

# MARKET PROCEDURE: TREATMENT OF NEW SMALL GENERATORS

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## CHAPTER 1. PROCEDURE FOR TREATMENT OF NEW SMALL GENERATORS

This Procedure for Treatment of New Small Generators is developed in accordance with section 4.28B of the Wholesale Electricity Market Rules (Market Rules) and describes the steps to be taken by Market Participant and AEMO in respect of assigning Capacity Credits to New Small Generators.

This procedure is made in accordance with Market Rule 4.28B.9

### 1.1. Interpretation

- 1.1.1. In this procedure, unless the contrary intention is expressed:
- (a) terms used in this procedure have the same meaning as those given in the Wholesale Electricity Market Rules (made pursuant to Electricity Industry (Wholesale Electricity Market) Regulations 2004);
  - (b) to the extent that this procedure is contrary or inconsistent with the Market Rules, the Market Rules shall prevail to the extent of the inconsistency;
  - (c) a reference to the Market Rules or Market Procedures includes any associated forms required or contemplated by the Market Rules or Market Procedures; and
  - (d) words expressed in the singular include the plural or vice versa.

### 1.2. Purpose of this Procedure

- 1.2.1. The purpose of this procedure is:
- (a) To describe the steps that AEMO must take processing applications for treatment as New Small Generators; and
  - (b) To describe the steps that the Market Participants must take in preparing and submitting applications for treatment as New Small Generators.

### 1.3. Application

- 1.3.1. This procedure applies to:
- (a) AEMO in processing New Small Generator applications; and
  - (b) The Market Participants in preparing and submitting applications under the Treatment as a New Small Generator Rules under the Market Rules.

### 1.4. Overview of Treatment of New Small Generators

This procedure details the requirements of Rule Participants registered as Market Generators and of AEMO in respect of assigning Capacity Credits to new small generation facilities in accordance with section 4.28B of the Market Rules. The Market Rules allow for generation facilities that are under 1 MW (Small Generators) to be assigned Capacity Credits outside the annual Reserve Capacity Certification and Capacity Credit assignment process. The development timeline of new small generating facilities or New Small Generators can, in a number of circumstances be much reduced from the length of time required of larger generation projects. The size limit for being considered a New Small Generator has been set sufficiently low as to allow for the introduction of these facilities without substantial adverse impacts on the security of the transmission system.

The New Small Generator clauses under the Market Rules only apply to new small generators that come online (can operate in the WEM) before they are able to obtain Capacity Credits in respect of that Facility through the Normal Reserve Capacity process under section 4.9 of the Market Rules. The Capacity Credits assigned by AEMO in accordance with this Market Procedure, are only valid for a limited term, and Rule Participants may need to re-apply for Capacity Credits in accordance with this Market Procedure and through the normal Reserve Capacity process at the first available opportunity.

## 1.5. Procedure Steps to be followed by Rule Participants in applying for treatment as a New Small Generator

- 1.5.1. The Treatment of New Small Generators provisions on the Market Rules (Market Rules 4.28B) is only applicable to Registered Facilities to which the following conditions apply (Market Rule 4.28B.1):
- (a) the Facility is registered as a Non-Scheduled Generator and has commenced operation;
  - (b) the Facility has a nameplate capacity not exceeding 1 MW;
  - (c) the Facility has not previously held Capacity Credits for past Reserve Capacity Cycles and does not hold Capacity Credits for the Reserve Capacity Cycle for which Capacity Credits are sought; and
  - (d) there has been no opportunity for the Market Participant to which the Facility is registered to apply for certification of Reserve Capacity for the Facility for the Reserve Capacity Cycle for which Capacity Credits are sought in accordance with section 4.9 of the Market Rules since the date upon which the Facility became a Registered Facility;
- 1.5.2. A Rule Participant may not apply to AEMO for consideration under this Procedure or the associated Market Rules unless the provisions of Procedure Step 1.5.1 can be met in full.
- 1.5.3. A Rule Participant applying for consideration under this Procedure or the associated Market Rules, where the provisions of Procedure Step 1.5.1 are not met will have their application rejected by AEMO.
- 1.5.4. A Rule Participant making and application for consideration under this Procedure must download, use and submit the application in the form(s) required for normal applications for Certification of Reserve Capacity.
- 1.5.5. A Market Participant to which a Facility is registered and to which this Procedure relates to may apply to AEMO for Capacity Credits for that Facility at any time between the date upon which the Facility became a Registered Facility and the earliest date upon which either (Market Rule 4.28B.2):
- (a) Reserve Capacity Obligations could apply to the Facility where such Reserve Capacity Obligations relate to Capacity Credits secured in accordance with section 4.20 of the Market Rules at the earliest possible opportunity following the registration of the Facility; or
  - (b) Reserve Capacity Obligations actually apply to the Facility due to Capacity Credits secured in accordance with section 4.20 of the Market Rules prior to the registration of the Facility.
- 1.5.6. An application made under Procedure Step 1.5.5 must include all the information required by Clause 4.10 of the Market Rules for a Non-Scheduled Generator, with the modification that the decommissioning date required by Clause 4.10.1(d) of the Market Rules is only required if the

