



WEM Procedure: Supplementary Capacity

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2.0	30 November 2015	Changes resulting from the transfer of functions from the IMO to AEMO
3.0	18 April 2017	Changes resulting from the transfer of System Management functions to AEMO
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1. Introduction

1.1. Purpose and scope

1.1.1. This ~~WEM Procedure: Supplementary Reserve Capacity (SRC) Market Procedure~~ (Procedure) ~~should be read in conjunction with section 4.24 and AEMO's functions under clause 4.25.4F2.1A.2(h) of the Wholesale Electricity Market (WEM) Rules (Market WEM Rules).~~

~~1.1.2. Reference to particular Market Rules within the Procedure in bold and square bracket [MR XX] are current as of 10 December 2016. These references are included for convenience only, and are not part of this Procedure.~~

~~1.1.2. Purpose~~ The *Electricity Industry Act 2004*, the WEM Regulations and the WEM Rules prevail over this Procedure to the extent of any inconsistency.

~~1.1.3. In this Procedure, where obligations are conferred on a Rule Participant, that Rule Participant must comply with the relevant obligations in accordance with clause 2.9.7A, 2.9.7C, 2.9.7D or 2.9.8, as applicable.~~

~~1.1.3.1.4. This purpose~~ of this Procedure is to document:

- (a) ~~This Procedure describes the steps~~ process AEMO ~~(including in its capacity as System Management) must follow~~ follows in:
 - (i) acquiring Eligible Services;
 - (ii) entering into Supplementary Capacity Contracts; and
 - (iii) determining the Maximum Contract Value per hour of availability for any Supplementary Capacity Contract;
- (b) ~~Application requirements regarding the information and assistance AEMO may require from Western Power to support an expression of interest process or a procurement process for supplementary capacity under clause 4.24;~~
- (c) ~~requirements, developed in consultation with Western Power, regarding the information that must be provided by those applying to provide Eligible Services, who request assistance or an assessment from Western Power in accordance with clause 4.24.18B;~~
- (d) ~~timelines, developed in consultation with Western Power where applicable, for the provision of requested information and for assistance or an assessment of requests submitted; and~~
- (e) ~~contact details for Western Power, which must be used by AEMO or those applying to provide Eligible Services when assistance or assessment by Western Power is requested in accordance with clause 4.24.18B~~ [clause 4.24.18].

~~1.2. Appendix A of this Procedure~~

~~1.2.1. This Procedure applies to AEMO.~~

~~1.3. Associated Market Procedures~~

~~1.3.1. The following Market Procedures are associated with this Procedure: outlines the head of power clauses that~~

- ~~(a) Reserve Capacity Testing;~~
- ~~(b) Undertaking the LT PASA and conducting a review of the Planning Criterion; and~~
- ~~(c) Settlements.~~

~~1.3.2. The following AEMO documents are associated with this Procedure (a copy is available on the Market Web Site):~~

- ~~(a) Operational Financial Contingency.~~

~~1.4. Conventions used~~

~~1.4.1.1.5. In this Procedure the conventions specified in clauses 1.3-1.5 of is made under, as well as other obligations in the MarketWEM Rules apply covered by this Procedure.~~

~~1.5. Terminologies and definitions~~

~~1.2. A word or phrase Definitions~~

~~1.2.1. Terms defined in the Market Rules, the Electricity Industry Act or 2004, the WEM Regulations has the same meaning when used in this Procedure. In addition, the following defined terms and the WEM Rules have the same meanings given in this Procedure unless the context requires otherwise.~~

~~1.5.1.1.2.2. The definitions under Table 1 apply in this Procedure unless the context requires otherwise.~~

Table 1 Definitions

Term	Definition
Maximum Availability Percentage	If stipulated by AEMO, the The maximum proportion of the total value of a Supplementary Capacity Contract that may be in the form of availability payments.
Maximum Contract Value	The maximum value, in dollars per megawatt per hour, for a Supplementary Capacity Contract that AEMO will accept, as determined in step 2.3.4 paragraph 7 of this Procedure.
Notional Activation Price	A construct used in the calculation of the Maximum Contract Value, determined in accordance with step 2.3.4 (paragraph 7.1.1(b) of this Procedure.
Notional Availability Price	A construct used in the calculation of the Maximum Contract Value, determined in accordance with step 2.3.4 (paragraph 7.1.1(a) of this Procedure.
Tender Value Proposed Service	The valueA service identified as part of a Tenderresponse to a call for an Eligible Service in dollars, determined in accordance with step 2.4.6expressions of this Procedureinterest for supplementary capacity.

