

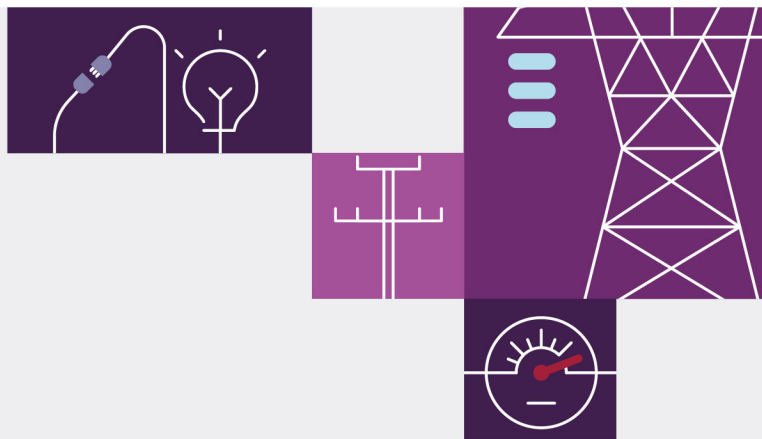
Wholesale Electricity Market

Procedure change report: AEPC_2024_01

March 2024

WEM Procedure: Supplementary Capacity





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AEMO acknowledges the Traditional Owners of country throughout Australia and recognises their continuing connection to land, waters and culture. We pay respect to Elders past and present.

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 Capacity (**Procedure**) under the Wholesale Electricity Market Rules (**WEM Rules**).

Proposed amendments

AEMO undertook the Procedure Change Process to update the Procedure following amendments to the WEM Rules¹ arising from Stage 2 of a review by the Coordinator of Energy (**Coordinator**) into potential improvements in the procurement and activation of supplementary capacity².

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

- clarifies 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.
- documents 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.
- determines 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.
- determines under clause 4.24.8(d) that a provider of an Eligible Service has access to the network.
- reinforces alignment to the WEM Rules, as amended.

Consultation

AEMO published the Procedure Change Proposal (AEPC_2024_01) and issued a call for submissions on 19 February 2024³. AEMO specifically sought feedback on whether:

- the proposed changes to the Procedure would effectively implement AEMO's intended outcomes and give effect to the Amending Rules.
- stakeholders believed there were any other relevant issues that had not been considered.

¹ Available at: https://www.wa.gov.au/system/files/2023-07/wholesale_electricity_market_amendment-supplementarycapacityno2-rules2023.pdf

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

³ Available at: https://www.aemo.com.au/consultations/current-and-closed-consultations/aepc_2024_01.

On 6 March 2024, AEMO held an AEMO Procedure Change Working Group (**APCWG**) meeting to discuss the proposed replacement Procedure with interested stakeholders. No issues or concerns were raised by stakeholders during the APCWG meeting or in response to meeting minutes, when circulated.

AEMO also consulted with Western Power on the proposed Procedure changes via two workshops, held on 5 February 2024 and 14 February 2024, and associated written communication. Western Power input provided via these workshops and written feedback has been considered in developing the replacement Procedure.

The submission period closed on 19 March 2024. No submissions were received from external stakeholders during the consultation period.

AEMO's decision

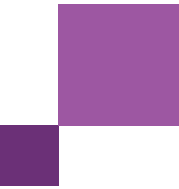
AEMO's decision is to accept the Procedure, without further amendments.

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 April 2024.



Contents

Executive summary	3
1 Background	6
1.1 Regulatory requirements	6
1.2 Context	6
1.3 Procedure change process and timetable	6
2 Proposed procedure changes	7
2.1 Requirements for those requesting assistance or an assessment from Western Power	7
2.2 Information and assistance from Western Power to support performance measurement	7
2.3 Payment for providers who are not Market Participants	7
2.4 Determining that providers of Eligible Services have network access.	7
2.5 Other minor and administrative amendments	8
3 Consultation process	8
3.1 Western Power	8
3.2 Market Advisory Committee and Working Group	8
3.3 Submissions received during consultation period	8
4 AEMO's assessment	9
4.1 Further changes to the Procedure	9
4.2 Consistency with Electricity Industry Act, WEM Regulations, and WEM Rules	9
4.3 Consistency with Wholesale Market Objectives	9
4.4 Implementation of the Procedure	10

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 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 the 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 website⁴.

