

2024-25 Supplementary Capacity

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We acknowledge the Traditional Custodians of the land, seas and waters across Australia. We honour the wisdom of Aboriginal and Torres Strait Islander Elders past and present and embrace future generations.

We acknowledge that, wherever we work, we do so on Aboriginal and Torres Strait Islander lands. We pay respect to the world's oldest continuing culture and First Nations peoples' deep and continuing connection to Country; and hope that our work can benefit both people and Country.

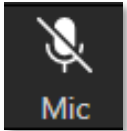
'Journey of unity: AEMO's Reconciliation Path' by Lani Balzan

AEMO Group is proud to have delivered its first Reconciliation Action Plan in May 2024. 'Journey of unity: AEMO's Reconciliation Path' was created by Wiradjuri artist Lani Balzan to visually narrate our ongoing journey towards reconciliation - a collaborative endeavour that honours First Nations cultures, fosters mutual understanding, and paves the way for a brighter, more inclusive future.

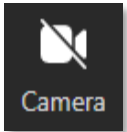
Read our
RAP



Online housekeeping



- Please mute your microphone during the presentation.



- Please leave your camera off as well, but we'd love to see you during Q&A.

- Please comment in the chat or raise your hand to ask a question.



- We have a Q&A session at the end of today's session. Some questions may be saved for this session.

- We welcome feedback via wa.capacity@aemo.com.au

Agenda

- Context - Reserve Capacity Mechanism (RCM) & Supplementary Capacity (SC)
- Drivers and requirement
- Regulatory Updates – Rules, Procedure and Supplementary Capacity Contracts (SCC)
- Providing Supplementary Capacity
- Baseline methodology, Verification and Service Tests, Unavailability
- Tender process
- Questions

Context



The Reserve Capacity Mechanism

The RCM ensures there is sufficient energy producing system and demand side capacity to meet peak demand periods (~ 2 years in the future)

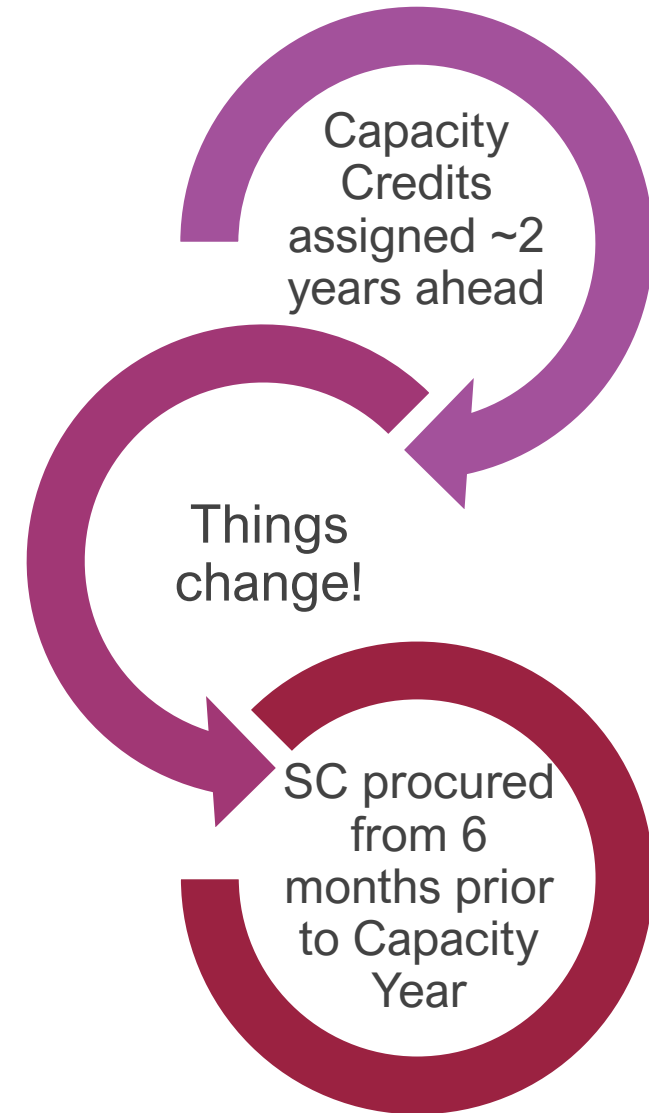


Published in the [WEM ES00](#) in June annually

Process where capacity providers apply to AEMO to be certified, and get paid in return for that certified capacity

