

# WHOLESALE ELECTRICITY MARKET

## PROCEDURE CHANGE PROPOSAL NO: AEPC\_2020\_10

MARKET PROCEDURE: DECLARATION OF BILATERAL  
TRADES AND THE RESERVE CAPACITY AUCTION

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## EXECUTIVE SUMMARY

Change requested by:	AEMO
Date submitted:	21 August 2020
Type of Procedure Change Proposal:	Amendment
Market Procedures affected:	Declaration of Bilateral Trades and the Reserve Capacity Auction

The publication of this Procedure Change Proposal and the accompanying call for submissions commences the Procedure Change Process conducted by AEMO to consider proposed amendments to the Market Procedure: Declaration of Bilateral Trades and the Reserve Capacity Auction under the Wholesale Electricity Market Rules (**WEM Rules**).

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 website<sup>1</sup>.

The RCM Pricing Amendments introduced multiple prices for Reserve Capacity, including a Fixed Reserve Capacity Price for new generation Facilities that meet certain conditions. Market Participants may nominate a Facility to receive the Fixed Reserve Capacity Price during the trade declaration process.

Demand Side Programmes are now allowed to declare an intention to trade Certified Reserve Capacity bilaterally with another Market Participant, as well as participate in a Reserve Capacity Auction (if held).

In summary, the proposed amendments are intended to:

- Reflect the RCM Pricing Amendments.
- 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 procedures).

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

Stakeholders are invited to submit written responses on the proposed Market Procedure by 5.00 pm (Perth time) on 18 September 2020, in accordance with the call for submissions published with this paper.

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



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## 1. PROCEDURE CHANGE PROCESS

Clause 2.10 of the WEM Rules outlines the Procedure Change Process.

AEMO may initiate the Procedure Change Process in respect of Market Procedures (including Power System Operation Procedures and the Monitoring and Reporting Protocol) for which it is responsible by developing a Procedure Change Proposal. Rule Participants may notify AEMO where they consider an amendment or replacement of an AEMO Market Procedure would be appropriate.

If an Amending Rule requires AEMO to develop new Market Procedures or to amend or replace existing Market Procedures, then AEMO is responsible for the development, amendment, or replacement of Market Procedures so as to comply with the Amending Rule.

Under clause 2.9.3 of the WEM Rules, Market 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 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 in clause 2.10 of the WEM Rules.

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
Procedure Change Proposal published	21 August 2020
Submissions due on Procedure Change Proposal	18 September 2020
Procedure Change Report published	2 October 2020
Proposed commencement of amended Market Procedure	9 October 2020



Prior to the submission's due date, 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 4.14.11 of the WEM Rules provides that:

*4.14.11 AEMO must develop a Market Procedure documenting the process AEMO and Rule Participants must follow for the bilateral trade declaration under this section 4.14 and Reserve Capacity Auction.*

The current version of the Procedure commenced on 30 November 2015.

### 2.2. Context for this consultation

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 website<sup>2</sup>.

The RCM Pricing Amendments introduced multiple prices for Reserve Capacity, including a Fixed Reserve Capacity Price for new generation Facilities that meet certain conditions. Market Participants may nominate a Facility to receive the Fixed Reserve Capacity Price during the trade declaration process.

Demand Side Programmes are now allowed to declare an intention to trade Certified Reserve Capacity bilaterally with another Market Participant, as well as participate in a Reserve Capacity Auction (if held).

Changes are required to this Procedure to reflect the RCM Pricing Amendments.

### 2.3. Consultation to date

A draft version of the proposed amended Market Procedure was presented at the AEMO Procedure Change Working Group held on 23 July 2020. AEMO made the following changes in response to stakeholder feedback:

- Amended the definition of Committed Status to specify that it is determined in Appendix A of the Procedure.
- Excluded Facilities that are in Commercial Operation status from step A.1.1 of the Procedure.
- Added notification requirements where AEMO:
  - Receives an application for Committed Status for a Planned Facility Upgrade.
  - Rejects an application for Committed Status.

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>.

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<sup>2</sup> At <https://www.wa.gov.au/government/document-collections/improving-reserve-capacity-pricing-signals>.



### **3. PROPOSED PROCEDURE CHANGE**

#### **3.1. Detail of the proposed procedure change**

The proposed changes to the Market Procedure are summarised below:

- Updates to Appendix A of the Procedure to clarify requirements for new Facilities and Planned Facility Upgrades when applying for Committed Status.
- Drafting and structure improvements throughout to clarify steps of the Procedure and align with the wording in the WEM Rules.
- Removed flow charts for consistency with other Market Procedures.
- Updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures).
- Other minor typographical and formatting changes.

#### **3.2. Proposed drafting**

AEMO has published a draft of the Market Procedure: Declaration of Bilateral Trades and the Reserve Capacity Auction incorporating the changes AEMO proposes for consultation. Clean and change-marked versions are available at: [https://aemo.com.au/en/consultations/current-and-closed-consultations/aepc\\_2020\\_10](https://aemo.com.au/en/consultations/current-and-closed-consultations/aepc_2020_10).

#### **3.3. Wholesale Market Objective assessment**

The steps outlined in the proposed amended Market Procedure describe how Rule Participants will fulfil their obligations under the WEM Rules.

AEMO considers that the Market Procedure, if amended as proposed, would be consistent with the Wholesale Market Objectives.

### **4. SUMMARY OF MATTERS FOR CONSULTATION**

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

Stakeholders are invited to submit written responses on the proposed amended Market Procedure by 5:00 pm (Australian Western Standard Time) on 18 September 2020, in accordance with the call for submissions published with this paper.

Stakeholders with questions in relation to the proposed amended Market Procedure or this Procedure Change Proposal can contact AEMO via email at [wa.capacity@aemo.com.au](mailto:wa.capacity@aemo.com.au).

All correspondence in relation to this Procedure Change Proposal must be entitled "AEPC\_2020\_XX: Market Procedure: Declaration of Bilateral Trades and the Reserve Capacity Auction – [Name of the submitting company or individual]".