

WHOLESALE ELECTRICITY MARKET

PROCEDURE CHANGE REPORT: AEPC_2020_04

MARKET PROCEDURE: RESERVE CAPACITY TESTING

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EXECUTIVE SUMMARY

Purpose

The publication of this Procedure Change Report and the accompanying Market Procedure completes the Procedure Change Process conducted by AEMO to consider proposed amendments to the Market Procedure: Reserve Capacity Testing (Procedure) under the Wholesale Electricity Market Rules (**WEM Rules**).

Proposed amendments

The proposed amendments are intended to:

- Align the Procedure with the current version of the WEM Rules.
- Improve clarity of the Procedure.
- Reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all market procedures).

Consultation

A draft version of the Procedure was presented at the WEM AEMO Procedure Change Working Group meeting on 7 April 2020. Details of this forum are available at: <https://aemo.com.au/consultations/industry-forums-and-working-groups/list-of-industry-forums-and-working-groups/wem-aemo-procedure-change-working-group>.

AEMO published the Procedure Change Proposal (AEPC_2020_04) on the Market Web Site and issued a call for submissions on 19 May 2020. The submission period closed on 17 June 2020, with submissions received from Alinta Energy, Perth Energy and Synergy. AEMO has responded to the issues raised in the submissions in Section 3.3 and has updated the Procedure where necessary.

AEMO conducted a second round of informal consultation after making the amendments listed in Section 3.3. No additional feedback was received from the second consultation.

AEMO's decision

AEMO's decision is to accept the Procedure, as amended, following the consultation period. AEMO considers that the revised Procedure is consistent with the Wholesale Market Objectives, the *Electricity Industry Act 2004*, the *Electricity Industry (Wholesale Electricity Market) Regulations 2004*, and the WEM Rules.

Next steps

The revised Market Procedure: Reserve Capacity Testing will commence at 8:00 am on 1 August 2020.



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1. BACKGROUND

1.1. Regulatory requirements

AEMO has published this Procedure Change Report in accordance with the Procedure Change Process specified in section 2.10 of the WEM Rules.

1.2. Context

AEMO and Market Participants identified several inconsistencies between the WEM Rules and the Procedure during the Reserve Capacity Test processes conducted in 2019. In addition to these inconsistencies, several areas were identified as being unclear in the Procedure, including:

- The process and timing for updating Temperature Dependence Curves.
- Handling of errors and inaccurate data when assessing test results.
- Circumstances which may cause tests to be invalid.
- Timing for scheduling Reserve Capacity Tests if a Facility has not already demonstrated Verification by Observation.

AEMO developed a Procedure Change Proposal to clarify these areas and align the Procedure with the WEM Rules.

1.3. Procedure Change Process and timetable

On 19 May 2020, AEMO published a Procedure Change Proposal (AEPC_2020_04) for the Market Procedure: Reserve Capacity Testing and issued a call for submissions.

The proposal was progressed using the Procedure Change Process specified in section 2.10 of the WEM Rules with submissions required by 17 June 2020.

2. PROPOSED PROCEDURE CHANGE

This section details the changes that AEMO proposed when the call for submissions was published.

2.1. Detail of the proposed Procedure change

The proposed changes to the Procedure are summarised below:

- Aligned the Procedure with the WEM Rules (e.g. a generation Facility passes a Reserve Capacity Test if the output is at or above the Required Level for at least two Trading Intervals rather than if the average output over two consecutive Trading Intervals is above the Required Level).
- Restructured to improve the flow by following the same sequence of steps as the Reserve Capacity Testing process.
- Clarified the process and timing for updating a Temperature Dependence Curve.
- Added a step to clarify timing for AEMO to inform Market Participants of the date when Verification by Observation should be completed and first Reserve Capacity Tests will be scheduled.
- Added a formula for calculating the Required Level for a Demand Side Programme.
- Clarified situations where a Reserve Capacity Test would be treated as an Invalid Test.
- Clarified the process for investigating potential errors in results or input data.



- Removed steps for AEMO when setting the level of Certified Reserve Capacity and Reserve Capacity Obligation Quantities.
- Minor typographical and wording changes to align the Procedure with AEMO's latest template.

2.2. Proposed drafting

AEMO published a draft of the proposed Procedure for consultation. Clean and change-marked versions are available at: https://aemo.com.au/consultations/current-and-closed-consultations/aepec_2020_04.

3. CONSULTATION PROCESS

3.1. Market Advisory Committee or Working Group

The Market Advisory Committee (MAC) has delegated its advisory role with respect to AEMO Procedure Change Proposals to the AEMO Procedure Change Working Group (APCWG), in accordance with clause 2.3.17(a) of the WEM Rules.

A draft version of the Procedure was presented to the APCWG on 7 April 2020. Feedback provided on this Procedure has been captured in the minutes and papers from the AEMO Procedure Change Working Group meeting, which can be found at: <https://aemo.com.au/consultations/industry-forums-and-working-groups/list-of-industry-forums-and-working-groups/wem-aemo-procedure-change-working-group>.

AEMO published the Procedure Change Proposal (AEPC_2020_04) on the Market Web Site and issued a call for submissions on 19 May 2020.

In accordance with clause 2.10.9 of the WEM Rules, AEMO notified the MAC once the Procedure Change Proposal was published and noted that the Rule Change Panel would convene a meeting of the MAC if two or more members requested it. The MAC did not convene a meeting for this Procedure.

