

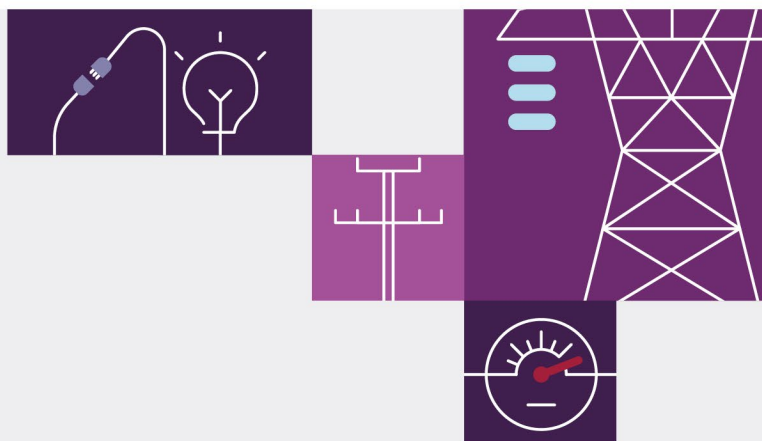
# Wholesale Electricity Market

## Procedure change report: AEPC\_2023\_01

June 2023

WEM Procedure: Supplementary Capacity





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# Executive summary

## Purpose

The publication of this Procedure Change Report and the accompanying Wholesale Electricity Market Procedure (**WEM Procedure**) completes the Procedure Change Process conducted by AEMO to consider proposed amendments to the WEM Procedure: Supplementary Reserve Capacity (**Procedure**) under the Wholesale Electricity Market Rules (**WEM Rules**). As part of this process, the Procedure is being renamed to the *WEM Procedure: Supplementary Capacity*, to be consistent with an updated nomenclature introduced via the *Wholesale Electricity Market Amendment (Supplementary Capacity) Rules 2023*<sup>1</sup>, gazetted on 28 April 2023.

## Proposed amendments

AEMO undertook the Procedure Change Process to replace the Procedure following amendments to the WEM Rules<sup>1</sup> arising from a review by the Coordinator of Energy (**Coordinator**) into potential improvements in the procurement of supplementary capacity<sup>2</sup>. AEMO identified that replacement of the Procedure was the preferred option to update the Procedure and improve consistency with other WEM Procedures for which AEMO is responsible.

In response to the Amending Rules, gazetted on 28 April 2023, AEMO has amended the Procedure to:

- clarify the role of Western Power in supporting a call for expressions of interest and the procurement of supplementary capacity services by AEMO;
- specify timelines for the provision of information and assistance to support the call for expressions of interest and procurement of supplementary capacity services;
- clarify information requirements for applicants who request assistance or an assessment by Western Power; and
- reinforce alignment to the WEM Rules, as amended.

AEMO has also taken the opportunity to incorporate into the replacement Procedure the following minor and administrative changes:

- move the Procedure to AEMO's new WEM Procedure template; and
- make editorial and typographical changes for clarity.

## Consultation

AEMO published the Procedure Change Proposal (AEPC\_2023\_01) and issued a call for submissions on 25 May 2023. AEMO specifically sought feedback on whether:

- the timelines indicated in the Procedure are reasonable;
- stakeholders believe there are any other relevant issues that have not been considered; and

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<sup>1</sup> Available at: <https://www.wa.gov.au/government/document-collections/wholesale-electricity-market-amendment-supplementary-capacity-rules-2023>.

<sup>2</sup> Available at: <https://www.wa.gov.au/government/document-collections/supplementary-reserve-capacity-review>.

- the proposed changes to the Procedure effectively implement AEMO's intended outcomes.

On 14 June 2023, AEMO held an AEMO Procedure Change Working Group (**APCWG**) meeting to discuss the proposed replacement Procedure with interested stakeholders.

AEMO also consulted with Western Power on the proposed Procedure changes via two workshops, held on 1 May 2023 and 10 May 2023, and follow-up written communication. Western Power input provided via these workshops and associated written communication has been considered in developing the replacement Procedure.

The submission period closed on 23 June 2023. No submissions were received from stakeholders.

### AEMO's decision

AEMO's decision is to accept the Procedure, with minor amendments to fix cross-referencing errors identified following publication of the draft Procedure.

AEMO considers the revised Procedure is consistent with the WEM Rules, would better achieve Wholesale Market Objectives (a) and (d), and is consistent with all other objectives.

