



Wholesale Electricity Market

Procedure Change Proposal No:
AEPC_2024_05

Mid Peak Electric Storage Resources Obligation
Intervals

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Executive Summary

Change requested by:	AEMO
Date submitted:	22 May 2024
Type of Procedure Change Proposal:	Amendment
Market Procedures affected:	Electric Storage Resource Obligation Intervals Procedure

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 proposed amendments to the Electric Storage Resource Obligation Intervals Procedure.

This proposed amended WEM Procedure is required as a result of amendments to clause 4.11.3A and Chapter 11 (Glossary) of the WEM Rules.

In summary, the proposed amendments set out the process AEMO must follow in changing and publishing previously determined Mid Peak Electric Storage Resource Obligation Intervals (MPESROI), and the circumstances that allow AEMO to determine that MPESROI require changing. The amendments:

- Amend the title of the procedure to reflect its new focus on MPESROI;
- Insert a new paragraph 2.1.1 to set MPESROI using methodology specified in Chapter 11 (Glossary) of the WEM Rules where AEMO had not previously determined MPESROI for a Capacity Year, so that they can be reviewed under the procedure;
- Require AEMO to determine whether MPESROI that were last published remain appropriate;
- Require AEMO to publish MPESROI, and to publish (at its discretion) relevant analysis and information used by AEMO to inform its review;
- Removes the requirement on AEMO to consult on changes to previously published MPESROI; and
- Set out the circumstances in which AEMO may change, without consulting with Market Participants, an MPESROI that applies to a Trading Day, as part of Short Term Projected Assessment of System Adequacy (PASA) arrangements.

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 (and clause 1.2.1 of the WEM Rules).

AEMO also asks stakeholders to 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 (Perth time) on 20 June 2024, in accordance with the notice of 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:

- (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* 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	22 May 2024
Closing date for submissions on Procedure Change Proposal	20 June 2024
Publication of Procedure Change Report	28 June 2024
Proposed commencement of amended WEM Procedure	1 July 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

On 17 April 2023, as part of the reforms to the Reserve Capacity Mechanism (RCM), the Minister amended clause 4.11.3A of the WEM Rules¹ via the *Wholesale Electricity Market Amendment (Tranche 6 Amendments) Rules 2022, Schedule D*. Sub-clause 4.11.3A(c) requires AEMO to document in a WEM Procedure the processes to be followed by AEMO for determining, amending and publishing the Electric Storage Resource Obligation Intervals (ESROIs), including the processes to be followed by AEMO to comply with its obligation to consult with Market Participants. The current version of the WEM Procedure commenced 11 July 2023.

Clause 4.11.3A has linkages to Short Term PASA arrangements under clause 6.3.1.

2.2. Context for this consultation

On 13 December 2023, as part of further reforms to the RCM, the Minister amendend clause 4.11.3A of the WEM Rules via the *Wholesale Electricity Market Amendment (Reserve Capacity Reform) Rules 2023*, which commenced 13 December 2023. The rule amendments introduced a new defined term 'Mid Peak Electric Storage Resource Obligation Intervals' (MPESROI) and placed obligations on AEMO in regard of determining and reviewing the MPESROI under clauses 4.11.3A(a) and 4.11.3A(b) of the WEM Rules respectively. The changes also amend the scope of the WEM Procedure made under clause 4.11.3A(c), by requiring AEMO to determine whether previously published MPESROI remain appropriate, by setting out the circumstances in which AEMO is allowed to change the MPESROI and by removing the consultation process for changes to the MPESROI.

Consequently, the WEM Procedure must be amended to reflect its new focus on MPESROI. This includes:

- Amending the title of the WEM Procedure;

¹ Clause 4.11.1 was also amended.

- Setting out the process AEMO must follow when determining changes to the Trading Intervals classified as MPESROI under clauses 4.11.3A(a) and 4.11.3A(b) of the WEM Rules, and the circumstances in which AEMO may make a determination;
- Setting out the process AEMO must follow when publishing the Trading Intervals classified as MPESROI;
- Removing the consultation process that applies to changes to published MPESROI, consistent with the changes made to clause 4.11.3A(c)(i) of the WEM Rules; and
- Identifying the circumstances in which AEMO can determine, in accordance with clause 6.3.1 of the WEM Rules, and without consultation with Market Participants, to change the Trading Intervals classified as the MPESROI for a specific Scheduling Day where they differ from those previously published.