Facility will be decommissioned prior to the end date defined in clause 4.28B.6. (Market Rule 4.28B.3)

- 1.5.7. A Market Participant may re-apply to AEMO for Capacity Credits in accordance with this Procedure if Capacity Credits issued in accordance with this Procedure have, or are due to, expire in accordance with Procedure Step 1.6.5(b)(iii) (Market Rule 4.28B.7).
- 1.5.8. Any Capacity Credit issued by AEMO under Procedure (Market Rule 4.28B.8)
- (a) is, for the purpose of settlement, to be treated as if it were traded bilaterally in accordance with clause 4.14; and
  - (b) is not eligible to have a Long Term Special Price Arrangement or Short Term Special Price Arrangement associated with it.
  - (c) will be subject to all other provisions and obligations associated with Capacity Credits.

## **1.6. Procedure steps to be undertaken by AEMO in processing Applications for Consideration as a New Small Generator in accordance with this Procedure**

- 1.6.1. On receiving an application for consideration as a New Small Generator made in accordance with this Procedure, AEMO must first determine if all of the following conditions are met. If the following conditions are not met in full, AEMO must reject the application.
- (a) the Facility is registered as a Non-Scheduled Generator and has commenced operation;
  - (b) the Facility has a nameplate capacity not exceeding 1 MW;
  - (c) the Facility has not previously held Capacity Credits for past Reserve Capacity Cycles and does not hold Capacity Credits for the Reserve Capacity Cycle for which Capacity Credits are sought; and
  - (d) there has been no opportunity for the Market Participant to which the Facility is registered to apply for certification of Reserve Capacity for the Facility for the Reserve Capacity Cycle for which Capacity Credits are sought in accordance with Clause 4.9 of the Market Rules since the date upon which the Facility became a Registered Facility;
- 1.6.2. AEMO must process an application made in accordance with Procedure Step 1.5 so as to determine the Certified Reserve Capacity, Capacity Credits and Reserve Capacity Obligations to associate with the Facility (Market Rule 4.28B.4):
- (a) AEMO must set Certified Reserve Capacity for the Facility to that amount it would normally grant the Facility if processing an application for Certified Reserve Capacity in accordance with section 4.11 of the Market Rules;
  - (b) AEMO must set the Capacity Credits for the facility to equal the Certified Reserve Capacity of the Facility; and
  - (c) AEMO must set the Reserve Capacity Obligations, including the initial Reserve Capacity Obligation Quantity, for the Facility in accordance with section 4.12 as if set as part of an application for Certified Reserve Capacity made in accordance with section 4.11.
  - (d) If AEMO determines that the information supplied by the Rule Participant is incorrect, or is insufficient, AEMO should follow the processes and procedures established in the Market Procedure: Certification of Reserve Capacity.
- 1.6.3. AEMO must process an application made in accordance with Procedure Step 1.5 within 10 Business Days of receipt of the application. (Market Rule 4.28B.5)

- 1.6.4. AEMO may require extra or clarifying information in respect of an application made in accordance with this Procedure. If extra or clarifying information is required, AEMO:
- (a) Must make a request for the information as soon as is practicable;
  - (b) Must attempt to complete the processing of the application in accordance with Procedure Step 1.6.3.
  - (c) May reject an application if a resolution is not seen by AEMO to be forthcoming.
- 1.6.5. If AEMO approves the granting of Capacity Credits to the Facility then the Capacity Credits and the Reserve Capacity Obligations associated with that Facility are to apply from the commencement of the Trading Day commencing on the start date until the end of the Trading Day ending on the end date where (Market Rule 4.28B.6):
- (a) the start date is the next occurrence of the date 1 October after the date on which AEMO grants approval, or if AEMO grants approval prior to Energy Market Commencement then the date of Energy Market Commencement; and
  - (b) the end date is the earlier of:
    - (i) the first date that Reserve Capacity Obligations could apply to the Facility where such Reserve Capacity Obligations relate to Capacity Credits secured in accordance with section 4.20 of the Market Rules (the Market Rules that cover Capacity Credits) at the earliest possible opportunity following the registration of the Facility;
    - (ii) the first date that Reserve Capacity Obligations actually apply to the Facility due to Capacity Credits secured in accordance with section 4.20 prior to the registration of the Facility;
    - (iii) the first instance of the date 1 October after the start date; and
    - (iv) the decommissioning date of the Facility.
- 1.6.6. Any Capacity Credit issued by AEMO in accordance with section 4.28B of the Market Rules, and this Procedure (Market Rule 4.28B.8):
- (a) is, for the purpose of settlement, to be treated as if it were traded bilaterally in accordance with section 4.14 of the Market Rules (the Reserve Capacity Auction and Bilateral Trade Declaration Rules) ; and
  - (b) is not eligible to have a Long Term Special Price Arrangement or Short Term Special Price Arrangement associated with it.