1.3. Interpretation

1.3.1. The following principles of interpretation apply in this Procedure unless the context requires otherwise.

- (a) Clauses 1.3 to 1.5 apply in this Procedure.
- (b) References to time are references to Australian Western Standard Time.
- (c) Terms that are capitalised, but not defined in this Procedure, have the meaning given in the WEM Rules.
- (d) A reference to the WEM Rules or WEM Procedures includes any associated forms required or contemplated by the WEM Rules or WEM Procedures.
- (e) Words expressed in the singular include the plural and vice versa.
- (f) A reference to a paragraph refers to a paragraph of this Procedure.
- (g) A reference to an appendix refers to an appendix of this Procedure.
- (h) A reference to a clause refers to a clause, section or chapter of the WEM Rules.
- (i) References to WEM Rules in this Procedure in bold and square brackets **[clause XXX]** are included for convenience only, and do not form part of this Procedure.
- (j) Text located in boxes and headed as E[X] in this Procedure is included by way of explanation only and does not form part of this Procedure. The Procedure prevails to the extent of any inconsistency with the explanatory notes contained within it.
- (k) The body of this Procedure prevails to the extent of any inconsistency with the figures, diagrams, appendices, schedules, annexures or attachments contained within this document.

1.4. Related documents

1.4.1. The documents in Table 2 are associated with this Procedure.

Table 2 Related documents

<u>Reference</u>	<u>Title</u>	<u>Location</u>
<u>Operational contingency</u>	<u>Operational Financial Contingency</u>	<u>WEM Website</u>
<u>WEM Procedure</u>	<u>Settlement</u>	<u>WEM Website</u>

1.5. Information confidentiality

1.5.1. Where information that is required to be shared between AEMO and Western Power under this WEM Procedure is not otherwise assigned a confidentiality status under the WEM Rules, it is assigned the information confidentiality status of Rule Participant Network Restricted in accordance with clause 10.2.1.

2. Call for expressions of interest for supplementary capacity

2.1. Advertisement of call for expressions of interest

2.1.1. If AEMO decides to advertise a call for expressions of interest for supplementary capacity in accordance with clause 4.24.1A, it may require that the respondent provide the following information in the form specified in clause 4.24.1B(i):

- (a) the name and contact details for the respondent;
- (b) the nature of the services to be offered, including the location of the Proposed Service;
- (c) technical information that may be required to support an assessment of the Proposed Service;
- (d) the amount of the Proposed Service available; and
- (e) any limitations on the availability of the service.

2.1.2. In addition to the requirements of clauses 4.24.1B, AEMO may include the following information in the call for expressions of interest:

- (a) instructions on how to respond to the call for expressions of interest;
- (b) any terms and conditions that apply to the expressions of interest process;
- (c) indicative timelines for assessment and communication of outcomes;
- (d) criteria for assessing responses; and
- (e) any other information that AEMO considers relevant to the expressions of interest process.

2.2. Consultation with Western Power

- 2.2.1. In assessing responses to a call for expressions of interest for supplementary capacity advertised under clause 4.24.1A, AEMO must request information and assistance from Western Power in relation to any identified network access matters related to Proposed Services contained in responses to the call for expressions of interest.
- 2.2.2. Where AEMO requests information and assistance from Western Power under paragraph 2.2.1, it must provide Western Power with relevant technical information provided by the respondent to support the request.
- 2.2.3. Where Western Power requires additional technical information from AEMO to provide assistance under paragraph 2.2.1, AEMO must, where the information is reasonably available to it and within two Business Days of a request from Western Power, provide the information to Western Power.
- 2.2.4. Where AEMO has requested information and assistance under paragraph 2.2.1, Western Power must categorise each Proposed Service as follows:
- (a) not capable of meeting the requirements outlined in the call for expressions of interest and the standard Supplementary Capacity Contract; or
 - (b) capable of meeting the requirements outlined in the call for expressions of interest and the standard Supplementary Capacity Contract, conditional on the resolution of any network access matters identified.
- 2.2.5. Western Power must provide reasons for its assessment under paragraph 2.2.4 including relevant supporting information such as outputs of any modelling or analysis, where applicable.
- 2.2.6. Western Power must provide its assessment under paragraph 2.2.4 within 20 Business Days of receiving information under paragraph 2.2.2, unless an extension is agreed by AEMO.
- 2.2.7. In considering whether to agree to an extension under paragraph 2.2.6, AEMO will have regard to any additional information requested by Western Power under paragraph 2.2.3 and any other matters AEMO considers relevant, including, but not limited to, the number and complexity of requests for assistance under paragraph 2.2.1.
- 2.2.8. After receiving Western Power's assessment under paragraph 2.2.7, AEMO may request additional information from Western Power for the purposes of providing feedback to respondents under clause 4.24.1C(c), specifying a due date that is reasonable for the type of information requested.
- 2.2.9. AEMO may agree to an extension to the timeframe under paragraph 2.2.8.

