



Wholesale Electricity Market

Procedure Change Proposal No:
AEPC_2023_02

Reserve Capacity Security

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Australian Energy Market Operator Ltd ABN 94 072 010 327

Executive Summary

Change requested by:	AEMO
Date submitted:	20 June 2023
Type of Procedure Change Proposal:	Amendment
WEM Procedures affected:	Reserve Capacity Security

The publication of this Procedure Change Proposal and the accompanying notice of call for submissions commences the Procedure Change Process conducted by AEMO under section 2.10 of the Wholesale Electricity Market Rules (**WEM Rules**). This Procedure Change Proposal relates to proposed amendments to the WEM Procedure: Reserve Capacity Security.

This Procedure Change Proposal addresses changes arising from:

- Operational experience of processing Reserve Capacity Security during the 2022 Reserve Capacity Cycle – changes are proposed to allow Market Participants to submit scanned copies of Security Deposit deeds, bank guarantees, and bank undertakings (with the originals being required to be submitted within a specified period after this date). These changes will commence immediately after publication of the Procedure Change Report.
- The [Wholesale Electricity Market Amendment \(Tranche 5 Amendments\) Rules](#) – changes to the Required Level calculations to account for Separately Certified Components, which will commence on 1 October 2023.

AEMO invites stakeholders to suggest alternative options or drafting where they consider that these would improve the proposed WEM Procedure or better meet the Wholesale Market Objectives specified in section 122(2) of the *Electricity Industry Act 2004* (WA) (and clause 1.2.1 of the WEM Rules).

AEMO also requests that stakeholders identify any unintended adverse consequences of the proposed WEM Procedure.

Stakeholders are invited to submit written responses on the proposed WEM Procedure by 5.00 pm (Perth time) on 18 July 2023, in accordance with the notice of call for submissions published with this Procedure Change Proposal.

1. Procedure Change Process

Section 2.10 of the WEM Rules outlines the Procedure Change Process (Note: terms that are capitalised in this document, but not otherwise defined in this document or capitalised for any other reason, have the meaning given in the WEM Rules).

AEMO may initiate the Procedure Change Process in respect of WEM Procedures for which it is responsible by developing a Procedure Change Proposal. Rule Participants may notify AEMO where they consider an amendment or replacement of a WEM Procedure would be appropriate.

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 Wholesale Market Objectives; and
 - (iii) be consistent with the WEM Rules, the *Electricity Industry Act 2004 (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 Wholesale Market Objectives are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) 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;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

AEMO has published this Procedure Change Proposal in accordance with the Procedure Change Process.

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	20 June 2023
Closing date for submissions on Procedure Change Proposal	18 July 2023
Publication of Procedure Change Report	28 July 2023
Proposed commencement of amended WEM Procedure version 6.0	31 July 2023
Proposed commencement of amended WEM Procedure version 7.0	1 October 2023

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

Clause 4.13.8 of the WEM Rules provides:

AEMO must develop a WEM Procedure dealing with:

- (a) determining Reserve Capacity Security;
- (b) assessing persons against the Acceptable Credit Criteria;
- (c) Reserve Capacity Security arrangements, including:
 - (i) the form of acceptable guarantees and bank undertakings;
 - (ii) where and how it will hold Security Deposits and how the costs and fees of holding Security Deposits will be met;
 - (iiA) the circumstances that may require Reserve Capacity Security to be replaced for the purposes of clause 4.13.4; and
 - (iii) the application of monies drawn from Reserve Capacity Security in respect of amounts payable by the relevant Market Participant to AEMO under clause 4.13.11A; and
- (d) other matters relating to section 4.13.

Clause 4.13A.23 of the WEM Rules provides:

AEMO must document in a WEM Procedure the processes relating to:

- (a) determining DSM Reserve Capacity Security;
- (b) assessing persons against the Acceptable Credit Criteria;
- (c) DSM Reserve Capacity Security arrangements, including:
 - (i) the form of acceptable guarantees and bank undertakings;

- (ii) where and how it will hold Security Deposits and how the costs and fees of holding Security Deposits will be met;
 - (iii) the circumstances that may require DSM Reserve Capacity to be replaced for the purposes of clause 4.13A.12; and
 - (iv) the application of monies drawn from DSM Reserve Capacity Security in respect of amounts payable by the relevant Market Participant to AEMO under clause 4.13A.16; and
- (d) requests under clause 4.13A.18, including:
- (i) how AEMO will make a determination on whether to accept or decline a request under clause 4.13A.19;
 - (ii) the matters AEMO may take into account;
 - (iii) the evidence a Market Participant will be required to provide in support of a request; and
 - (iv) if AEMO declines a request, that AEMO will be required to provide reasons to the relevant Market Participant; and
- (e) any other matters relating to this section 4.13A.