3.2. Public workshop

No public workshops were held in relation to this Procedure Change Proposal.

3.3. Submissions received during consultation period

AEMO received submissions from Alinta Energy, Perth Energy, and Synergy to the Procedure Change Proposal.

The submissions are available on AEMO's website at: https://aemo.com.au/consultations/current-and-closed-consultations/aepec_2020_04.

Table 1 summarises the specific comments raised in the submissions and AEMO's response.



Table 1 Specific comments and AEMO's responses

Respondent	Step	Comment	AEMO response
Alinta Energy	4.1.1 and 4.1.2	Alinta Energy considers that these steps may imply that a Facility is required to demonstrate Verification by Observation and pass a Reserve Capacity Test.	AEMO considers that the words 'until AEMO conducts a Reserve Capacity Test for the Facility under section 5 of the Procedure' are required to prevent a Facility from demonstrating Verification by Observation after a Reserve Capacity Test has been conducted. The operation of step 4.1.4 (as well as clause 4.25.3 of the WEM Rules) is sufficient to prevent AEMO from unnecessarily conducting Reserve Capacity Tests if a Facility has already demonstrated Verification by Observation.
Alinta Energy	5.1.1	Alinta Energy suggests changing the order of steps 5.1.1(a) and 5.1.1(b) to reflect the sequence of events.	AEMO agrees and has amended the Procedure accordingly.
Perth Energy	1.2.1	Perth Energy considers the amendments to the definition of Temperature Dependence Curve which requires that "[t]he data must be accompanied by a report from the original equipment manufacturer (OEM) or independent engineering firm" to be onerous. This may potentially impose unnecessary costs on Market Participants.	AEMO has considered the feedback received. AEMO has amended the definition of Temperature Dependence Curve to allow Market Participants to submit whichever of the below incurs the least cost to Market Participants: <ul style="list-style-type: none"> • the original equipment manufacturer's relevant technical specifications for the Facility; or • a report from an independent engineering firm.
Perth Energy	3.1.2 to 3.1.4	Perth Energy believes that AEMO does not have the expertise to complete a review of the Temperature Dependence Curve and that it may impose additional costs on AEMO and Market Participants.	AEMO intends to review the Temperature Dependence Curve for any manifest errors (for example, that the Temperature Dependence Curve is for the incorrect Facility). AEMO has clarified the assessment process in the Procedure.
Synergy	2.1.2	Synergy recommends the use of 'must' instead of 'may', noting that the use of 'may' reduces the benefits of this step.	AEMO has retained the use of 'may' but has clarified that Market Participants can continue to demonstrate Verification by Observation until the time a Reserve Capacity Test is conducted.
Synergy	3.2.4	Synergy considers five Business Days to be a more appropriate period to allow a Market Participant to respond to a request for calibration of a Facility's Temperature Measurement System.	AEMO agrees and has amended the Procedure accordingly.
Synergy	5.2.5	Synergy considers that there are additional reasons for an Invalid Test as follows: <ul style="list-style-type: none"> • System Management incorrectly processed instructions from Synergy. • The output of the generator was reduced due to an over-frequency event. 	AEMO has added further reasons for Invalid Tests to the Procedure.



In addition to specific comments on individual Procedure steps, Synergy proposed several minor typographical amendments to the Procedure. AEMO agrees with the majority of Synergy's suggested changes and has amended the Procedure accordingly.

3.4. Further consultation

AEMO conducted a second round of informal consultation with Rule Participants after making the amendments listed in Section 3.3 following the formal consultation period. No additional comments were received.

4. AEMO'S ASSESSMENT

4.1. Further changes to the Procedure

AEMO has amended the Procedure as indicated in Section 3.3 and has made additional minor administrative, typographical, and formatting amendments.

4.2. Consistency with Electricity Industry Act, WEM Regulations, and WEM Rules

The revised Procedure has been reviewed by AEMO to ensure compliance with the relevant provisions in the:

- *Electricity Industry Act 2004*.
- *Electricity Industry (Wholesale Electricity Market) Regulations 2004* (WEM Regulations).
- WEM Rules.

4.3. Consistency with Wholesale Market Objectives

AEMO considers that the steps are drafted in a way that is consistent with the objectives of the WEM Rules. As a result, AEMO considers that the revised Procedure is consistent with the Wholesale Market Objectives.

4.4. Implementation of the Procedure

The Procedure was developed in accordance with clauses 4.9.10 and 4.28C.15 of the WEM Rules.

The Procedure does not require system changes by AEMO.

Market Participants have not raised issues with implementing the Procedure.

Consequently, AEMO considers that commencement at 8:00 am on 1 August 2020 will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance.

4.5. AEMO's decision and commencement

AEMO's decision is to accept the Procedure as amended following the consultation period. The new Market Procedure: Reserve Capacity Testing will commence at 8:00 am on 1 August 2020.

AEMO has made this decision on the basis that the new Procedure:

- Is consistent with the Wholesale Market Objectives.
- Is consistent with the *Electricity Industry Act*, WEM Regulations, and WEM Rules.
- Has the general support of submissions received during the consultation period.



The revised Market Procedure: Reserve Capacity Testing is available at:
https://aemo.com.au/consultations/current-and-closed-consultations/aepec_2020_04.