3. Tender process

3.1. Call for tenders

3.1.1. In addition to the requirements of clause 4.24.6, AEMO may include the following information in the call for tenders:

- (a) instructions on how to respond to the tender;
- (b) any terms and conditions that apply to the tender;
- (c) indicative timelines for assessment and communication of outcomes;
- (d) assessment criteria for assessing tenders in accordance with clause 4.24.8; and
- (e) any other information that AEMO considers relevant to the tender process.

3.1.2. For a tender to be considered valid, the tender must:

- (f) be submitted to AEMO by the date and time specified in the call for tenders issued under clause 4.24.6;
- (g) include the information specified in clause 4.24.7 and Table 3, as applicable; and
- (h) specify whether a request for assistance or an assessment in accordance with clause 4.24.18B has been made to Western Power,

unless otherwise agreed by AEMO.

3.2. Applicants requesting assistance or an assessment from Western Power

3.2.1. Where an applicant requests assistance or assessment from Western Power under clause 4.24.18B, the applicant must provide the information specified in Table 3, unless otherwise agreed by Western Power, and submit the request to the contact details specified in paragraph 5.1.1.

3.2.2. Where Western Power receives a request for assistance or assessment from an applicant under clause 4.24.18B, it must acknowledge the request for assistance or an assessment within two Business Days.

3.2.3. Western Power must provide assistance or an assessment in accordance with clause 4.24.18A within 20 Business Days of receiving a request from an applicant in accordance with clause 4.24.18B and paragraph 3.2.1, unless otherwise agreed by AEMO and Western Power.

3.2.4. Western Power may, in its sole discretion, decide not to provide assistance or assessment under paragraph 3.2.3 for a potential Eligible Service that Western Power determines is substantively the same as a Proposed Service that has been categorised as 'not capable' under paragraph 2.2.4(a).

3.2.5. An applicant must advise AEMO of any outcome of a request to Western Power for assistance or an assessment for a proposed Eligible Service under clause 4.24.18B.

Table 3 Information requirements for applicants

Category of Proposed Service	Information required to support assessment
<u>Load Reduction, under clause 4.24.3(a)</u>	<ul style="list-style-type: none"> – <u>National Metering Identifier(s).</u> – <u>Associated NMI contact details.</u>
<u>Production of electricity by Energy Producing Systems that are not Registered Facilities, under clause 4.24.3(b)</u>	<ul style="list-style-type: none"> – <u>Information about the relevant connection point, including its location, capacity, voltage and any other information the applicant considers relevant.</u> – <u>Evidence to allow confirmation of compliance with the Technical Rules.</u> – <u>Relevant technical data, including protection data, size of energy producing systems, technical specifications, metering, synchronising/desynchronising methodologies.</u>
<u>Production of electricity by Energy Producing Systems that are Registered Facilities provided by capacity that is accredited in a future capacity year, under clause 4.24.3(c)(i), 4.24.3(c)(ii) and 4.24.3(c)(iii)</u>	<ul style="list-style-type: none"> – <u>Evidence regarding Arrangement for Access, including an up-to-date generation system model.</u> – <u>Evidence demonstrating compliance with the Technical Rules, or Generator Performance Standards (clause 3A and Appendix 12 of the WEM Rules), as applicable.</u>
<u>Production of electricity by Energy Producing Systems that are Registered Facilities, under clause 4.24.3(c)(iv)</u>	<ul style="list-style-type: none"> – <u>Evidence regarding Arrangement for Access, including an up-to-date generation system model.</u> – <u>Evidence demonstrating compliance with the Technical Rules, or Generator Performance Standards (clause 3A and Appendix 12 of the WEM Rules) as applicable.</u> – <u>Evidence demonstrating how the installation of physical equipment will enable the provision of the offered capacity.</u> – <u>Evidence that the offered capacity is additional to that which existed prior to the installation of the physical equipment.</u>
<u>Load Reduction provided by a Market Participant, under clause 4.24.3(c)(iv)</u>	<ul style="list-style-type: none"> – <u>National Metering Identifier(s).</u> – <u>Associated NMI contact details.</u> – <u>Evidence demonstrating how the installation of physical equipment will enable the provision of the offered capacity.</u> – <u>Evidence that the offered capacity is additional to the maximum amount of load that can be curtailed, which existed prior to the installation of the physical equipment.</u>

