



Wholesale Electricity Market

Procedure Change Proposal No:
AEPC_2024_02

Certification of Reserve Capacity

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Australian Energy Market Operator Ltd ABN 94 072 010 327

Executive Summary

Change requested by:	AEMO
Date submitted:	28 February 2024
Type of Procedure Change Proposal:	Amendment
WEM Procedures affected:	Certification of Reserve 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 section 2.10 of the Wholesale Electricity Market Rules (**WEM Rules**). This Procedure Change Proposal relates to proposed amendments to the WEM Procedure: Certification of Reserve Capacity.

In December 2023, the Minister for Energy amended the WEM Rules to implement the outcomes from the RCM Review affecting the 2024 Reserve Capacity Cycle. These amendments included:

- Changes to the certification methodology for Demand Side Programmes.
- Removal of Planned Outage rate calculations.
- Introduction of Capability Class 1 Assessment Intervals to replace Peak Trading Intervals on Business Days.

This Procedure Change Proposal addresses the associated amendments required to the WEM Procedure: Certification of Reserve Capacity, as well as amendments required to reflect the new market start on 1 October 2023.

AEMO invites stakeholders to suggest alternative options or drafting where they consider that these would improve the proposed WEM Procedure or better meet the Wholesale Market Objectives specified in section 122(2) of the *Electricity Industry Act 2004* (WA) (and clause 1.2.1 of the WEM Rules). For this procedure change process, AEMO will consider submissions on the proposed amendments that relate to the matters listed above.

AEMO also requests that stakeholders identify any unintended adverse consequences of the proposed WEM Procedure.

Stakeholders are invited to submit written responses on the proposed WEM Procedure by 5.00 pm (Western Standard Time) on 28 March 2024, in accordance with the notice of call for submissions published with this Procedure Change Proposal.

1. Procedure Change Process

Section 2.10 of the WEM Rules outlines the Procedure Change Process (Note: terms that are capitalised in this document, but not otherwise defined in this document or capitalised for any other reason, have the meaning given in the WEM Rules).

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 to comply with the Amending Rule.

Clause 2.9.3 of the WEM Rules states that WEM 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 2004 (WA)* 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.

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	28 February 2024
Closing date for submissions on Procedure Change Proposal	28 March 2024
Publication of Procedure Change Report	15 April 2024
Proposed commencement of amended WEM Procedure	15 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

This WEM Procedure: Certification of Reserve Capacity (**Procedure**) is made in accordance with AEMO's functions under clause 2.1A.2(h) of the WEM Rules.

Clause 4.9.10 of the WEM Rules provides:

AEMO must document the following in a WEM Procedure:

- (a) the procedures that Market Participants must follow when applying for Certified Reserve Capacity;
- (b) the methodology AEMO uses for determining Forced Outage rates, which must treat Charge Level shortfalls for Electric Storage Resources, as calculated under clause 4.26.1E, as Forced Outages;
- (c) the procedures AEMO must follow when processing applications for Certified Reserve Capacity, including:
 - (i) how Certified Reserve Capacity is assigned; and
 - (ii) how AEMO will account for any degradation of an Electric Storage Resource, based on:
 1. the performance standards and specifications for the Electric Storage Resource provided by the relevant manufacturer; and
 2. the performance of the Electric Storage Resource in the Capacity Year at the time the application for certification of Reserve Capacity is required to be processed, where available;

This Procedure must also outline:

- (a) the process for the application of clause 4.28C and the matters AEMO will have regard to in forming its opinion under clause 4.28C.1(d)) **[clause 4.28C.15]**; and

- (b) the information required to be provided by a Market Participant under clause 4.10A.6 in support of its nomination that a Facility be classified as a Network Augmentation Funding Facility [clause 4.10A.11].

2.2. Context for this consultation

In December 2023, the Minister for Energy amended the WEM Rules to implement the outcomes from the RCM Review affecting the 2024 Reserve Capacity Cycle. These amendments included:

- Changes to the certification methodology for Demand Side Programmes.
- Removal of Planned Outage rate calculations.
- Introduction of Capability Class 1 Assessment Intervals to replace Peak Trading Intervals on Business Days.

The scope of this Procedure Change Proposal addresses the associated amendments required for the WEM Procedure: Certification of Reserve Capacity, as well as amendments required to reflect the new market start on 1 October 2023. For this procedure change process, AEMO will consider submissions on the proposed amendments that relate to these matters.

These changes are discussed in further detail in Section 3.1.

3. Proposed procedure change

3.1. Detail of the proposed procedure change

3.1.1. Changes to Demand Side Programme

The WEM Procedure has been updated to reflect the change in certification methodology for DSPs. There are now two certification methodologies depending on the loads associated to the DSP (or expected to be associated) as follows:

1. Individual Reserve Capacity Requirement Contribution for DSPs with a single associated load.
2. Quantity nominated by the Market Participant for DSPs with multiple associated loads.

AEMO will no longer assess a DSP's Relevant Demand, contracted quantities, or Reserve Capacity Test results when assigning CRC to a DSP.

3.1.2. Changes to Forced Outage rate calculations

AEMO has proposed changes to the Forced Outage rate calculations. AEMO has made updates to:

- a) Use Capacity Adjusted Forced Outage data after 1 October 2023.
- b) Treat Change Level shortfalls for Electric Storage Resources (ESR) as Forced Outages, as required under clause 4.9.10(b) of the WEM Rules.

The Planned Outage rate calculations have been removed as they are no longer required to be calculated under clause 4.11.1A of the WEM Rules.

3.1.3. Other changes

AEMO has made some minor updates on the following:

- Alignment of defined terms in the WEM Procedure and WEM Rules (e.g. references to Capability Class 1 Assessment Intervals to replace Peak Trading Intervals on Business Days when assessing CRC for a Non-Intermittent Generating System).
- Clarification of requirements for submitting sent out capacity information for ESR.
- Minor editorial and formatting changes to improve readability.

3.2. Proposed drafting

AEMO has published a draft version of the WEM Procedure: Certification of Reserve Capacity for consultation, incorporating the changes that AEMO proposes. Clean and change-marked versions are available at: <https://aemo.com.au/energy-systems/electricity/wholesale-electricity-market-wem/procedures-policies-and-guides/procedures/ongoing-procedure-change-proposals>.

4. Summary of matters for consultation

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

Stakeholders with questions in relation to the proposed amended WEM Procedure or this Procedure Change Proposal should contact AEMO via email at wa.capacity@aemo.com.au.

Stakeholders are invited to submit written responses on the proposed amended WEM Procedure to wa.marketdevelopment@aemo.com.au by 5:00 pm (Australian Western Standard Time) on 28 March 2024, in accordance with the call for submissions published with this paper.

All correspondence in relation to this Procedure Change Proposal must be entitled “AEPC_2024_02: WEM Procedure: Certification of Reserve Capacity – [Name of the submitting company or individual]”.