Supplementary Capacity (SC)

- A standard component of the RCM which ensures reliability of supply.
- SC is a process to enable procurement of capacity after the usual Certified Reserve Capacity process is concluded and a shortfall is identified.
- AEMO may call for tenders or negotiate directly with potential suppliers of SC.
- AEMO has triggered the SC process for the 2024-25 Hot Season (1/12/24 – 1/4/25)



SC drivers and requirement

- The 2024 WEM Electricity Statement of Opportunities (WEM ESOO) identified a shortfall of 124 MW against the 2024-25 Reserve Capacity Target (RCT) of 5,501 MW and noted that the “final quantity procured by AEMO [...] will also need to take into account any major outages, fuel disruptions, or delays to connection of new committed capacity”.
- After detailed consideration of additional unavailable capacity, AEMO has finalised the SC trigger quantity as **285 MW** for the 2024-25 Hot Season, reflecting an additional:
 - 50 MW of delayed capacity associated with Alinta’s Wagerup BESS; and
 - 111 MW of capacity on extended Forced Outage at Synergy’s Pinjar GT9.



Regulatory Updates



Key changes to SC in WEM Rules

Requirements relating to maximum contract value *removed*, including:

- Clause 4.24.1B(g) – preliminary estimate of maximum contract value in EoI notice
- Clause 4.24.6(g) – advertisement of maximum contract value in call for tenders
- Clause 4.24.7(j) – provisions relating to maximum contract value in tender responses
- Clause 4.24.18(a)(iii) – process for determining maximum contract value in Procedure

Clause 4.24.6AA/6AB – new requirement that AEMO must use reasonable endeavours to identify potential providers ahead of call for tenders and Western Power must provide meter related data to assist.

Clause 4.24.7 – changes in the tender form to enable the provision of services on an ‘availability and activation’ (A+A) basis or an ‘activation only’ (AO) basis, and to specify information requirements for each type of service.

Clause 4.24.8/8A – changes to tender assessment provisions to provide for assessment of A&A and AO offerings.

Clause 4.24.11B – new requirement for AEMO to publish availability and activation prices for each Supplementary Capacity Contract (SCC).

Clause 4.24.19/20 – move from mandatory to discretionary review of SC provisions by Coordinator, while maintaining requirement for public consultation.

WEM Procedure and SCC Updates

- The *WEM Procedure: Supplementary Capacity* is in the process of being updated to align with the revised SC Rules.
 - A draft has been released for consultation (AEPC_2024_06) with the aim of having changes enacted in time for assessment of tenders.
 - The draft WEM Procedure can now be viewed on the [AEMO website](#).
- Standard-form SCC templates have been updated based on learnings from previous SC rounds and NCESS processes, outcomes of the Coordinator's 2024 SC Review, and input provided by stakeholders in recent consultation.
- Now, four standard-form SCC templates developed to provide for different service characteristics:
 - Registered Facility
 - Unregistered Equipment
 - Residential DER
 - Activation-Only Load Reduction

Providing Supplementary Capacity



Changes in 2024-25

Submissions are now invited for two different types of SC service:

1. **Availability and Activation (A&A) Service** provided by Registered Facilities and Unregistered Equipment*. This service is similar to SRC 2022-23 and 2023-24.
 2. **Activation-only (AO) Service** provided by Unregistered Equipment only. This is a new service applicable to this tender.
- AEMO will preference tenders for the A&A Service under the upper price limit.
 - Potential Providers with Unregistered Equipment may make submissions for both the A&A and AO services for the same Unregistered Equipment.
 - AEMO will seek the lowest-cost mix that will meet the requirement for Supplementary Capacity, and if this is not possible, that will minimise the remaining capacity shortfall.

*Unregistered Equipment means eligible Service Equipment (facility or equipment) that is not registered.

General Provisions

- AEMO is undertaking the necessary steps to procure up to **285 MW** of SC in accordance with section 4.24 of the WEM Rules.
- Contract terms are for the duration of the Hot Season (**121 days**). Shorter terms negotiable.
- SC Providers must meet requirements of an **Eligible Service***, from load curtailment or Energy Producing Systems (including Residential DER).
- SC will be activated between the hours of **3:30 pm to 8:30 pm** W.S.T.
- The service must be at least **1 MW** and a minimum activation duration of **2 hours**.
- Multiple SCCs may be entered into with the same applicant.
- Details of executed SCCs will be published for transparency.

