

# WHOLESALE ELECTRICITY MARKET

## PROCEDURE CHANGE REPORT: AEPC\_2019\_07

POWER SYSTEM OPERATION PROCEDURE:  
ANCILLARY SERVICES

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## EXECUTIVE SUMMARY

### Purpose

The publication of this Procedure Change Report and accompanying Power System Operation Procedure (PSOP) completes the Procedure Change Process conducted by AEMO to consider a proposed revised Power System Operation Procedure: Ancillary Services (Procedure) under the Wholesale Electricity Market Rules (WEM Rules).

### Proposed amendments

The revised Procedure is required by clauses 3.11.14, 3.11.15 and 7B.1.2 of the WEM Rules which require AEMO to document in the PSOP:

- (a) the procedure to be followed by AEMO:
  - (i) when determining Ancillary Service Requirements **[Clause 3.11.14(a)]**;
  - (ii) when entering into Ancillary Service Contracts, including the process for conducting competitive tender processes utilised for the awarding of Ancillary Service Contracts **[Clause 3.11.14(b)]**;
- (b) any technical and communication criteria that an LFAS Facility, or a type of LFAS Facility, must meet, including:
  - (i) Facility quantity parameters and limits in providing LFAS, including the Minimum LFAS Quantity **[Clause 7B.1.2(a)]**;
  - (ii) the manner and forms of communication to be used in providing LFAS, including how LFAS Facilities which are Non-Scheduled Generators, are to be activated **[Clause 7B.1.2(b)]**; and
  - (iii) the nature and type of any enablement and quantity restrictions that will apply **[Clause 7B.1.2(c)]**;
- (c) the procedure to be followed by AEMO, Market Participants, Ancillary Service Providers and Network Operators where the WEM Rules require Ancillary Services to be provided **[Clause 3.11.15]**.

### Consultation

A draft version of the Procedure was presented at the WEM AEMO Procedure Change Working Group (WEM APCWG) meeting held on 15 April 2019, during which changes were recommended by stakeholders. Details of this forum are available at: <http://aemo.com.au/Stakeholder-Consultation/Industry-forums-and-working-groups/WA-Forums/WEM-APCWG>.

AEMO published the Procedure Change Proposal (AEPC\_2019\_07) on the Market Web Site and issued a notice calling for submissions from stakeholders on 1 May 2019.

The submission period closed on 29 May 2019, with submissions received from Alinta Energy and Synergy. Both submissions generally supported the proposed amendments, requesting specific amendments and clarifications. AEMO has responded to all matters below.

### AEMO's decision

AEMO's decision is to accept the Procedure, as amended, following the consultation period. AEMO considers that the revised Procedure is consistent with the Wholesale Market Objectives, the *Electricity Industry Act 2004*, the *Electricity Industry (Wholesale Electricity Market) Regulations 2004*, and the WEM Rules.



## Next steps

The revised Power System Operation Procedure: Ancillary Services will commence at 8:00 am on 1 July 2019.



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## 1. BACKGROUND

### 1.1. Regulatory requirements

Clauses 3.11.14, 3.11.15 and 7B.1.2 of the WEM Rules provides that:

3.11.14. *System Management must document in the Power System Operation Procedure the procedure to be followed, and must follow that documented Market Procedure, when:*

- (a) *determining Ancillary Service Requirements; and*
- (b) *entering into Ancillary Service Contracts, including the process for conducting competitive tender processes utilised for the awarding of Ancillary Service Contracts.*

3.11.15 *System Management must document in the Power System Operation Procedure the procedure to be followed where the Market Rules require Ancillary Services to be provided. System Management and Rule Participants must comply with that documented Market Procedure.*

7B.1.2. *System Management must, in the Power System Operation Procedure, specify any technical and communication criteria that an LFAS Facility, or a type of LFAS Facility, must meet, including:*