3.3. Assessment of tender responses

- 3.3.1. After the closing date for tender responses, AEMO must assess each response to determine whether the service proposed is an Eligible Service, using the criteria in clause 4.24.3.
- 3.3.2. If AEMO determines that a proposed service is not an Eligible Service, it must notify the applicant that it will not enter into a Supplementary Capacity Contract and provide reason for its determination.
- 3.3.3. Where AEMO determines that a proposed service is an Eligible Service, it must assess the Eligible Service in accordance with clause 4.24.8 and any assessment criteria that were published in the call for tender under paragraph 3.1.1.
- 3.3.4. In assessing an Eligible Service under paragraph 3.3.3, AEMO may request Western Power's information and assistance in relation to the following matters:
- (a) any identified network access matters, including whether the Eligible Service will have access to the network by the commencement date specified in the applicant's tender; and
 - (b) any other information that AEMO considers is likely to be available to Western Power that will assist in assessing the Eligible Service.
- 3.3.5. Where AEMO requests information and assistance from Western Power under paragraph 3.3.4 in relation to an Eligible Service, AEMO must provide Western Power with relevant technical information provided by the applicant to support the request.
- 3.3.6. Where AEMO requests information and assistance from Western Power under paragraph 3.3.4, it must notify the applicant accordingly, including estimated timeframes for Western Power's response.
- 3.3.7. In responding to a request for assistance under paragraph 3.3.4, Western Power must provide any supporting information or analysis relevant to the request, including, but not limited to outputs of any modelling or analysis.
- 3.3.8. Western Power must provide its response to AEMO's request under paragraph 3.3.4 within 20 Business Days of receiving the request, unless otherwise agreed by AEMO and Western Power.
- 3.3.9. AEMO must consider the response provided by Western Power under paragraph 3.3.8 in assessing a tender response, including determining under clause 4.24.8(d) that a provider of an Eligible Service will have access to the network by the commencement date specified in the applicant's tender.
- 3.3.10. AEMO or Western Power may contact an applicant to request clarification or additional information in relation to the tender response, specifying a due date for the request.
- 3.3.11. The applicant may, but is not obliged to, provide a response to a request by AEMO or Western Power (as relevant) under paragraph 3.3.10.
- 3.3.12. If the applicant does not provide a response to AEMO or Western Power's request under paragraph 3.3.10, AEMO or Western Power (as relevant) will consider the original tender response in making its assessment.

3.3.13. AEMO must consider Western Power's response provided under paragraph 3.3.8 in deciding whether to enter into a Supplementary Capacity Contract with an applicant for an Eligible Service.

4. Direct negotiation process

4.1. Western Power support of the direct negotiation process

4.1.1. If AEMO decides to procure Eligible Services by direct negotiation in accordance with clause 4.24.2(b)(ii), it may request information or assistance from Western Power regarding network access matters related to an Eligible Service from a potential supplier, specifying a due date that is reasonable for the type of information requested.

4.1.2. Where AEMO requests assistance from Western Power under paragraph 4.1.1, it will provide to Western Power relevant information related to the Eligible Service that it considers will enable Western Power to respond to the request, in accordance with clause 4.24.18A.

4.1.3. Western Power must provide the information requested under paragraph 4.1.1 by the specified time and date in paragraph 4.1.14.1.1 unless otherwise agreed by AEMO and Western Power.

5. Western Power Contact Details

5.1.1. Any request for information, assistance or an assessment from Western Power under clause 4.24.18B must be directed to network.access@westernpower.com.au, unless otherwise advised by Western Power.

1.6. Settlement General notes

~~1.6.1. SRC may only be provided by Eligible Services identified in clause 4.24.3 of the Market Rules [Clause 4.24.3].~~

~~1.6.2. A Demand Side Programme that has had its Capacity Credits reduced in response to a request from the relevant Market Participant, in accordance with clause 4.25.4C of the Market Rules, is not an Eligible Service [Clause 4.25.4F].~~

~~1.6.3. Market Participants may not offer SRC from a Registered Facility that has had its Capacity Credits reduced due to a failed Reserve Capacity test, in accordance with clause 4.25.4, for any part of the current Capacity Year.~~

~~1.6.4. Payment for SRC is determined based on:~~

~~(a) the availability price which is provided to a generation facility for entering into the contract and making the agreed capacity available; and~~