* Eligible Service is defined in clause 4.24.3 of the WEM Rules

Availability and Activation Service

- This service is remunerated through:
 - availability payment
 - activation payment if successfully activated*.
- AEMO will not pay Availability if a Facility is Unavailable.
- Among other things, A&A providers must specify the quantity offered, and when the service will be available (time of day and maximum number of hours per day).
- A&A providers must nominate:
 - availability price (\$ per MW per trading day)
 - activation price (\$ per MWh) where this price must reflect direct or opportunity costs incurred.
- A Verification Test will be required for A&A service.
- For A&A, activated within 2 to 5 hours of the request for its provision.

** Registered Facilities are paid for energy via the Real-Time Market and do not receive a separate activation payment.*

Activation-only service

- This *new* service is remunerated through an activation payment only, upon successful activation.
- AO service is targeted at potential providers who may be able to provide SC in certain circumstances, but are unable to meet the standing availability obligations.
- Consequently, there are no availability obligations (or payments) for AO services.
- Service Providers are not obligated to respond to an Activation Notice and may provide a lower quantity than Max Service Quantity (provided it still exceeds 1 MW).
- Among other things, AO providers must specify the maximum quantity (MW) being offered, any restrictions on availability (for e.g. weekends), the minimum notification time and the required activation price (\$ per MWh).
- This can only be provided by Unregistered Equipment

Payments

Payments will vary by contract and Service Provider type:

- **Registered Facility:** payments will be made to Market Participants in accordance with WEM Rules. Availability payments made, but no specific activation payments will be provided, as energy payments are settled through the Real-Time Market.
- **Unregistered Equipment:** payment method will depend on whether SC provider is a Market Participant (in accordance with WEM Rules) or unregistered (in accordance with contract).
- **Activation Only:** payment for unregistered SC Providers is via an alternative process in accordance with the contract.

Tender assessment - A&A and AO

- In assessing **A&A tender submissions**, AEMO must:
 - only accept an offer for the provision of an Eligible Service, where AEMO considers the service will be available during times of peak demand.
 - seek to obtain the lowest-cost mix of SCCs.
 - be reasonably satisfied that the SC provider has network access, where applicable.
- In assessing **AO tender submissions**, AEMO must:
 - only accept an offer for the provision of an Eligible Service.
 - have regard to availability restrictions and notification times.
 - be reasonably satisfied that the SC provider has network access, where applicable.
- The tender assessment criteria are detailed in the Tender Guidelines.

General tender points

As proposed amendments to the relevant standard-form Supplementary Capacity Contract form part of the assessment criteria, AEMO is unable to consider amendments that are not included in the Tender Submission.

Each Tender Submission is Confidential Information under clause 10.2.3(b)(iv) of the WEM Rules.

Following the completion of a tender process, AEMO must publish on the WEM Website the following information for each Supplementary Capacity Contract under clause 4.24.11B of the WEM Rules:

- a) name of the service provider;
- b) the quantity contracted;
- c) whether the contract was entered in through a tender process or direct negotiation;
- d) the type of the Eligible Service contracted;
- e) the availability price in dollars; and
- f) the activation price in dollars per MW per hour of activation.

