

WHOLESALE ELECTRICITY MARKET

Submission to Procedure Change Proposal

AEPC_2022_01

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

Submitted by	
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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

Proposed Paragraph 5.3.3

AEMO's proposed new paragraph 5.3.3 requires CRC applicants to provide a large amount of detailed information about the applicants' historical fuel arrangements. The amount of information required is substantially and materially greater than the fuel arrangement information CRC applicants have had to provide in the past.

Synergy understands why AEMO may consider, in some circumstances, it requires this large amount of information to form a view under clause 4.11.1(a) about the amount of capacity it reasonably expects to be available from the relevant facilities, particularly in relation to AEMO's system security and reliability functions.

However, 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.

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:

- 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
- market participant required less than the available contractual volumes to meet its historic fuel needs; or
- there have been no issues with fuel delivery under any of the relevant fuel arrangements.

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.

Synergy suggests amending paragraph 5.3.3 as follows to address these issues.

5.3.3 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~~ where available) the following details and supporting evidence:

- (a) in relation to each primary and alternative fuel supply or transportation contract that the applicant is relying upon as part of its application for Certified Reserve Capacity:
 - (i) the nature of the contract (Firm or Non-Firm);

- (ii) the contractual entitlement ~~quantity~~ quantities; and
 - (iii) each instance, if any, of where the actual fuel quantity delivered for each a month in the ~~previous 36~~ 24 months prior to the opening of the Certified Reserve Capacity window was less than its contractual entitlements and the applicant required the delivery of its contractual entitlements in order to generate electricity in accordance with its obligations under the WEM Rules, with reasons for any difference between the contractual entitlement ~~quantity~~ quantities and the actual fuel quantity delivered for each such instance; and
- (b) in relation to any fuel supply that the applicant is relying upon as part of its application for Certified Reserve Capacity:
- (i) the quantity of usable fuel kept in reserve (e.g. stored or stockpiled), if any, for each month in the ~~previous 36~~ 24 months;
 - (ii) the ~~specification~~ type of contracted fuel and any fuel kept in reserve;
 - (iii) any known or reasonably foreseeable issues that may restrict fuel availability, supply or delivery;
 - (iv) for each matter specified in paragraph 5.3.3(b)(iii), a description (with any available supporting evidence) of ~~any~~ the controls and risk mitigation activities implemented by the Market Participant, if any; and
 - (v) any other information the Market Participant considers relevant.

Synergy considers providing the fuel information required under paragraph 5.3.3 will likely require a material amount of additional resources and cost, including in relation to notifying counterparties of the much broader range of confidential information required to be provided to AEMO (relative to the current information required to be provided).

Proposed Paragraph 5.3.5

Synergy proposes the below changes to paragraph 5.3.5 for the same reasons as its proposed changes to paragraph 5.3.3.

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.

5.3.5. For the purposes of AEMO's assessment under paragraph 5.3.4, if:

- (a) a fuel supply or fuel transportation arrangement (including gas pipeline capacity) includes a Non-Firm arrangement;
- (b) 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~~ and reasonably expects this to be ongoing during Peak Trading Intervals on Business Days 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; or

- (c) AEMO reasonably considers the actual fuel quantity that could be delivered under the fuel supply or fuel transportation arrangement will be less than the contractual entitlement quantity during Peak Trading Intervals on Business Days 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,

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 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.

The words highlighted in yellow above are copied from clause 4.11.1(a) of the WEM Rules. Clause 4.11.1(a) is the clause that governs AEMO's determination of the amount of capacity it reasonably expects to be available from the relevant facility for the purposes of assigning CRC to the facility.

Synergy notes that there are other paragraphs in the CRC market procedure that:

- are not proposed to be amended as part of this procedure change proposal,
- include the phrase "Peak Trading Intervals on Business Days"; and
- also do not contain the words highlighted in yellow above, including, for example, paragraph 5.3.1.

Synergy considers all such references should be amended to include the words highlighted in yellow above to ensure the procedure reflects the drafting and scope of AEMO's determination as provided for under clause 4.11.1(a).

Proposed Paragraph 5.3.10(f)

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). Synergy suggests amending this paragraph as follows:

5.3.10. When making a determination under paragraph 5.3.1, AEMO may consider:

...

- (f) any other information, of which AEMO is aware and considers relevant to the determination, provided that AEMO has given the applicant with a reasonable opportunity to comment on that other information and AEMO's views about the relevance and impact of that other information.

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

Synergy considers that the proposed procedure changes are not inconsistent with the WEM objectives, but notes the increased burden on market participants. The requirement for

information is overly onerous and in most circumstances, will require applicants to provide large amounts of irrelevant information.

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.

Synergy notes that compliance with the new provisions will require significant administrative overhead.

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

If the above procedure changes are implemented, Synergy will ensure compliance in our next Reserve Capacity application.