The revised Procedure is also consistent with the *Electricity Industry Act 2004*, the Electricity Industry (Wholesale Electricity Market) Regulations 2004 (**WEM Regulations**), and the WEM Rules.

### Next steps

The revised WEM Procedure: Supplementary Capacity will commence at 8:00AM on 1 July 2023.



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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

On 23 September 2022, AEMO published a call for tenders from potential providers of supplementary capacity ahead of the 2023-24 Hot Season.

Under clause 4.24.19, following each call for tenders for supplementary capacity, the Coordinator must review the supplementary capacity provisions of section 4.24 with regard to the Wholesale Market Objectives, and must undertake a public consultation process in respect of the outcome of the review. Energy Policy WA, on behalf of the Coordinator, is undertaking this review in two stages:

- **Stage 1** – Review of the provisions related to the procurement of supplementary capacity; and
- **Stage 2** – Review of the operation of the procured supplementary capacity services.

Full details of the review are provided in the Scope of Works, published by Energy Policy WA on the Western Australian Government website<sup>3</sup>.

Stage 1 of the review is now complete, following public consultation and written submissions on draft Amending Rules proposed in a consultation paper published on 7 March 2023<sup>4</sup>. The final outcomes of the review and the consultation process were detailed in the Stage 1 Information Paper<sup>5</sup>.

AEMO undertook the Procedure Change Process to replace the Procedure following amendments to the WEM Rules<sup>1</sup> arising from Stage 1 of the review. AEMO identified that replacement of the Procedure was the preferred option to update the Procedure and improve consistency with other WEM Procedures for which AEMO is responsible.

## 1.3 Procedure change process and timetable

On 25 May 2023, AEMO published the Procedure Change Proposal (AEPC\_2023\_01) 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 23 June 2023.

<sup>3</sup> Available at: <https://www.wa.gov.au/government/document-collections/supplementary-reserve-capacity-review>.

<sup>4</sup> Available at: <https://www.wa.gov.au/system/files/2023-03/SRC%20Review%20-%20Stage%201%20Consultation%20Paper.pdf>.

<sup>5</sup> Available at: <https://www.wa.gov.au/system/files/2023-04/SRC%20Review%20-%20Stage%201%20Information%20Paper-r1.pdf>.

## 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 replacement Procedure has been structured to step through the relevant processes<sup>6</sup> that AEMO undertakes in:

- calling for expressions of interest and assessing responses (paragraph 2); and
- procuring Eligible Services via either:
  - a tender process (paragraph 3); or
  - direct negotiation with potential suppliers (paragraph 4).

The replacement Procedure also provides new paragraphs to specify:

- elements of the process by which an applicant may request assistance or an assessment from Western Power (paragraph 3.2);
- Western Power's contact details for requests for information and assistance or an assessment (paragraph 5);
- settlement (paragraph 6); and
- the determination of the Maximum Contract Value (paragraph 7).

Other minor and administrative amendments included updating the document to AEMO's current Procedure template, removing duplicate information that is already contained in the WEM Rules, removing content that is inconsistent with the WEM Rules as amended, and amending paragraph 1 (Introduction) to align its content with that provided in other updated AEMO Procedures.

Provisions regarding the information and assistance that Western Power must provide to support AEMO in undertaking the call for expressions of interest and the procurement process were specified in the relevant paragraph for each activity. AEMO chose to do this to make the Procedure more accessible to the reader, as these requirements are placed at the relevant point in the process, rather than indicated in a separate section.


Similarly, AEMO has specified the timelines for the provision of information and assistance in paragraphs relevant to each activity to create a clear link between the requirements for provision of information and assistance, and the corresponding timelines for these activities.

Information requirements for applicants requesting an assessment or assistance from Western Power under clause 4.24.18B are provided in Table 3, within paragraph 3.2.

The revised Procedure provides further clarity of the role and responsibilities of parties participating in the call for expressions of interest, tender process, and direct negotiation process. Moreover, the timeframes in the revised procedure attempt to strike an appropriate balance between providing Western Power with sufficient time to

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<sup>6</sup> Processes for which there is a head of power in the corresponding Procedure clauses.



provide information, assistance or an assessment, and reflecting the broader timing constraints of the supplementary capacity procurement process.