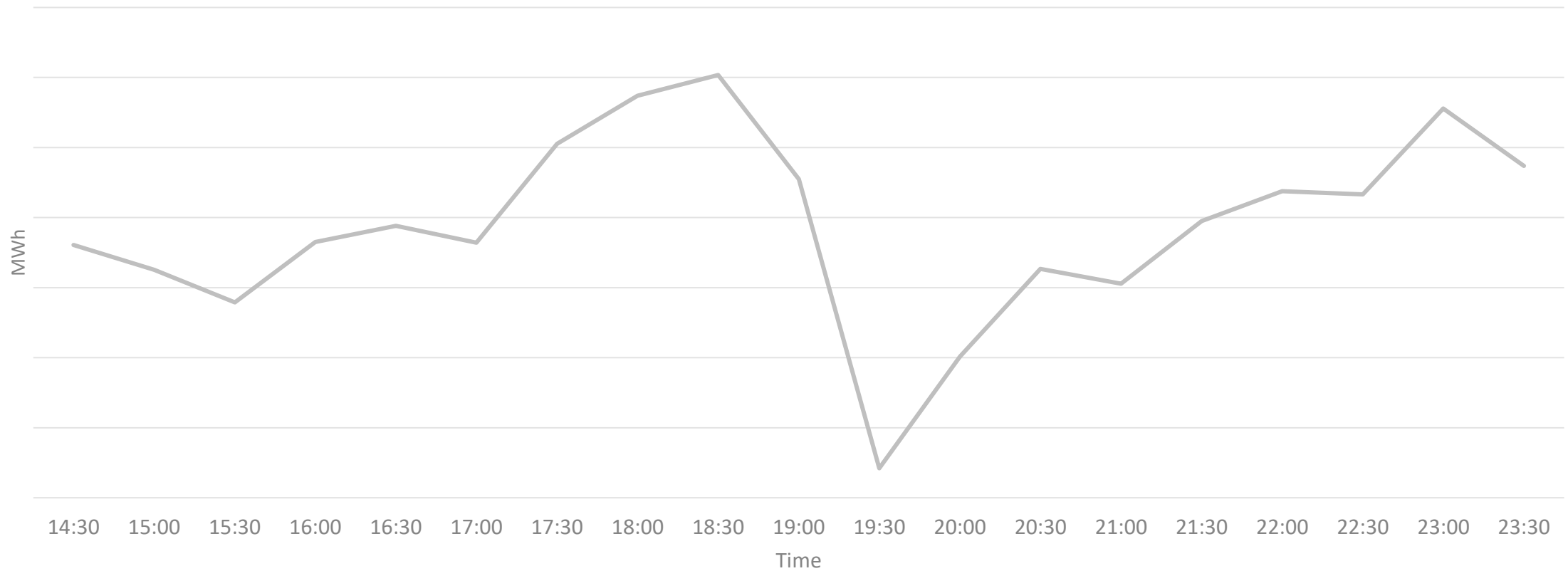
Baseline Methodology



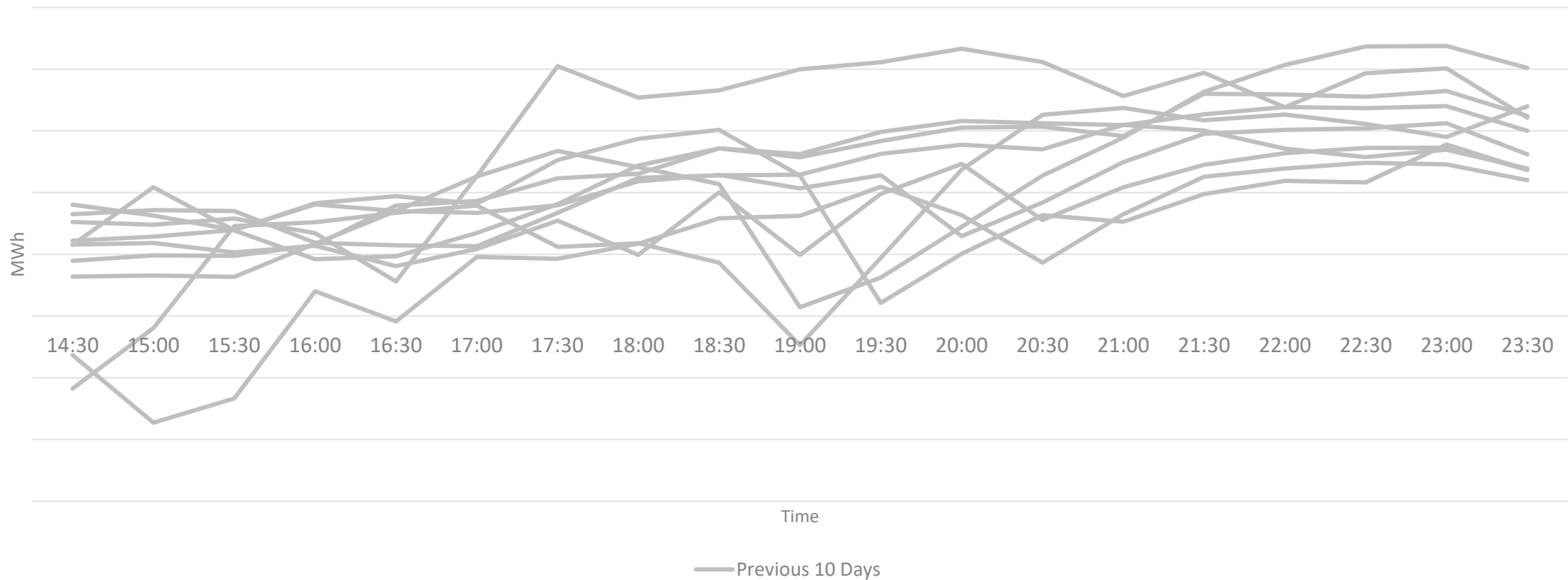
Baseline Methodology

- This section summarises the default Baseline Methodology for Eligible Services providing load reduction.
- AEMO will consider amendments to the Baseline Methodology where appropriate and consistent with the technical characteristics of the service and the WEM Rules.