AEMO undertook the current Procedure Change Process (AEPC_2024_01) to amend the Procedure following amendments to the WEM Rules⁵ arising from Stage 2 of the Review, which commence on 1 April 2024.

AEMO notes that the WEM Rules require the Coordinator to undertake another review of the Supplementary Capacity mechanism this year, after AEMO published a call for tenders from potential providers of supplementary capacity ahead of the 2023-24 Hot Season. Further Rule and Procedure amendments are expected to result from the upcoming review, which has not yet been formally announced.

1.3 Procedure change process and timetable

On 19 February 2024, AEMO published the Procedure Change Proposal (AEPC_2024_01) and issued a call for submissions⁶. The proposal was progressed using the Procedure Change Process specified in section 2.10 of the WEM Rules with submissions required by 19 March 2024.

⁴ Available at: <https://www.wa.gov.au/government/document-collections/supplementary-reserve-capacity-review>.

⁵ Available at: https://www.wa.gov.au/system/files/2023-07/wholesale_electricity_market_amendment-supplementarycapacityno2-rules2023.pdf

⁶ Available at: https://www.aemo.com.au/consultations/current-and-closed-consultations/aepc_2024_01.



2 Proposed procedure changes

2.1 Requirements for those requesting assistance or an assessment from Western Power

The Procedure was updated to capture the amendments to clause 4.24.18(c), which expanded 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 included:

- 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.

2.2 Information and assistance from Western Power to support performance measurement

A new section (Paragraph 7) - *Measuring performance of Eligible Services* – was drafted 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.

2.3 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 amended Procedure.

2.4 Determining that providers of Eligible Services have network access.

A new paragraph (4.1.4) specifies 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.

2.5 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 Consultation process

3.1 Western Power

AEMO consulted with Western Power on the proposed Procedure changes via two workshops, held on 5 February 2024 and 14 February 2024, and associated written communication. Western Power input provided via these workshops and written feedback has been considered in developing the 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 on 21 March 2024 meeting via the Update on AEMO'S WEM Procedures agenda item (Item 6a). The item was taken as read by MAC and no issues were raised.

Relevant documentation of MAC meetings, including meeting papers and Minutes, are provided on the WA Government's website⁷.

3.2.2 AEMO Procedure Change Working Group

An overview of the proposed amendments to the Procedure was presented at the APCWG meeting held on 6 March 2024. 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 AEMO's website⁸.

3.3 Submissions received during consultation period

AEMO published the Procedure Change Proposal (AEPC_2024_01) and issued a call for submissions on 19 February 2024. The submission period closed on 19 March 2024.

AEMO received no submissions from stakeholders on the proposed amendments and so no revisions to the draft Procedure were required.

⁷ Available at: <https://www.wa.gov.au/government/document-collections/market-advisory-committee>

⁸ 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>

4 AEMO's assessment

4.1 Further changes to the Procedure

No further changes to the Procedure have been undertaken since publication of the draft Procedure.

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 increasing the points in the process that potential providers can seek assistance or an assessment from Western Power, the amendments support 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 No.2) Rules 2023* commence on 1 April 2024. Consequently, the replacement WEM Procedure: Supplementary Capacity will commence at 8:00 AM on 1 April 2024.

The commencement date of the replacement Procedure will allow for the new provisions to take effect in advance of any future procurement process for supplementary capacity.

The revised WEM Procedure: Supplementary Capacity is available on AEMO's website⁹.

⁹ https://www.aemo.com.au/consultations/current-and-closed-consultations/aepc_2024_01