~~(b) the activation price which applies only when the service is called upon.~~

~~2. Procedure steps~~

~~This section outlines the procedure steps associated with the acquisition of, and entry into Supplementary Capacity Contracts for, SRC services. The diagram on the next page gives an overview of the process. Details of the associated sections of this Procedure are also indicated.~~

~~2.1. Determination of the amount of SRC required~~

~~6.~~

- ~~6.1.1. Where a party providing an Eligible Service is a Market Participant, settlement of Supplementary Capacity Contracts will be undertaken in accordance with clause 9.~~
- ~~6.1.2. Where a party providing an Eligible Service is not a Market Participant, AEMO must calculate the supplementary capacity payment to be made by AEMO to the party for the supplementary capacity in accordance with the Supplementary Capacity Contract.~~
- ~~6.1.3. A supplementary capacity payment from AEMO to a party that is not a Market Participant must be made in accordance with and by the time and date specified in the Supplementary Capacity Contract.~~

~~2.1.1. In determining the need for, and the amount of, SRC that is required and the associated timeframes, AEMO will:~~

- ~~(a) identify the actual level of Certified Reserve Capacity that will be available by reference to the level of Certified Reserve Capacity less any predicted plant outages, as published in the Medium Term Projected Assessment of System Adequacy;~~
- ~~(b) using the most recently published forecasts, identify the level of Certified Reserve Capacity required to satisfy the SWIS reliability requirements, as set out in clauses 4.5.9(a) and 4.5.9(b) of the Market Rules;~~
- ~~(c) determine the amount of SRC required by calculating the amount by which the quantity identified in step 2.1.1(b) exceeds the quantity identified in step 2.1.1(a) **[Clause 4.24.1(b)]**;~~
- ~~(d) determine the expected start and end dates for which the amount of SRC calculated in step 2.1.1(c) will be required **[Clause 4.24.1(a)]**;~~
- ~~(e) determine the number of hours over the contract period during which SRC is expected to be required; and~~
- ~~(f) determine the time of day when the SRC is expected to be required.~~

~~2.1.2. To assist in determining the amount of SRC, and associated timeframes, AEMO may consult with Market Participants.~~

~~2.2. Determination of the process to be used to secure SRC~~

~~2.2.1. If the expected start date of the shortfall is at least 12 weeks from the date AEMO becomes aware of the shortfall, then it must call for tenders from potential suppliers of SRC in an invitation to tender **[Clause 4.24.2(a)]**.~~

~~2.2.2. If the expected start date of the shortfall is less than 12 weeks from the date AEMO becomes aware of the shortfall, then AEMO must either:~~

- ~~(a) call for tenders from potential suppliers of SRC in an invitation to tender; or~~

~~negotiate directly with potential suppliers of SRC **[Clause 4.24.2(b)]**.
If AEMO decides to call for tenders for SRC it must follow the process set out in Section 2.4 of this Procedure.~~

~~2.2.3. If AEMO decides to negotiate directly with potential suppliers of SRC it must follow the process set out in section 2.5 of this Procedure.~~

7. Determination of the Maximum Contract Value

~~2.2.4.7.1.1.~~ AEMO must determine the Maximum Contract Value per hour of availability for any Supplementary Capacity Contract that AEMO will accept in accordance with the following steps:

- ~~(a) ~~The~~the Notional Availability Price in dollars per megawatt (\$/MW) is calculated in accordance with the following formula:~~

$$NP_{av}(P_{RC}, d) = P_{RC} \times \frac{d}{x}$$

where:

~~P_{RC} is the Reserve Capacity Price for the Capacity Year for which the SRC is being procured in dollars per megawatt (\$/MW);~~

~~d is the term of the SRC contract in days; and~~

~~x is 121 days, which is the length of the Hot Season.~~

The

Variable	Unit	Definition
P_{RC}	\$/MW	The Reserve Capacity Price for the Capacity Year for which supplementary capacity is being procured.
d	Days	The term of the Supplementary Capacity Contract.
x	Days	The length of the Hot Season.

(b) ~~the~~ Notional Activation Price is calculated as double the Alternative Maximum STEM Price in dollars per megawatt hour (\$/MWh);

(c) ~~The~~the Maximum Contract Value in dollars per megawatt per hour (\$/MW/hr) is calculated in accordance with the following formula:

$$MCV(NP_{av}, NP_{ac}, t) = \frac{NP_{av} + (NP_{ac} \times t)}{t}$$

Where:

~~NP_{av} is the Notional Availability Price determined in step 2.3.1(a), in dollars per megawatt (\$/MW);~~

~~NP_{ac} is the Notional Activation Price determined in step 2.3.1(b), in dollars per megawatt hour (\$/MWh); and~~

~~t is the number of hours during which the capacity is expected to be required as determined in step 2.1.1(e).~~

~~In order to~~where:

Variable	Unit	Definition
NP_{av}	\$/MW	The Notional Availability Price.
NP_{ac}	\$/MWh	The Notional Activation Price.
t	Hours	The number of hours during which the supplementary capacity is expected to be required.