Activation/Test Day Meter Data

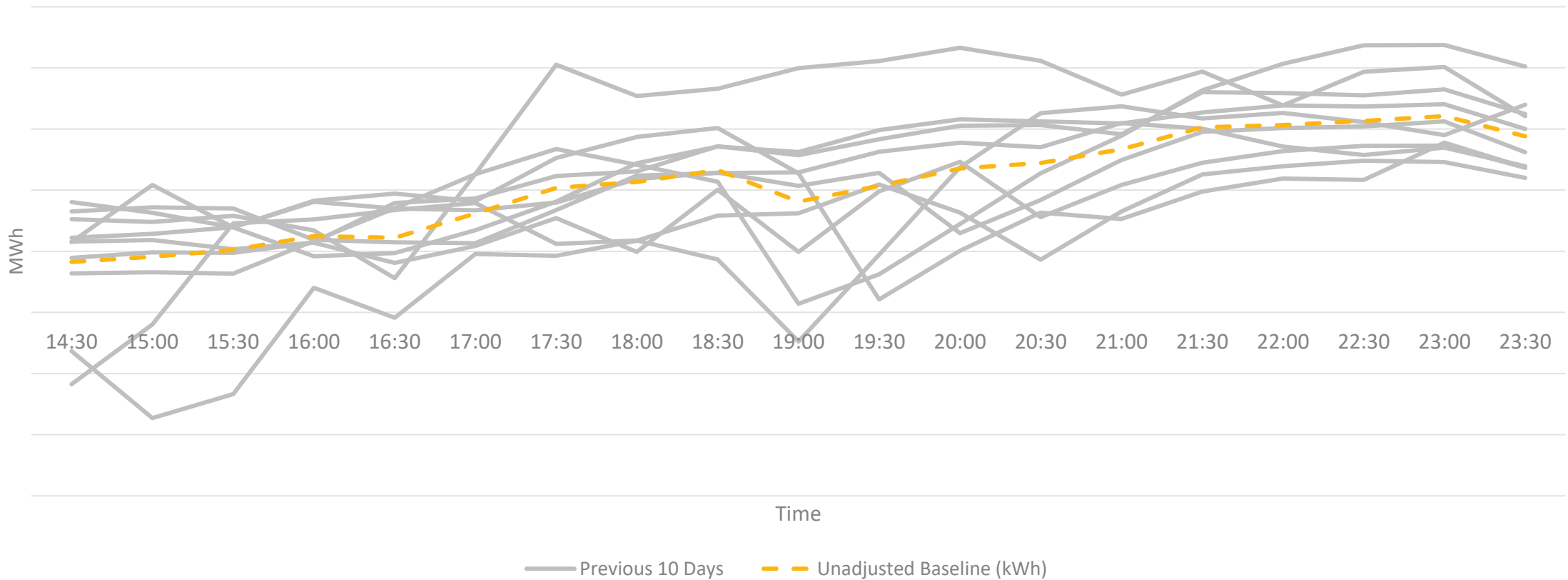


10 Previous Non-Activated Days*

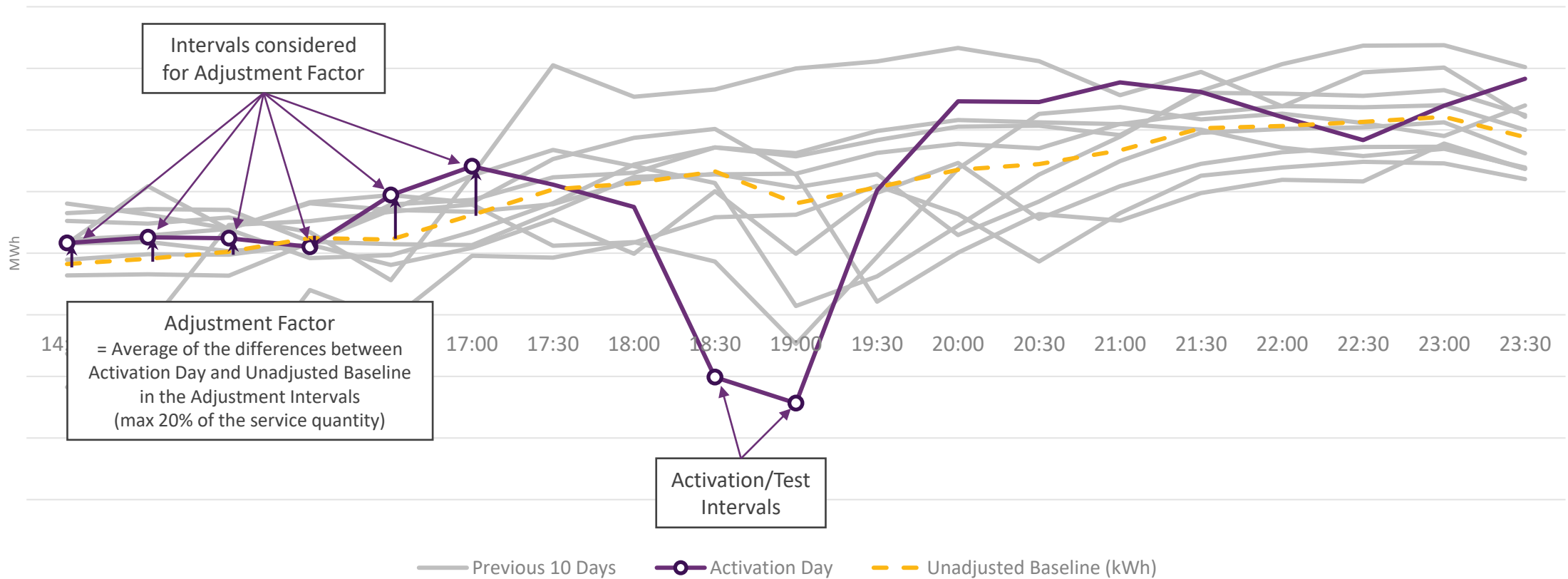


* The SC provider may ask for additional days to be excluded which AEMO