



Wholesale Electricity Market

Procedure Change Proposal No:
AEPC_2024_01

WEM Procedure: Supplementary Capacity

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Australian Energy Market Operator Ltd ABN 94 072 010 327

Executive Summary

Change requested by:	AEMO
Date submitted:	19 February 2024
Type of Procedure Change Proposal:	Amendment
Market Procedures affected:	WEM Procedure: Supplementary Capacity

The publication of this Procedure Change Proposal and the accompanying notice of call for submissions commences the Procedure Change Process conducted by AEMO under clause 2.10 of the Wholesale Electricity Market Rules (**WEM Rules**).

This Procedure Change Proposal relates to revisions being made to the *WEM Procedure: Supplementary Capacity (Procedure)*, which was last updated on 1 October 2023.

AEMO has initiated this Procedure Change Proposal to amend the Procedure following amendments to the WEM Rules¹ arising from Stage 2 of a review by the Coordinator into potential improvements in the procurement and activation of supplementary capacity¹.

In response to the Amending Rules, gazetted on 18 July 2023, the amended Procedure will:

- clarify the role of Western Power in supporting AEMO to measure the performance of supplementary capacity services that have been activated in accordance with a Supplementary Capacity Contract and timelines for the provision of this information and assistance.
- document the process and information requirements for those intending to respond to a call for expression of interest under clause 4.24.1A or intending to provide supplementary capacity in response to a call for tender or direct negotiation under clause 4.24.2 who request assistance or an assessment by Western Power.
- determine how a payment in relation to a Supplementary Capacity Contract is to be made to the party identified in clause 4.29.3(e)(ii) if that party is not a Market Participant.
- determine under clause 4.24.8(d) that a provider of an Eligible Service has access to the network.
- reinforce alignment to the WEM Rules, as amended.

AEMO considers the proposed changes in the amended Procedure are consistent with the WEM Rules, would better achieve Wholesale Market Objectives (a) and (d), and are consistent with all other objectives.

AEMO has published a draft version of the amended WEM Procedure: Supplementary Capacity incorporating the changes AEMO proposes for consultation. The draft Procedure is available [here](#).

Consultation on proposed changes

AEMO will hold an AEMO Procedure Change Working Group (APCWG) meeting on 6 March 2023 to provide an opportunity for engagement on the proposed changes.

AEMO is seeking comment and feedback on:

- whether the proposed changes to the Procedure effectively implement AEMO's intended outcomes and give effect to the Amending Rules.

¹ Available at: <https://www.wa.gov.au/government/document-collections/supplementary-reserve-capacity-review>.

- whether stakeholders believe there are any other relevant issues that have not been considered.

AEMO invites stakeholders to suggest alternative options for drafting, where they consider these would improve the proposed 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).

AEMO also requests that stakeholders identify any unintended adverse consequences of the proposed replacement Procedure, as drafted.

Should any stakeholder want to discuss the impact of the proposed changes with AEMO, please contact the WA Capacity Market Investment team at wa.capacity@aemo.com.au.

Stakeholders are invited to submit written responses on the proposed amended Procedures to wa.marketdevelopment@aemo.com.au, by 5:00 PM (Australian Western Standard Time) on 19 March 2024 in accordance with the call for submissions published with this Procedure Change Proposal.

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 WEM Procedures for which it is responsible by developing a Procedure Change Proposal. Rule Participants may notify AEMO where they consider an amendment or replacement of a WEM Procedure would be appropriate.

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

Clause 2.9.3 of the WEM Rules states that WEM Procedures:

- (b) 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
- (c) 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.

