

WHOLESALE ELECTRICITY MARKET

PROCEDURE CHANGE REPORT: AEPC_2020_05

MARKET PROCEDURE: RESERVE CAPACITY SECURITY

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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 Security under the Wholesale Electricity Market Rules (**WEM Rules**).

Proposed amendments

The Minister for Energy amended the WEM Rules on 11 February 2020 to implement changes to the Reserve Capacity Price from the 2019 Reserve Capacity Cycle (**RCM Pricing Amendments**). Further information about the changes can be found on Energy Policy WA's website¹.

The RCM Pricing Amendments introduced a requirement for Demand Side Programmes (**DSP**) to provide DSM Reserve Capacity Security each year. In accordance with clause 1.29.2 of the WEM Rules, DSM Reserve Capacity Security provisions must be documented in a Market Procedure by 1 July 2020.

This Procedure Change Proposal includes:

- Amendments required to document DSM Reserve Capacity Security.
- Changes to reflect the Reserve Capacity Security Guideline², which was introduced to clarify the current version of the Market Procedure following requests from Market Participants.

Consultation

A draft version of the proposed amended Market Procedure was presented at the AEMO Procedure Change Working Group held on 7 May 2020. AEMO edited the definition of Temperature Dependence Curve to specify sent out output in response to stakeholder feedback, and made minor typographical and formatting updates. 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_05) on the Market Web Site and issued a call for submissions on 18 May 2020.

The submission period closed on 16 June 2020, with one submission received from Alinta Energy. AEMO has responded to the issues raised in the submission in Section 3.3 and has updated the Procedure where necessary.

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 Security will commence at 8:00 am on 1 July 2020.

¹ At <https://www.wa.gov.au/government/document-collections/improving-reserve-capacity-pricing-signals>.

² The Reserve Capacity Security Guideline was introduced in 2017 to clarify areas of confusion in the existing Market Procedure. The Reserve Capacity Security Guideline will be replaced by the amended Market Procedure.



CONTENTS

EXECUTIVE SUMMARY	3
Purpose	3
Proposed amendments	3
Consultation	3
AEMO's decision	3
Next steps	3
1. BACKGROUND	5
1.1. Regulatory requirements	5
1.2. Context	5
1.3. Procedure Change Process and timetable	5
2. PROPOSED PROCEDURE CHANGE	5
2.1. Detail of the proposed Procedure change	5
2.2. Proposed drafting	6
3. CONSULTATION PROCESS	6
3.1. Market Advisory Committee or Working Group	6
3.2. Public workshop	6
3.3. Submissions received during consultation period	6
4. AEMO'S ASSESSMENT	6
4.1. Further changes to the Procedure	6
4.2. Consistency with Electricity Industry Act, WEM Regulations, and WEM Rules	7
4.3. Consistency with Wholesale Market Objectives	7
4.4. Implementation of the Procedure	7
4.5. AEMO's decision and commencement	7



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

The Minister for Energy amended the WEM Rules on 11 February 2020 to implement changes to the Reserve Capacity Price from the 2019 Reserve Capacity Cycle (**RCM Pricing Amendments**). Further information about the changes can be found on Energy Policy WA's website³.

The RCM Pricing Amendments introduced a requirement for Demand Side Programmes (**DSP**) to provide DSM Reserve Capacity Security each year. In accordance with clause 1.29.2 of the WEM Rules, DSM Reserve Capacity Security provisions must be documented in a Market Procedure by 1 July 2020.

1.3. Procedure Change Process and timetable

On 18 May 2020, AEMO published a Procedure Change Proposal (AEPC_2020_05) for the Market Procedure: Reserve Capacity Security 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 16 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 Market Procedure are summarised below⁴:

- Removed definitions that were no longer required (e.g. Compliance Date) and added new ones (e.g. Security).
- Restructured the Market Procedure to improve the flow and more closely match the sequence of events.
- Simplified the process for exchanging or replacing Reserve Capacity Security and DSM Reserve Capacity Security.
- Documented the requirements for DSM Reserve Capacity Security (section 4.13A of the WEM Rules), including:
 - When and how DSPs must provide DSM Reserve Capacity Security.
 - The process for waiving and returning DSM Reserve Capacity Security.
- Minor typographical and formatting changes to align the Market Procedure with AEMO's latest template.

³ At <https://www.wa.gov.au/government/document-collections/improving-reserve-capacity-pricing-signals>.

⁴ Most of these changes (excluding the changes for DSM Reserve Capacity Security) reflect the Guideline that was developed in 2017. The Guideline will be replaced by the amended Market Procedure.



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/aepe_2020_05.

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 proposed amended Market Procedure was presented at the AEMO Procedure Change Working Group held on 7 May 2020. AEMO edited the definition of Temperature Dependence Curve to specify sent out output in response to stakeholder feedback and made minor typographical and formatting updates.

The minutes and papers from the AEMO Procedure Change Working Group meeting 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>.

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 one submission from Alinta Energy. The submission is summarised in Table 1 below.

Table 1 Specific comments and AEMO's response

Respondent	Step	Comment	AEMO response
Alinta Energy	Table 2	The Due Dates in Table 2 required cross-referencing between the Market Procedure and the WEM Rules, undermining the flow of the document.	AEMO has removed the term Due Date, and updated the Market Procedure throughout to directly reference relevant dates, limiting the need for cross-referencing.
Alinta Energy	Table 2	The definition of Significant Maintenance may capture circumstances that should not require Reserve Capacity Security.	AEMO has clarified the definition of Significant Maintenance to refer to situations where there is a risk of the Facility being late or failing to return to service.
Alinta Energy	7.1.1	This step should reference step 5.1.5 instead of step 5.1.4.	AEMO has corrected the cross-reference.

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 4.13.8 and 4.13A.23 of the WEM Rules.

AEMO is amending the RCM portal to implement the changes to the WEM Rules as a result of the RCM Pricing Amendments. No additional changes are required from this Procedure Change Proposal.

Market Participants have not raised issues with implementing the Procedure.

Consequently, AEMO considers that commencement at 8:00 am on 1 July 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 Security will commence at 8:00 am on 1 July 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 Security is available at:

https://aemo.com.au/consultations/current-and-closed-consultations/aepc_2020_05.