will accommodate where appropriate. E.g. a SC provider may wish to exclude non-Business Days when an activation is on a Business Day.

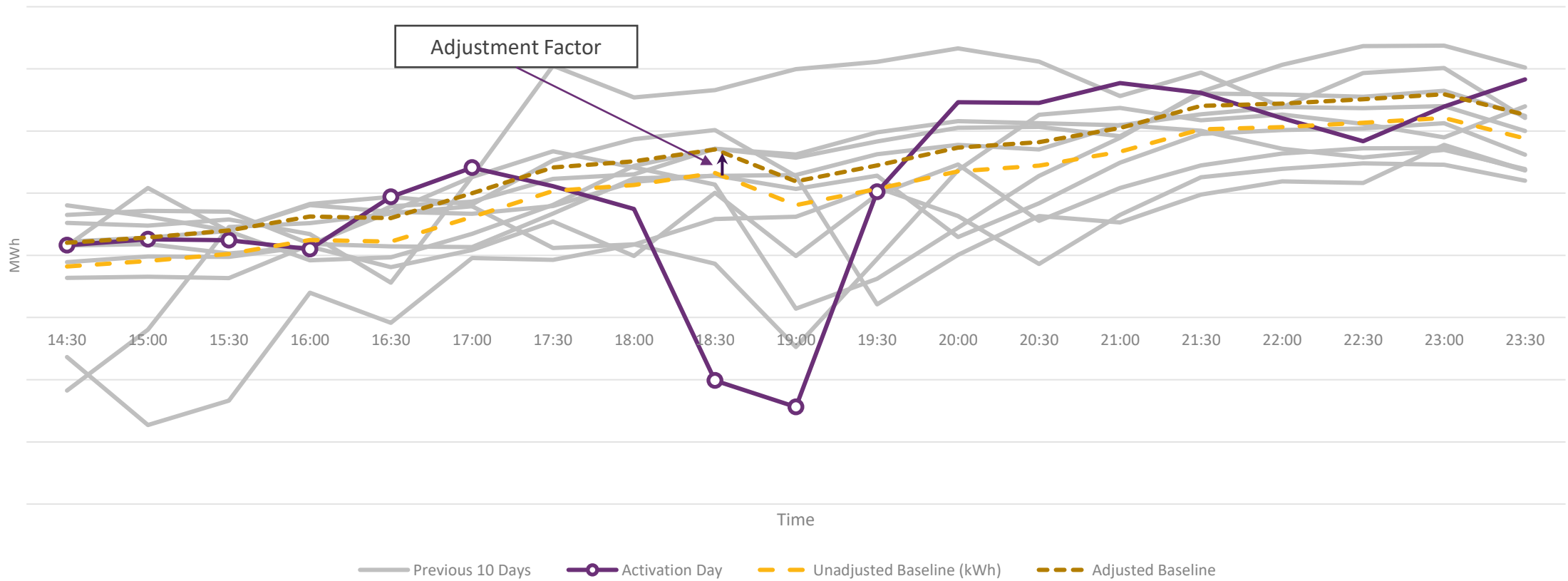
Unadjusted Baseline (average of 10 days)