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
Publication of Procedure Change Proposal	19 February 2024
APCWG forum	6 March 2024
Closing date for submissions on Procedure Change Proposal	19 March 2024
Publication of Procedure Change Report	28 March 2024
Proposed commencement of amended WEM DER Register Information Procedure	1 April 2024

Before the closing date for submissions, 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

2.1.1. Changes to take effect on 1 April 2024

Amendments to clause 4.24.18 of the WEM Rules will commence on 1 April 2024 and require AEMO to document in a WEM Procedure:

- (a) the process AEMO follows in:
 - (i) acquiring Eligible Services;
 - (ii) entering into Supplementary Capacity Contracts;
 - (iii) determining the Maximum Contract Value per hour of availability for any Supplementary Capacity Contract;
 - (iv) determining how a payment in relation to a Supplementary Capacity Contract is to be made to the party identified in clause 4.29.3(e)(ii) if that party is not a Market Participant; and
 - (v) determining under clause 4.24.8(d) that a provider of an Eligible Service has access to the network;
- (b) requirements regarding the information and assistance AEMO may require from Western Power to support:
 - (i) an expression of interest process or a procurement process for supplementary capacity under clause 4.24; and

- (ii) measuring the performance of activated Eligible Services subject to a Supplementary Capacity Contract;
- (c) requirements, developed in consultation with Western Power, regarding the information that must be provided by those *intending to respond to a call for expression of interest under clause 4.24.1A or intending to provide supplementary capacity in response to a call for tender or direct negotiation under clause 4.24.2 ~~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.

Text in green specifies new requirements introduced via the *Wholesale Electricity Market Amendment (Supplementary Capacity No. 2) Rules 2023*² gazetted on 18 July 2023. Text in black above details existing requirements under the WEM Rules.

Other clauses in section 4.24, as amended, that are of relevance to this Procedure Change Proposal include:

4.24.1C	<p>Following the close of a call for expressions of interest for supplementary capacity in accordance with clause 4.24.1A, AEMO:</p> <p>[...]</p> <ul style="list-style-type: none"> (c) must, for each response assessed by it, provide feedback to each respondent on whether AEMO or Western Power, as applicable, considers the Eligible Services the respondent proposes to provide would be <i>likely to be</i> capable of meeting the requirements outlined in the call for expressions of interest and contained in the standard Supplementary Capacity Contract.
4.24.18B	<p>A request to Western Power for assistance or an assessment by those <i>intending to respond to a call for expressions of interest under clause 4.24.1A, or intending to provide supplementary capacity in response to a call for tenders or direct negotiation under clause 4.24.2 applying to provide Eligible Services</i> or a request to Western Power by AEMO must:</p> <ul style="list-style-type: none"> (a) be in writing and addressed to the contact nominated by Western Power in the WEM Procedure referred to in clause 4.24.18; (b) allow sufficient time to enable Western Power to provide the assistance or make the assessment requested in accordance with the timelines specified under clause 4.24.18(d); and <p>contain the information and analysis as may be required under the WEM Procedure referred to in clause 4.24.18.</p>

² Available at: https://www.wa.gov.au/system/files/2023-07/wholesale_electricity_market_amendment-supplementarycapacityno2-rules2023.pdf

2.2. Context for this consultation

On 23 September 2022, AEMO published a call for tenders from potential providers of supplementary capacity ahead of the 2022-23 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, undertook review in two stages:

- **Stage 1** - Review of the provisions related to the procurement of supplementary capacity.
- **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 website³.

The final outcomes of the Stage 2 review and the consultation process were detailed in the Stage 2 Information Paper⁴, following public consultation and written submissions on draft Amending Rules proposed in a consultation paper published on 7 March 2023.

Amendments arising from Stage 2 of the review include:

- new provisions requiring the following matters to be addressed in the Procedure:
 - clarifying the role of Western Power in supporting AEMO to measure the performance of supplementary capacity services that have been activated in accordance with a Supplementary Capacity Contract and timelines for the provision of this information and assistance.
 - detailing the process and information requirements for those intending to respond to a call for expression of interest under clause 4.24.1A or intending to provide supplementary capacity in response to a call for tender or direct negotiation under clause 4.24.2 who request assistance or an assessment by Western Power.
 - determining how a payment in relation to a Supplementary Capacity Contract is to be made to the party identified in clause 4.29.3(e)(ii) if that party is not a Market Participant.
 - determining under clause 4.24.8(d) that a provider of an Eligible Service has access to the network.
- other amendments aimed at improving the efficiency of processes to procure Eligible Services.