(d) ~~To~~ ensure sufficient incentive for a provider of an Eligible Service to activate that service, AEMO may stipulate that the availability price must not exceed a given percentage of the contract value. AEMO may set the Maximum Availability Percentage at any value up to:

$$MAP(NP_{av}, MCV, t) = \frac{NP_{av}}{MCV \times t} \times 100$$

Where:

~~NP_{av} is the Notional Availability Price determined in step 2.3.1(a), in dollars per megawatt (\$/MW);~~

~~MCV is the Maximum Contract Value determined in step 2.3.1(c), in dollars per megawatt per hour (\$/MW/hr); and~~

~~t is the number of hours during which the capacity is expected to be required as determined in step 2.1.1(e).~~

~~2.3. Acquisition of SRC via a Tender Process~~

~~2.3.1. AEMO must follow the process steps outlined in this section 2.4 of this Procedure if AEMO seeks to acquire SRC via a tender process.~~

~~2.3.2. AEMO must not call for tenders for SRC earlier than six calendar months prior to the calendar month in which the shortfall period is expected to start. [Clause 4.24.5]~~

~~2.3.3. AEMO must prescribe the tender form to be used by those applying to provide Eligible Services. This form must require the specification of:~~

~~(a) the name and contact details of the applicant;~~

~~the nature where:~~

<u>Variable</u>	<u>Unit</u>	<u>Definition</u>
<u>NP_{av}</u>	<u>\$/MW</u>	<u>The Notional Availability Price.</u>
<u>MCV</u>	<u>\$/MW/hour</u>	<u>The Maximum Contract Value.</u>
<u>t</u>	<u>Hours</u>	<u>The number of hours during which the supplementary capacity is expected to be required.</u>

E[A] Example calculation of Maximum Contract Value

This explanatory note contains example calculations of the Maximum Contract Value and the Maximum Availability Percentage.

The following assumptions are used in this example:

- Supplementary capacity required is 200 MW.
- Start date is 15 November, end date is 31 January. Duration is 78 days.
- Supplementary capacity is expected to be dispatched for 75 hours.
- The Reserve Capacity Price is \$150,000.
- The Alternative Maximum STEM Price is \$950/MWh.

Using the formula in paragraph 7.1.1(a), the Notional Availability Price is **\$96,694/MW**.

Using the formula in paragraph 7.1.1(b), the Notional Activation Price is **\$1,900/MWh**.

Therefore, the Maximum Contract Value, calculated using the formula in paragraph 7.1.1(c), is **\$3,189/MW/hr**.

The Maximum Availability Percentage, if one was applied to the Supplementary Capacity Contract, would be calculated under paragraph 7.1.1(d) as **40%**.

Appendix A. Relevant clauses of the WEM Rules

Table 4 details:

- (a) the head of power clauses in the WEM Rules under which the Procedure has been developed; and
- (b) each clause in the WEM Rules requiring an obligation, process or requirement be documented in a WEM Procedure, where the obligation, process or requirement has been documented in this Procedure.
- ~~(b) — Relevant clauses of the Eligible Service to be provided;~~
- ~~(c) — the amount of the Eligible Service available;~~
- ~~(d) — the maximum number of hours over the term of the Supplementary Capacity Contract that the Eligible Service will be available;~~
- ~~(e) — the maximum number of hours on each day during the term of the Supplementary Capacity Contract that the Eligible Service will be available;~~
- ~~(f) — the time of each day during the term of the Supplementary Capacity Contract that the Eligible Service will be available;~~
- ~~(g) — any information required to complete the relevant standard form Supplementary Capacity Contract for the Eligible Service and the applicant, together with full details of any amendments to the standard form Supplementary Capacity Contract required by the applicant;~~
- ~~(h) — the mechanism for activating the Eligible Service;~~
- ~~(i) — the mechanisms available for measuring the Eligible Service provided;~~
- ~~(j) — the values of:~~
- ~~(i) — the availability price for the Eligible Service expressed in dollars; and~~
- ~~(ii) — the activation price for the Eligible Service, expressed in dollars per hour of activation, where this price must reflect direct or opportunity costs incurred, where the activation price plus:~~
- ~~(iii) — the availability price; divided by~~
- ~~(iv) — the lesser of:~~
- ~~(A) — the number of hours specified in the advertisement for the call for tenders under step 2.4.5(d); and~~
- ~~(B) — the number of hours specified for the Eligible Service in accordance with step 2.4.3(d),~~
- ~~divided by the capacity of the Eligible Service specified in accordance with step 2.4.3(c) must not exceed the Maximum Contract Value [Clause 4.24.7]; and~~
- ~~(v) — the availability price divided by the Tender Value, determined in step 2.4.6, multiplied by 100 may not exceed the Maximum Availability Percentage determined in step 2.3.1(d); and~~
- ~~(vi) — the timelines associated with the tendering process.~~