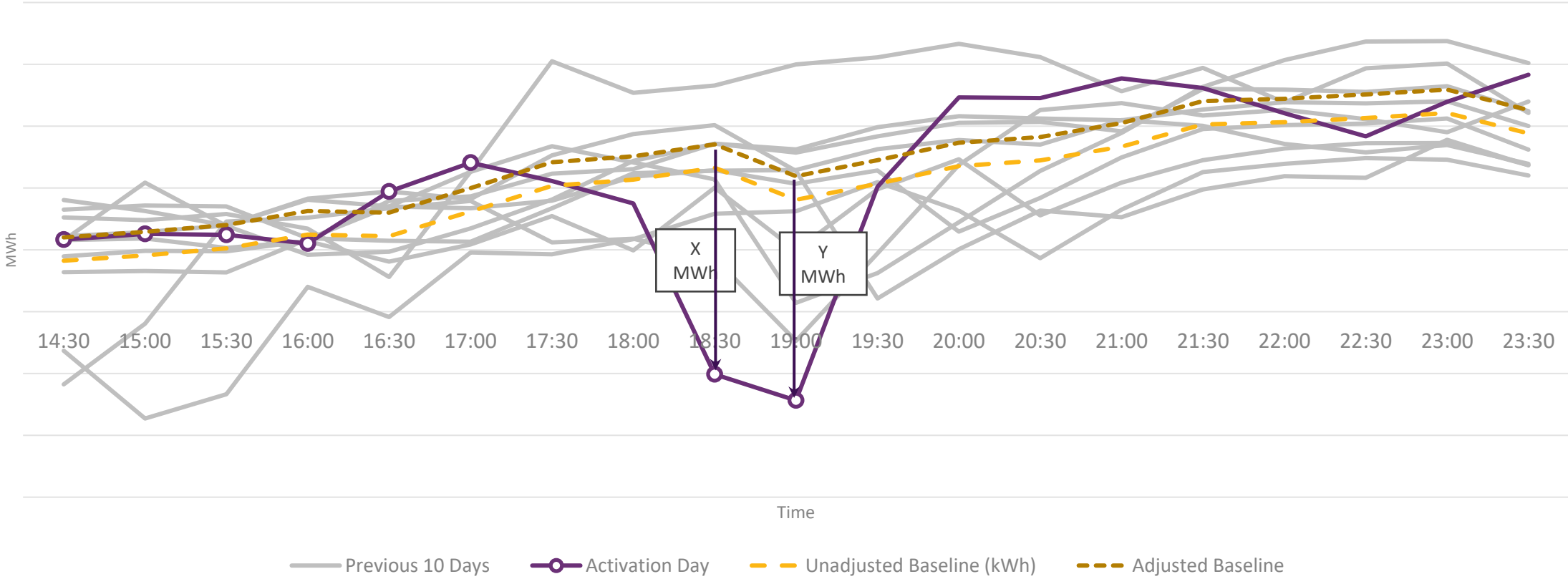
Adjustment Factor



Adjusted Baseline



Delivered Quantity



Verification Test



Verification Test

- AEMO must verify the ability of each contracted service to provide the maximum contracted quantity [clause 4.24.16 of WEM Rules]
- This requirement is achieved by a Verification test, which is a Condition Precedent (N/A for Activation-Only).
 - The SC provider may carry out a Verification test at a time of their choosing. They are not required to receive an “activation” instruction from AEMO.
 - After completing the Verification test, the SC provider must inform AEMO so that AEMO can verify the outcome.
 - Subject to the below, SC providers are encouraged to complete their Verification test as soon as possible (including before the contract start or signature) to avoid delays to contract commencement.
 - To ensure validity of the test, AEMO will only accept recent Verification tests (1 November 2024 for Registered Facilities, 1 July 2024 for other equipment).
 - The contract requires that the test be carried out for the entire service as a single block; however, if this cannot be achieved, AEMO may accept other evidence where practical and appropriate, for example:
 - Evidence of actual performance by the NMI under a Supplementary Capacity Contract in Hot Season 2023/24.
 - Partial Verification tests in multiple blocks, where those blocks are of a material size and not overnumerous.
(In such cases, please contact AEMO prior to testing to agree an approach)

Verification Test

- Success:
 - The Verification test is successful if it demonstrates an ability to perform at or above the MSQ for two or more consecutive Trading Intervals in the Service Period, as measured in accordance with the methodology defined in the contract.
- Unsuccessful
 - The Verification test is otherwise unsuccessful.
 - If unsuccessful, the SC provider may undertake another Verification test to demonstrate MSQ.
 - Alternatively, the SC provider may request AEMO to reduce its MSQ to the level demonstrated in the test. In this case, the Condition Precedent will be taken to have been met at the reduced MSQ. The contract (including payments) will commence, however this will result in reduced Availability payments and reduced maximum Activation quantities (and payments).
 - If AEMO and the SC provider have agreed to reduce the provider's MSQ, and the SC provider subsequently demonstrates a level of performance higher than the reduced MSQ, either through another self-scheduled Verification test or in response to an Activation, AEMO will agree to increase the MSQ up to the level demonstrated (but not higher than the MSQ specified in the contract).

Unavailability



Unavailability

- If a service provides less than 90% of its Maximum Service Quantity in response to an Activation Notice, it will be taken as Unavailable in that Trading Interval, and will not receive Availability payments in that Trading Interval.