2.3. Detail of the proposed procedure change

Amendments to clause 4.11.3A of the WEM Rules now require AEMO to determine the MPESROI for a Trading Day, which is to be the reference Peak Electric Storage Resource Obligation Interval for all Electric Storage Resources (ESR).

As currently drafted, the WEM Procedure leverages the concept of Peak Demand Period, which is based on the peak demand forecasts prepared for the WEM ESOO, to set the ESROI for the Capacity Year commencing 1 October of Year 3 of the relevant Reserve Capacity Cycle. This has required AEMO to consider the 10% and 50% Probability of Exceedance (POE) expected case demand forecasts and use a probability density function to determine the period (a set of eight contiguous Trading Intervals) in which peak demand is likely to occur.

Although AEMO may assess for differences in the Peak Demand Period for different seasons, this has not been the current practice with only one Peak Demand Period, and therefore one ESROI, identified for the relevant Capacity Year. The forecast of the ESROI may cover the entire relevant Long Term Projected Assessment of System Adequacy (Long Term PASA) Study Horizon and must be published at the same time as the WEM ESOO.

AEMO must reassess the ESROI when preparing the WEM ESOO in Year 3 of the relevant Reserve Capacity Cycle. Where the Peak Demand Period has changed by more than 2 Trading Intervals, AEMO may propose a change to the ESROI. AEMO must consult with Market Participants on changes to the ESROI.

This procedure change proposal amends the current framework to reflect changes to clause 4.11.3A of the WEM Rules. The amendments refocus the procedure by replacing the concept of ESROI with MPESROI, to allow AEMO to make a determination, based on prescribed circumstances, on whether changes are required to published MPESROI or the MPESROI determined and recorded in accordance with clause 6.3.1 of the WEM Rules.

The recent changes to the Long Term PASA arrangements are also reflected in the procedure change proposal, specifically, in the definition of Peak Demand Period. This has been amended to reflect the new basis for identifying the Trading Intervals that comprise the Peak Demand Period is the peak demand forecasts developed as part of the Long Term PASA, where the number of Trading Intervals are equal to the ESR Duration Requirement

The consultation process (which applied to changes to the previously determined and published ESROI) have been removed to reflect recent changes to clause 4.11.3A(c)(i) of the WEM Rules. There are minor amendments to the publication process to correct a reference to the WEM Rules and to better clarify what information on the review and determination of MPESROI and the identification of each Peak Demand Period is required to be published by AEMO, and how the information is to be published.

2.4. Proposed drafting

AEMO has published a draft version of the AEPC_2024_06_WEM_Procedure – Mid Peak Electric Storage Resource Obligation Intervals incorporating the changes AEMO proposes for consultation. Clean and change-marked versions are available at: https://aemo.com.au/consultations/current-and-closed-consultations/aepc_2024_06

- The title of the procedure and section titles are amended to insert ‘Mid Peak’ to reflect its refocus to MPESROI.
- A new paragraph 2.1.1 is inserted to set initial MPESROI where AEMO had not previously determined MPESROIs for a Capacity Year, so that these initial MPESROIs can be reviewed under the procedure. The initial MPESROI are derived from the previously determined and published Peak Electric Storage Resource Obligation Duration, in accordance with the methodology under the definition for Peak Electric Storage Resource Obligation Duration in Chapter 11 (Glossary) of the WEM Rules.
- Original paragraph 2.1.1 becomes paragraph 2.1.2, which is amended to require AEMO to undertake a review of the MPESROIs last published as part of the preparing the WEM ESOO. The requirement for an annual review is retained. The review includes the MPESROI that were determined under clause 4.11.3A(a), including where those MPESROIs were subsequently revised in accordance with clause 4.11.3A(b). Due to the insertion of new paragraph 2.1.1, the review under paragraph 2.1.2 can include the MPEROI derived from using the methodology in Chapter 11 (Glossary) of the WEM Rules.
- Original paragraph 2.1.2 becomes paragraph 2.1.3 and is amended to clarify that MPESROI may vary seasonally, as per the intent of clause 4.11.3A of the WEM Rules.
- Original paragraph 2.1.3 is deleted to reflect the revised definition for ‘Peak Demand Period’.
- New paragraph 2.1.4 is inserted to clarify that the Peak Demand Period may apply for one or more Trading Days, as determined by AEMO.
- New paragraph 2.1.5 is inserted to provide the methodology for identifying the indicative MPESROI, which is a single Trading Interval at the centre of the Peak Demand Period, which is consistent with the methodology contained within the definition for ‘Peak Electric Storage Resource Obligation Duration’ in Chapter 11 (Glossary) of the WEM Rules.
- Original paragraph 2.1.4 becomes paragraph 2.1.6, which is amended to set-out the things AEMO may take into consideration when determining whether to revise the MPESROI that were last published. This includes the appropriateness of the existing, indicative or alternative MPESROI, based on AEMO’s operational experience and Power System Security and Power System Reliability. AEMO may also take into consideration any other relevant matters.
- New paragraph 2.1.7 is inserted to allow AEMO to determine the revised MPESROI, where AEMO makes the determination in paragraph 2.1.6 that a revised MPESROI is required.
- To reflect the changes to clause 4.11.3A(c)(i) of the WEM Rules, original paragraph 2.1.5 is deleted.
- Original paragraph 2.16 is deleted to reflect the changes made in paragraphs 2.1.2, 2.1.3 and 2.1.4.
- Original paragraph 2.1.7 is deleted as the publication requirements specified in new section 3 make the paragraph redundant.