~~2.3.4. No earlier than 30 Business Days and no later than 10 Business Days prior to the proposed closing date for submission of tenders, AEMO must advertise the call for tenders on the Market Web Site and in major local and national newspapers. **[Clause 4.24.6]**~~

~~2.3.5. The advertisement must include:~~

- ~~(k) the date and time at which any person wishing to tender to supply Eligible Services must have completed and lodged with AEMO the form specified in step 2.4.3 above;~~
- ~~(l) contact details for AEMO;~~
- ~~(m) the amount of capacity required;~~
- ~~(n) the number of hours over which the capacity is expected to be used;~~
- ~~(o) the time of the day where the capacity is expected to be required;~~
- ~~(p) the expected term of any Supplementary Capacity Contracts entered into as a result of the call for tenders;~~
- ~~(q) the Maximum Contract Value per hour of availability for any Supplementary Capacity Contract that AEMO will accept;~~
- ~~(r) the location of copies of the standard form Supplementary Capacity Contracts on the Market Web Site;~~
- ~~(s) the location on the Market Web Site of the tender form to be used in applying to provide Eligible Services; and~~
- ~~(t) the Maximum Availability Percentage, where applicable. **[Clause 4.24.6]**~~

~~2.3.6. The Tender Value in dollars for an Eligible Service is calculated as the sum of:~~

- ~~(u) the availability price specified for the Eligible Service in accordance with step 2.4.3(j)(i); and~~
- ~~(v) the product of the activation price specified for the Eligible Service in accordance with step 2.4.3(j)(ii) and the lesser of:
 - ~~(i) the number of hours specified in the advertisement for the call for tenders under step 2.4.5(d); and~~
 - ~~(ii) the number of hours specified for the Eligible Service in accordance with step 2.4.3(d). **[Clause 4.24.8(c)]**~~~~

~~2.3.7. AEMO will assess all tenders following its internal procurement policy and advise tenderers of the outcome (in accordance with the timelines specified in the tender documentation).~~

~~2.3.8. AEMO is not under any obligation to accept any tender, or enter into a Supplementary Capacity Contract in respect of any tender, made in response to a call for tenders. [Clause 4.24.9]~~

~~2.4. Acquisition of SRC by Direct Negotiation~~

~~2.4.1. If AEMO seeks to acquire SRC via negotiation, then AEMO must follow the process steps outlined in section 2.5 of this Procedure.~~

~~2.4.2. If AEMO negotiates directly with a potential supplier of Eligible Services, then it must provide the following information to the potential supplier:~~

- ~~(a) the amount of capacity required;~~
 - ~~(b) the relevant standard form Supplementary Capacity Contract; and~~
 - ~~(c) details of the information to be provided by the potential supplier, including:
 - ~~(i) the amount of the Eligible Service available;~~
 - ~~(ii) the mechanism for activating the Eligible Service;~~
 - ~~(iii) the mechanisms available for measuring the Eligible Service provided;~~
 - ~~(iv) the availability price for the Eligible Service expressed in dollars; and~~
 - ~~(v) the activation price for the Eligible Service, expressed in dollars per hour of activation, where this price must reflect direct or opportunity costs incurred.~~~~
- ~~[Clause 4.24.10]~~

~~2.4.3. AEMO may accept or reject any proposals for the acquisition of SRC obtained by way of direct negotiation.~~

~~2.5. Standard Form Supplementary Capacity Contract~~

~~2.5.1. AEMO must develop and maintain a standard form Supplementary Capacity Contract which accords with the requirements in clause 4.24.13 of the Market Rules. [Clause 4.24.12]~~

~~2.5.2. The standard form Supplementary Capacity Contract will require the supplier of an Eligible Service to reduce net consumption, or to increase generation, on instruction from AEMO (in its capacity as System Management) and must specify:~~

