

AEPC_2022_01

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



Where we are:

Managing tight capacity in the face of fuel uncertainty

We are in period with a tight supply/demand balance. Several supply risks exist, including:

- existing challenges with coal supply which may not be resolved in the near-term
- tightening gas market
- potential reductions in the reliability of aging thermal generators
- likelihood of stronger than forecast demand growth
- project delivery challenges



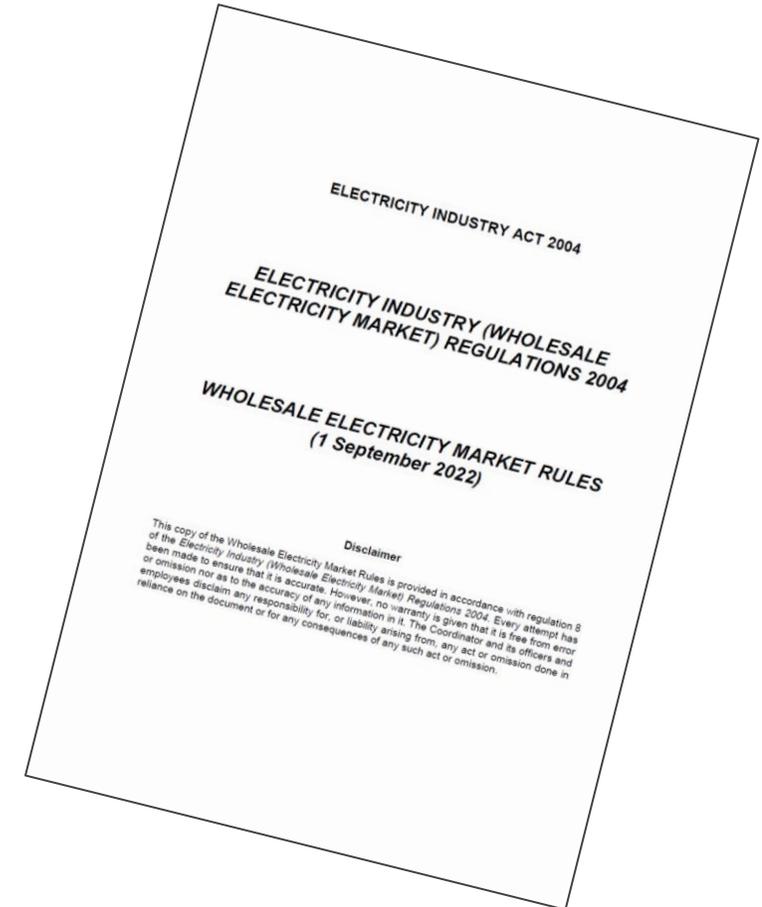
Our requirement for assigning CRC:

Developing our reasonable expectation of Facility availability

Clause 4.11.1(a) of the WEM Rules requires:

...in assigning a quantity of Certified Reserve Capacity to a Facility or relevant component of a Facility for the Reserve Capacity Cycle for which an application for Certified Reserve Capacity has been submitted in accordance with section 4.10:

- a) *the Certified Reserve Capacity for a Non-Intermittent Generating System for a Reserve Capacity Cycle must not exceed **AEMO's reasonable expectation of the amount of capacity likely to be available**, after netting off capacity required to serve Intermittent Loads, embedded loads and Parasitic Loads, for **Peak Trading Intervals on Business Days from the Trading Day starting 1 October in Year 3 of the Reserve Capacity Cycle to the end of July in Year 4** of the Reserve Capacity Cycle, assuming an ambient temperature of 41 degrees Celsius;*



What we are doing:

Providing more certainty in the WEM Procedure

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Requiring relevant information to be provided as part of a CRC application

In relation to each primary and alternative fuel supply or transportation contract:

- i. the nature of the contract (Firm or Non-Firm);
- ii. the contractual entitlement quantity; and
- iii. 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

In relation to fuel supply:

- i. the quantity of usable fuel kept in reserve (e.g. stored or stockpiled), if any, for each month in the previous 36 months;
- ii. the specification 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. a description of any controls and risk mitigation activities implemented by the Market Participant; and
- v. any other information the Market Participant considers relevant.

What we are doing:

Providing more certainty in the WEM Procedure

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Provide more information about factors we will consider

- the expected operational characteristics of the Component or Facility Upgrade
- information provided in relation to, or outcomes of, the plant capability assessment
- the likelihood of any limitations on the availability on the Component or Facility Upgrade, and the potential effect of those limitations on Power System Security and/or Power System Reliability
- any operating restrictions on the Component or Facility Upgrade, which may include, but is not limited to, leasing arrangements, operating licences, or planning approvals
- any water requirements for the Component or Facility Upgrade
- any other information of which AEMO is aware and considers relevant to the determination

Why we are doing this:

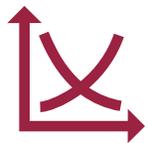
Accuracy in assigning CRC is of paramount importance



We need to ensure sufficient capacity is procured ahead of time to meet demand



We need to ensure the assessment is accurate to deliver the right price signals through the RCM



We need to make sure that capacity is likely to be available when we need it

We need information in capacity applications to help us do this

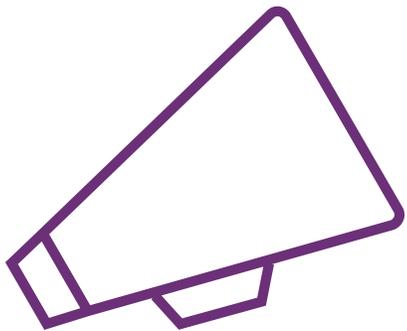
What we are seeking feedback on:

Is there anything that you think will make this determination easier?

Is the information we propose to require in a CRC application reasonable?

Are our proposed considerations appropriate?

Is there anything else that would assist AEMO with assessing CRC applications and determining quantities to assign?





Key dates

21 November: AEMO Procedure Change Working Group / CRC Forum (all welcome)

9 December: Submissions close

20 December: Proposed commencement

For more information visit

aemo.com.au