The new information requirements on applicants requesting assistance or an assessment from Western Power were developed to ensure that Western Power has sufficient information to make an assessment of network related aspects of a proposed Eligible Service, with the aim of improving the efficiency of the procurement process. Other amendments improved information regarding the processes that AEMO and external parties must undertake to successfully support the call for expressions of interest, procurement of supplementary capacity, and settlement of supplementary capacity payments.

AEMO published a draft of the proposed Procedure for consultation. Clean and track change versions are available on AEMO's website<sup>7</sup>.

## 3 Consultation process

### 3.1 Western Power

AEMO consulted with Western Power on the proposed Procedure changes via two workshops, held on 1 May 2023 and 10 May 2023 and follow-up written communication. Western Power input provided via these workshops and associated written communication has been considered in developing the proposed replacement Procedure.

### 3.2 Market Advisory Committee and Working Group

#### 3.2.1 Market Advisory Committee

AEMO notified the MAC about the Procedure Change Proposal at its 20 April 2023 meeting via the Market Development Forward Work Program agenda item. The item was taken as read by MAC and no issues were raised. Draft minutes of the MAC meeting were included in the 8 June 2023 meeting papers<sup>8</sup>.

#### 3.2.2 AEMO Procedure Change Working Group

An overview of the proposed amended WEM Procedure was presented at the APCWG meeting held on 14 June 2023. AEMO also noted that cross-referencing issues had been identified subsequent to the publication of the draft Procedure and would be corrected ahead of publication of the final Procedure. No questions or concerns were raised by stakeholders on the proposed changes during the APCWG meeting.

The papers and minutes from the meeting can be found on the WEM website<sup>9</sup>.

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<sup>7</sup> Available at: <https://www.aemo.com.au/energy-systems/electricity/wholesale-electricity-market-wem/procedures-policies-and-guides/procedures/ongoing-procedure-change-proposals>.

<sup>8</sup> Available at: [https://www.wa.gov.au/system/files/2023-06/mac-2023\\_06\\_08-combined-papers.pdf](https://www.wa.gov.au/system/files/2023-06/mac-2023_06_08-combined-papers.pdf).

<sup>9</sup> 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>.



### 3.3 Submissions received during consultation period

AEMO published the Procedure Change Proposal (AEPC\_2023\_01) and issued a call for submissions on 25 May 2023. The submission period closed on 23 June 2023.

AEMO received no submissions from stakeholders on the proposed amendments and so no revisions to the draft procedure (beyond fixing cross-referencing errors) have been required.

## 4 AEMO's assessment

### 4.1 Further changes to the Procedure

AEMO identified minor errors in cross-referencing, caused during the conversion from the working MS Word document to Adobe PDF. Specifically, these errors were present in paragraphs 2.2.8, 3.3.11, 3.3.12 and 4.1.3. These errors have been corrected in the published version.

### 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*;
- WEM Regulations 2004; and
- WEM Rules.

### 4.3 Consistency with Wholesale Market Objectives

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 considers the revised Procedure is consistent with the WEM Rules, would better achieve Wholesale Market Objectives (a) and (d), and is consistent with all other objectives.

The revised Procedure aims to improve the processes to support the identification and procurement of supplementary capacity when needed, thereby increasing security and reliability of supply. The amendments also improve upon the efficiency of the previous procurement process through clarification of roles and information requirements. By introducing a call for expressions of interest process with a longer lead-time, the amendments look to facilitate the expansion of the pool of potential providers of Eligible Services, thereby assisting to minimise the long-term cost of electricity supplied to customers in the SWIS through increased competition in the provision of supplementary capacity services.

## 4.4 Implementation of the Procedure

The updated heads of power clauses for supplementary capacity (clause 4.24.18) in the *Wholesale Electricity Market Amendment (Supplementary Capacity) Rules 2023* commence on 1 July 2023. Consequently, the replacement WEM Procedure: Supplementary Capacity will commence at 8:00 AM on 1 July 2023.

The commencement date of the replacement Procedure will allow for the new provisions to take effect in advance of any procurement process for supplementary capacity in the 2023-24 Hot Season.

The revised WEM Procedure: Supplementary Capacity is available on AEMO's website<sup>10</sup>.

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<sup>10</sup> Available at: [https://www.aemo.com.au/consultations/current-and-closed-consultations/aepc\\_2023\\_01](https://www.aemo.com.au/consultations/current-and-closed-consultations/aepc_2023_01).