- ~~(a) that there are no force majeure conditions;~~
- ~~(b) the settlement process to be followed, including timing of payments;~~
- ~~(c) contract variation conditions;~~
- ~~(d) any conditions required to ensure that if a different person takes over the facility used to provide the Eligible Service, that the person taking over will be bound by the contract obligations (for example, by requiring the execution of a deed of assumption or novation);~~
- ~~(e) the financial consequences of failing to supply the Eligible Service in accordance with the contract, based on the arrangements which apply under clause 4.26, where a Market~~

~~Participant holding Capacity Credits for a Facility fails to comply with its Reserve Capacity Obligations;~~

~~(f) [Blank]~~

~~(g) the technical standards and verification arrangements which facilities used to provide Eligible Services must comply with; and~~

~~(h) blank schedules specifying:~~

~~(i) the term of the Supplementary Capacity Contract, where this term is not to exceed 12 weeks;~~

~~(ii) the sources of the net consumption reduction or generation increase;~~

~~(iii) the amount of net consumption reduction or generation increase required;~~

~~(iv) the notification time to be given for activation;~~

~~(v) the method of notification of activation;~~

~~(vi) the minimum duration of any activation;~~

~~(vii) the maximum duration of any single activation;~~

~~(viii) any limits on the number of times AEMO (in its capacity as System Management) can request activation;~~

~~(ix) the basis to be used for measuring the response;~~

~~(x) the availability price;~~

~~(xi) the activation price;~~

~~(xii) technical matters relating to the facility (including testing); and~~

~~(xiii) the fact that activation instructions will be given by AEMO (in its capacity as System Management). **[Clause 4.24.13]**~~

~~2.5.3. This standard form Supplementary Capacity Contract will be available on the Market Web Site in the event that AEMO decides to acquire SRC via a tender process.~~

~~2.5.4. Despite the existence of the standard form Supplementary Capacity Contract, AEMO may enter into Supplementary Capacity Contracts in any form it considers appropriate. **[Clause 4.24.14]**~~

~~2.6. [Blank]~~

~~2.7. Settlement Process~~

~~2.7.1. WEM Settlement of Supplementary Capacity Contracts will be through the non-STEM settlement system.~~

~~2.7.2. AEMO must recover the full cost it incurs in respect of Supplementary Capacity Contracts in accordance with clause 4.28 and Chapter 9 of the Market Rules. **[Clause 4.24.15]**~~

~~2.8. Process following each call for SRC or acquisition of Eligible Services~~

~~2.8.1. Following each call for tenders for SRC or otherwise acquiring Eligible Services, AEMO must review the SRC provisions in section 4.24 of the Market Rules.~~

~~2.8.2. This review must:~~

- ~~(a) have regard to the Wholesale Market Objectives; and~~
- ~~(b) undertake a public consultation process in respect of the outcome of the review. [Clause 4.24.19]~~

~~Table 2~~Table 4 ~~Following the review AEMO may propose amendments to the Market Rules and this Procedure (if applicable).~~ Following the review AEMO may propose amendments to the Market Rules and this Procedure (if applicable).

Appendix A. Example calculation of Maximum Contract Value and Maximum Availability Percentage

This Appendix contains example calculations of the Maximum Contract Value and Maximum Availability Percentage.

SRC REQUIREMENT (DETERMINED IN STEP 2.1):

- _____ Amount of SRC required = 60 MW
- _____ Start date = 15 Nov 2012
- _____ End date = 31 Jan 2013
- _____ d: Duration = 78 days (inclusive)
- _____ t: Number of hours during which the SRC is expected to be required = 75 hours

REFERENCE MARKET PRICES

- _____ PRC: Reserve Capacity Price = \$132,000 / MW / year
- _____ Alternative Maximum STEM Price = \$525 / MWh

MAXIMUM CONTRACT VALUE (STEP 2.3.1(A) to (C))

- _____ NP_{av} : Notional Availability Price = $P_{RC} * d / x$
- _____ = $132,000 * 78 / 121$
- _____ = \$85,091 / MW

- _____ NP_{ac} : Notional Activation Price = $2 * \text{Alternative Maximum STEM price}$
- _____ = $2 * \$525$
- _____ = \$1,050 / MWh

- _____ MCV: Maximum Contract Value = $(NP_{av} + (NP_{ac} * t)) / t$
- _____ = $(85,091 + (1,050 * 75)) / 75$
- _____ = \$2,185 / MW / hr

MAXIMUM AVAILABILITY PERCENTAGE (STEP 2.3.1(D))

- _____ MAP: Maximum Availability Percentage = $NP_{av} / (MCV * t) * 100$

$$= 85,091 / (2,185 * 75) * 100$$

$$= 52\%$$

Clause
4.24.18

DRAFT