Amendments relating to the Procedure are scheduled to commence on 1 April 2024 and this Procedure Change Proposal will ensure that the amended Procedure aligns with the Amending Rules on commencement of relevant provisions.

AEMO has consulted with Western Power via a workshops on 5th and 14th February 2024 and email correspondence ahead of formal consultation on this Procedure Change Proposal.

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

⁴ Available at: https://www.wa.gov.au/system/files/2023-07/src_review-stage2_information_paper.pdf.

3. Proposed procedure change

3.1. Requirements for those requesting assistance or an assessment from Western Power

The proposed Procedure has been updated to capture the amendments to clause 4.24.18(c), which expand the points at the process in which a party intending to offer supplementary capacity may request assistance or an assessment from Western Power. The proposed changes to the Procedure include:

- Creating a new section for requests for assistance or an assessment from Western Power, with content previously provided in paragraph 3.2 (as part of the tender process) moved into the new proposed Paragraph 5.
- Proposing a new defined term, *Potential Provider*, to describe the broader set of parties that may seek assistance or an assessment from Western Power.

Information requirements provided in Table 3 are unchanged and apply to all Potential Providers.

3.1.1. Information and assistance from Western Power to support performance measurement

A new section (Paragraph 7) - *Measuring performance of Eligible Services* - has been proposed to specify:

- provisions for AEMO to request information and assistance from Western Power to support it in measuring the performance of Eligible Services that have been activated in accordance with a Supplementary Capacity Contract.
- timelines around the provision of information and assistance, including extensions.

3.1.2. Payment for providers who are not Market Participants

Amendments under 4.24.18(a)(iv) were previously captured in V5.0 of the Procedure and the provisions in Paragraph 8 (*Settlement*) are unchanged in the proposed amended Procedure.

3.1.3. Determining that providers of Eligible Services have network access.

A new paragraph (4.1.4) is proposed to specify how AEMO will determine under clause 4.24.8(d) that a Potential Provider engaging in direct negotiation has access to the network.

The published version of the Procedure (v5.0) currently specifies how AEMO will determine under clause 4.24.8(d) that a Potential Provider engaging in a tender process has access to the network and so this provision, provided in paragraph 3.2.9, is unchanged.

3.1.4. Other minor and administrative amendments

The proposed amended Procedure contains minor administrative amendments to update the Procedure version history and scope and to improve alignment with the WEM Rules.

3.2. Proposed drafting

AEMO has published for consultation a draft version of the amended WEM Procedure: Supplementary Capacity indicating the changes AEMO proposes. The draft Procedure is available [here](#).

4. Summary of matters for consultation

AEMO will hold an AEMO Procedure Change Working Group (APCWG) meeting on 6 March 2024 to provide an opportunity for engagement on the proposed Procedure. Any stakeholder wishing to attend the APCWG meeting or discuss the proposed Procedure with AEMO should contact AEMO at wa.marketdevelopment@aemo.com.au.

AEMO is seeking comment and feedback on:

- whether the proposed changes to the Procedure effectively implement AEMO's intended outcomes and give effect to the Amending Rules.
- whether stakeholders believe there are any other relevant issues that have not been considered.

AEMO invites stakeholders to suggest alternative options for drafting, where they consider these would improve the proposed 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).

AEMO also requests that stakeholders identify any unintended adverse consequences of the proposed replacement Procedure, as drafted.

Should any stakeholder want to discuss the impact of the proposed changes with AEMO, please contact the WA Capacity Market Investment Team at wa.capacity@aemo.com.au.

Stakeholders are invited to submit written responses on the proposed amended Procedures to wa.marketdevelopment@aemo.com.au, by 5:00 PM (Australian Western Standard Time) on 19 March 2024 in accordance with the call for submissions published with this Procedure Change Proposal.