- New paragraph 2.1.8 is inserted for the purposes of clause 6.3.1 and clause 4.11.3A(c)(iii) of the WEM Rules, to identify the circumstances in which AEMO may determine, without consultation with Market Participants, to amend the Trading Intervals classified as the MPESROI for a specific Trading Day.
- New paragraph 2.1.9 is inserted to allow AEMO to determine the amended MPESROI, where AEMO makes the determination in paragraph 2.1.8 that the MPESROI should be amended.
- Original section 3 is deleted to reflect the changes to clause 4.11.3A(c)(i) of the WEM Rules, noting that paragraphs 2.1.6 and 2.1.8 identify the circumstances that allow AEMO to determine in accordance with clause 4.11.3A(c)(i) and clause 4.11.3A(c)(iii) of the WEM Rules (respectively), whether to change the MPESROI.
- Original section 4 is renumbered to section 3, and is amended to insert 'Mid Peak' throughout and to set-out what information AEMO will or may publish, and how the information is to be published.
- The reference to clause 4.1.8 of the WEM Rules in paragraph 3.1.1 (originally paragraph 4.1.1) is removed and replaced with a reference to clauses 4.11.3A(a) and 4.11.3A(b).
- Original paragraph 4.1.2 becomes paragraph 3.1.2, which is amended to clarify what information AEMO may publish in respect of the review and determination of MPESROI and in respect of each Peak Demand Period. The paragraph is also amended to clarify that the information may be published either within the WEM ESOO or at the same time as the WEM ESOO but in another document.
- New paragraph 3.1.3 is inserted to clarify that the information required by clause 6.3.1 of the WEM Rules and amended in accordance with paragraph 2.1.9 is to be published on the WEM Website.
- Table 3 in Appendix A is amended to insert a reference to clause 6.3.1 of the WEM Rules.

3. Other matters

AEMO believes there are two manifest errors in clause 6.3.1 of the WEM Rules:

1. There are two references to 'Electric Storage Resource Obligation Intervals' which should be a reference to "Mid Peak Storage Resource Obligation Intervals'. An explanatory note is therefore inserted after paragraph 2.1.9 to clarify that the 'Electric Storage Resource Obligation Intervals' that AEMO must determine and record by 6:50 AM on each Scheduling Day are (in advance of amendment to clause 6.3.1 of the WEM Rules) the revised MPESROI determined by AEMO under paragraph 2.1.7 or subsequently amended by AEMO in accordance with paragraph 2.1.9.
2. The clause requires AEMO to 'determine and record' but not publish the specified information by 6:50 AM on each Scheduling Day. New paragraph 3.1.3 therefore contains a requirement on AEMO to publish the specified information on the WEM Website.

4. Summary of matters for consultation

AEMO seeks comment and feedback on the following matters:

1. The drafting of the proposed amendments to the procedure, specifically how well the proposed amendments reflect the impetus for changing the procedure;

2. Whether there are likely to be any unintended operational issues stemming from the proposed amendments; and
3. The proposed amendments with respect to original section 3.

Submissions on these and any other matter relating to this Procedure Change Proposal must be made in accordance with the accompanying notice of call for submissions by 5.00 pm (Perth time) on 20 June 2024.