The current version of the WEM Procedure commenced on 1 July 2020.

2.2. Context for this consultation

This Procedure Change Proposal addresses changes arising from:

- Operational experience of processing Reserve Capacity Security during the 2022 Reserve Capacity Cycle.
- The [Wholesale Electricity Market Amendment \(Tranche 5 Amendments\) Rules](#) that will commence on 1 October 2023.

These changes are discussed in further detail in Section 3.1.

3. Proposed procedure change

3.1. Detail of the proposed procedure change

3.1.1. Operational changes

Paragraphs 3.4.1 and 3.5.5 of the current version of the WEM Procedure: Reserve Capacity Security (effective 1 July 2020) require Market Participants to submit original hard copies of Security Deposit deeds, bank undertakings, or bank guarantees to AEMO before the deadline for providing Reserve Capacity Security. There were amendments to the *Corporations Act 2001* (Cth) in 2022, which allow documents (including deeds) executed under sections 126 and 127 of that Act to be signed electronically. AEMO has considered this legislative change and changes in standard practice in business in recent years, and acknowledges that submitting a hardcopy of documents in tight timeframes set under the WEM Rules and WEM Procedure: Reserve Capacity Security is particularly onerous for Market Participants whose Directors and/or Company Secretary are not located in Perth.

AEMO proposes to amend the WEM Procedure: Reserve Capacity Security to allow Market Participants to submit either an electronic or hard copy original before the deadline to provide Reserve Capacity Security. Original hard copies must then be submitted to AEMO within 20 Business Days.

These amendments will commence immediately after publication of the Procedure Change Report and will be effective for, and apply to, the processes for submitting Reserve Capacity Security for the 2023 Reserve Capacity Cycle.

3.1.2. WEM Reform changes

The introduction of the concept of Separately Certified Components for the 2021 Reserve Capacity Cycle requires changes to several calculations performed during the 2023-24 Capacity Year.

Reserve Capacity Security is returned when a Facility or an upgrade to a Facility achieves output of at least 90% of its Required Level, which is calculated in accordance with the WEM Procedure: Reserve Capacity Security. From 1 October 2023, a Scheduled Facility or Semi-Scheduled Facility's Required Level must be calculated by summing the Required Level for each of its Separately Certified Components.

The WEM Procedure: Reserve Capacity Security has been amended to include the calculation of Required Level for Non-Intermittent Generating Systems, Intermittent Generating Systems, and Electric Storage Facilities that are Separately Certified Components of Scheduled Facilities or Semi-Scheduled Facilities.

Two separate methodologies for calculating Required Level for Non-Scheduled Facilities are included in the updated WEM Procedure, depending on whether the Facility's Certified Reserve Capacity application was assessed via the Relevant Level Methodology or Linearly Derating Capacity.

The processes for returning Reserve Capacity Security will continue to be at the Facility level.

These changes will commence on 1 October 2023.

3.1.3. Other changes

AEMO has made the following additional changes to the WEM Procedure:

- Updated to the current version of AEMO's WEM Procedure template.
- Removal of paraphrasing and direct quotations of clauses of the WEM Rules.
- Other minor typographical and formatting changes.

These changes will commence immediately after publication of the Procedure Change Report.

3.2. Proposed drafting

AEMO has published a draft version of the WEM Procedure: Reserve Capacity Security for consultation, incorporating the changes that AEMO proposes. Clean and change-marked versions are available at: www.aemo.com.au/consultations/current-and-closed-consultations/aepc_2023_02

Two versions of the WEM Procedure: Reserve Capacity Security have been published:

- Version 6.0, which includes the changes described in sections 3.1.1 and 3.1.3 of this document and will commence immediately after publication of the Procedure Change Report.
- Version 7.0, which includes the changes described in section 3.1.2 of this document and will commence on 1 October 2023.

4. Summary of matters for consultation

AEMO invites stakeholders to suggest alternative options for drafting, where they consider these would improve the WEM Procedure or better meet the Wholesale Electricity Market Objectives.

Stakeholders with questions in relation to the proposed amended WEM Procedure or this Procedure Change Proposal should contact AEMO via email at wa.capacity@aemo.com.au.

Stakeholders are invited to submit written responses on the proposed amended WEM Procedure to wa.marketdevelopment@aemo.com.au by 5:00 pm (Australian Western Standard Time) on 18 July 2023, in accordance with the call for submissions published with this paper.

All correspondence in relation to this Procedure Change Proposal must be entitled "AEPC_2023_02: WEM Procedure: Reserve Capacity Security– [Name of the submitting company or individual]".