

# WHOLESALE ELECTRICITY MARKET

## Submission to Procedure Change Proposal

**AEPC\_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**

Please see table.

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

Please see table.

**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.**

While the changes increase the administrative burden of completing our applications for certified reserve capacity, we do not anticipate material costs in implementing them.

**Please indicate the time required for your organisation to implement the changes, should they be accepted as proposed.**

Alinta Energy considers that it could implement the changes within the current Reserve Capacity Cycle.

<b>Suggested amendments</b> green = AEMO blue= Alinta Energy	<b>Summary and rationale</b>	<b>Assessment against the objectives</b>
<p>5.3.3. <del>For the purposes of clause 4.10.1(e)(v)(2), and to facilitate AEMO's assessment under paragraph 5.3.1, a Market Participant must provide (at a minimum) the following details and supporting evidence:</del></p> <p><del>(a) in relation to each primary and alternative fuel supply or transportation contract:</del></p> <p><del>(i) the nature of the contract (Firm or Non-Firm);</del></p> <p><del>(ii) information demonstrating the reliability of the supply;</del></p> <p><del>(iii) the actual quantity of fuel delivered compared with the quantity of fuel scheduled for each month of the previous 36 months, and</del></p> <p><del>(iv) the reasons for any differences between the delivered and scheduled quantities which exceed 10% of the scheduled quantity;</del></p> <p><del>(v) the contractual entitlement quantity; and</del></p> <p><del>(vi) 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; and</del></p>	<ol style="list-style-type: none"> <li>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><u>Why?</u></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 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> </li> <li>Make the requirement for reasons subject to a materiality threshold. <p><u>Why?</u></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> </li> <li>Add a broader requirement for participants to provide information demonstrating their fuel supply reliability <p><u>Why?</u></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</p> </li> </ol>	<p>We consider our suggested amendments to 5.3.3. better meet:</p> <ul style="list-style-type: none"> <li>- WEM objective (a) and (d) because it helps avoid CRC being unduly reduced, increasing efficiency and minimising costs for consumers.</li> <li>- WEM objective (c) because gas-fired facilities are more likely to have higher differences between their contracted entitlement and delivered quantities compared to coal-fired facilities.</li> </ul>

<b>Suggested amendments</b> green = AEMO blue= Alinta Energy	<b>Summary and rationale</b>	<b>Assessment against the objectives</b>
	<p>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><u>(b) in relation to fuel supply:</u></p> <p>(i) <u>the quantity of usable fuel kept in reserve (e.g. stored or stockpiled), if any, for each month in the previous 36 months, where relevant;</u></p> <p>(ii) <u>the specification of contracted fuel and any fuel kept in reserve where relevant;</u></p> <p>(iii) <u>any known or reasonably foreseeable issues that may restrict fuel availability, supply or delivery;</u></p> <p>(iv) <u>for each matter specified in paragraph 5.3.3(b)(iii), a description (with supporting evidence) of any controls and risk mitigation activities implemented by the Market Participant; and</u></p> <p>(v) <u>any other information the Market Participant considers relevant.</u></p>	<p>1. 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>N/A</p>
<p><u>5.3.5. For the purposes of AEMO's assessment under paragraph 5.3.4, if AEMO may take the following matters as indicating indicate 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:</u></p> <p><u>(a) 5.3.3, a fuel supply or fuel transportation arrangement (including gas pipeline capacity) includes a that is partly Non-Firm arrangement;</u></p> <p><u>(b) material differences between delivered and scheduled fuel quantities in the previous 36 months that AEMO reasonably considers could recur to an extent that would prevent the Facility, Component or Facility Upgrade from operating at its full capacity for Peak Trading Intervals on Business Days the actual fuel quantity delivered under the fuel supply or fuel transportation arrangement has been less than the contractual entitlement quantity may be taken to an extent that AEMO considers consistent, sustained, or ongoing; or</u></p> <p><u>(c) Any other relevant information indicating the reliability of the fuel supply under 5.3.3(a) 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 indicate 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.</u></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 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>We consider our suggested amendments to 5.3.3. better meet:</p> <ol style="list-style-type: none"> <li>1. WEM objective (a) and (d) because it helps avoid CRC being unduly reduced, increasing efficiency and minimising costs for consumers.</li> <li>2. WEM objective (c) because gas-fired facilities are more likely to have higher differences between their contracted entitlement and delivered quantities compared to coal-fired facilities.</li> </ol>