 - This does not impact any Activation Payments.
 - This does not impact any subsequent or previous Trading Intervals.
- If a service fails a Service Test, it will be taken as Unavailable, and will not receive Availability payments, from the first Trading Interval in the Service Test until it passes another Service Test or otherwise demonstrates that it is Available.
 - This does not impact any previous Trading Intervals.



Service Test



Service Test

- If, in response to an activation, a SC provider fails to provide 80% of the MSQ, AEMO may request a Service Test.
- The purpose of the Service Test is to demonstrate that the SC provider is still capable of providing the MSQ.
- The requirement for a Service Test is *not* automatic. When determining whether to require a Service Test, AEMO will consider a range of factors such as, but not limited to:
 - The magnitude of the shortfall (e.g. was it just below 80% or far below 80%?)
 - How many of the Trading Intervals in the Activation event were below 80% (e.g. just one or all?)
 - How many previous Activations have been responded to and the performance in those Activations
 - Information from the SC provider concerning the reasons for the shortfall
- If AEMO requires a Service Test, AEMO will issue an Activation Notice for two Trading Intervals in the Service Period which will comprise the test. The test is successful if the SC provider demonstrates an ability to perform at or above the MSQ for both Trading Intervals.

Next Steps



Tender process – key dates

Key activities	Dates
Tender commenced	7 Aug 2024
Deadline for questions from Potential Providers	22 Aug 2024
Deadline for AEMO to answer queries	29 Aug 2024
Invitation to Tender closing date	5 Sept 2024 at 5:00PM AWST
AEMO informs successful recipients	Week commencing 7 Oct 2024
Anticipated SCC start date	1 Dec 2024

Tender process – related documents

On 7 August 2023, AEMO published:

- Invitation to Tender on VendorPanel system – [VendorPanel Public Tenders](#)
- Relevant tender information on [AEMO's website](#)

Please note that the *WEM Procedure: Supplementary Capacity* is in the process of being updated to align with the revised SC Rules

- A draft WEMP has been released for consultation ([AEPC 2024 06](#)) with the aim of having changes enacted in time for assessment of tenders.

Next steps

- Providers to:
 - Note the tender process dates.
 - Access and review the Tender documentation.
 - Request clarifications from AEMO, if required.
- AEMO will:
 - Respond to tender related queries.
 - Assess tender responses according to the assessment criteria (provided with the tender documentation).
 - Test Eligible Service and execute contracts accordingly.

Questions

For any questions, please reach out to the
WA Capacity Market Investment team at
wa.capacity@aemo.com.au