve Capacity **[clause 4.9.10(a)]**;
- (b) the methodology AEMO uses for determining Forced Outage rates, which must treat Charge Level shortfalls for Electric Storage Resources, as calculated under clause 4.26.1E, as Forced Outages **[clause 4.9.10(b)]**; and
- (c) the procedures AEMO must follow when processing applications for Certified Reserve Capacity, including:
 - i. how Certified Reserve Capacity is assigned **[clause 4.9.10(c)(i)]**; and
 - ii. how AEMO will account for any degradation of an Electric Storage Resource, based on **[clause 4.9.10(c)(ii)]**:
 - 1. the performance standards and specifications for the Electric Storage Resource provided by the relevant manufacturer; and
 - 2. the performance of the Electric Storage Resource in the Capacity Year at the time the application for certification of Reserve Capacity is required to be processed, where available.

AEMO must also document the following in a WEM Procedure:

- a) the process for the application of section 4.28C and the matters AEMO will have regard to in forming its opinion under clause 4.28C.1(d) **[clause 4.28C.15]**; and
- b) the information required to be provided by a Market Participant under clause 4.10A.6 in support of its nomination that a Facility be classified as a Network Augmentation Funding Facility **[clause 4.10A.11]**.

The current version of the WEM Procedure commenced on 15 April 2024.

2.2. Context for this consultation

The Wholesale Electricity Market Amendment (RCM Reviews Sequencing) Rules 2025 introduced a new Flexible Capacity product, to incentivise capacity that can start, stop and ramp quickly. Schedule 1 of the Amending Rules commenced on 15 January 2025 and implemented the relevant Flexible Certified Reserve Capacity provisions before the start of the 2025 Reserve Capacity Cycle.¹

AEMO has commenced the Procedure Change Process to propose amendments to the Procedure which commenced on 15 April 2024, to ensure the Procedure outlines the certification process for both Peak Capacity and Flexible Capacity.

The proposed amendments are set out in further detail in section 3, and provide guidance on the new application and assessment processes for Flexible Certified Reserve Capacity, details relating to the calculation of Forced Outage rates for Flexible Certified Reserve Capacity, and additional changes to improve the clarity of the Procedure.

¹ Within Schedule 1 of the *Wholesale Electricity Market Amendment (RCM Reviews Sequencing) Rules 2025*.

Clause 1.66.2 of the WEM Rules provides that AEMO is not required to amend or develop any WEM Procedures to reflect the RCM Reviews Sequencing Amending Rules (Schedule 1) until 1 July 2025. However, with Market Participants being able to apply for Flexible Certified Reserve Capacity in the 2025 Reserve Capacity Cycle, AEMO plans to finalise the associated updates to the Procedure before applications open for Certified Reserve Capacity on 14 April 2025.

The Procedure will require further amendments to give effect to a series of future Amending Rules that are gazetted and awaiting commencement.² AEMO will initiate separate Procedure Change Proposals in relation to these amendments closer to their respective commencement times.

3. Proposed procedure change

3.1. Detail of the proposed procedure change

3.1.1. Processes and requirements related to Flexible Certified Reserve Capacity

AEMO has proposed the following amendments to the Procedure regarding the processes for Flexible Certified Reserve Capacity:

- Adding a new paragraph 3.1.10 to outline specific requirements related to the lodgement of applications for Flexible Certified Reserve Capacity.
- Adding a new paragraph 4.2.7 to clarify that AEMO must not assign Flexible Certified Reserve Capacity to a Facility or Component where the application requirements for Flexible Certified Reserve Capacity are not met, but will then continue to assess the Facility or Component(s) for Peak Certified Reserve Capacity.
- Adding new paragraph 4.7 to clarify that AEMO must assess Flexible Certified Capacity applications in accordance with paragraph 9, noting that this assessment is in addition to the principles under clause 4.11.
- Adding new paragraph 9 to outline the process for eligibility, assessment and assignment of Flexible Certified Reserve Capacity.
- Adding paragraph 10.2.3 to clarify the assignment of Early Flexible Certified Reserve Capacity.

3.1.2. Other changes

AEMO has proposed additional minor amendments and clarifications to the Procedure:

- Updates to Table 1 to reorder the Facility Upgrades definition and introduce definition for Significant Maintenance.
- Amending paragraph 3.1.3 and specific application requirements where major modifications are completed or intended to be completed to an existing Separately Certified Component.
- Adding new paragraph 5.3.5 to encourage Market Participants to use a risk mitigation measure and provide back-up fuel supply arrangements, if the primary fuel supply is not solid.

² Published at <https://www.wa.gov.au/government/document-collections/wholesale-electricity-market-rules>.

- The new WEM Procedure: Minimum Eligibility Requirements for Flexible Certified Reserve Capacity has been added to the list of related documents in Table 2 (paragraph 1.4).
- Adding paragraphs 4.4.4 to 4.4.6 to clarify how AEMO will calculate Forced Outage rates when a facility is not assigned Capacity Credits during the relevant period.
- Adding paragraph 5.3.2 to clarify that a Component or Facility Upgrade that can operate on multiple fuels will only be assessed in relation to the fuel nominated in the Certified Reserve Capacity application.
- The term “Certified Reserve Capacity” has been updated throughout the document to “Peak Certified Reserve Capacity” where relevant. With the commencement of the RCM Review Sequencing Rules, any reference to Certified Reserve Capacity now includes both Peak and Flexible.
- Minor editorial and formatting changes are proposed to improve readability, and numbering and cross-references have been updated as required.

3.2. Proposed drafting

AEMO has published a draft version of the WEM Procedure: Certification of Reserve Capacity incorporating the changes AEMO proposes for consultation. A clean version and a version with changes marked up are available at: https://aemo.com.au/consultations/current-and-closed-consultations/aepc_2025_03.

4. Summary of matters for consultation

AEMO seeks comment and feedback from stakeholders on the proposed amendments to the Procedure, particularly the new processes proposed for inclusion related to Flexible Certified Reserve Capacity. AEMO invites stakeholders to suggest alternative options for drafting, where they consider these would improve the WEM Procedure or better meet the State Electricity Objective.

5. Procedure Change Submissions deadline

Submissions relating to this Procedure Change Proposal must be made in accordance with the accompanying notice of call for submissions by 5.00 pm (AWST) on 17 March 2025.