- (a) *Facility quantity parameters and limits in providing LFAS, including the Minimum LFAS Quantity;*
- (b) *the manner and forms of communication to be used in providing LFAS, including how LFAS Facilities which are Non-Scheduled Generators, are to be activated; and*
- (c) *the nature and type of any enablement and quantity restrictions that will apply.*

### 1.2. Context for this consultation

As part of the amalgamation of System Management and AEMO, the s are being revised and updated. In general, AEMO is revising the Market Procedures to:

- (a) remove any Power System Operation Procedures not required by WEM Rules;
- (b) update all Power System Operation Procedures to current AEMO standards;
- (c) ensure Power System Operation Procedures comply with obligations; and
- (d) ensure content in Market Procedures is included where a WEM Rule requirement exists to include detail or process or AEMO requires an obligation on itself or Participants.

The Power System Operation Procedure will be the third version of this Procedure.

### 1.3. Procedure Change Process and timetable

On 1 May 2019, AEMO published a Procedure Change Proposal (AEPC\_2019\_07) for the Power System Operation Procedure: Ancillary Services and issued a call for submissions which are available at [http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2019\\_07](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2019_07).

The proposal was progressed using the Procedure Change Process specified in clause 2.10 of the WEM Rules, with submissions required by 29 May 2019.



## 2. PROPOSED PROCEDURE CHANGE

This section details the changes that AEMO proposed when the call for submissions was published.

### 2.1. Detail of the proposed procedure change

AEMO has redrafted the Procedure as follows:

Section 2 of the Procedure specifies obligations pertaining to Facility Requirements for Ancillary Services. AEMO has clarified for each type of Ancillary Service:

- (a) Facility requirements;
- (b) communication requirements;
- (c) permitted methods of response;
- (d) matters AEMO must consider in assessing the quantity of the relevant Ancillary Service that can be provided; and
- (e) parameters that AEMO may set for specific Facilities.

No new obligations for Rule Participants or requirements for Facilities have been specified.

Section 3 of the Procedure deals with certification of Facilities for Ancillary Services, which formalises the process AEMO has used for many years. Specifically:

- (a) AEMO must certify:
  - (i) that a Facility can provide an Ancillary Service;
  - (ii) the degree to which the Facility can provide the Ancillary Service as determined in section 2 of the Procedure; and
  - (iii) may amend the certification; and
- (b) a Market Participant or Network Operator:
  - (i) may only provide an Ancillary Service from a Facility to the degree that the Facility is certified for that Ancillary Service; and
  - (ii) must provide that Ancillary Service in accordance with AEMO's certification.

While the obligations specified in this section are new to the Procedure, they reflect current practice, and do not place additional obligations on Rule Participants.

Section 4 details matters AEMO must consider in determining the Ancillary Service Requirements and seeking to meet the Dispatch Criteria. This section only places obligations on AEMO.

Section 5 details the procurement of Ancillary Services, including the process for:

- (a) AEMO to enter into Ancillary Service Contracts, and
- (b) where appropriate, conducting a competitive tender process, which specifies details with regard to:
  - (i) the criteria that AEMO will use to assess proposals;
  - (ii) the process by which a Facility must be certified; and
  - (iii) the scope and inclusions of Ancillary Service Contracts.

This section only places obligations on AEMO.



## 2.2. Proposed drafting

AEMO published a draft of the proposed Power System Operations Procedure: Ancillary Services for consultation, which is available at: [http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2019\\_07](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2019_07). AEMO also provided a marked-up version of the revised Procedure.

## 3. CONSULTATION PROCESS

### 3.1. Market Advisory Committee or Working Group

The Market Advisory Committee (MAC) has delegated its advisory role with respect to AEMO Procedure Change Proposals to the AEMO Procedure Change Working Group (APCWG), in accordance with clause 2.3.17(a) of the WEM Rules. Accordingly, the MAC did not review the Procedure Change Proposal.

A draft version of the Procedure was presented at the WEM AEMO Procedure Change Working Group (WEM APCWG) meeting held on 15 April 2019, during which changes were recommended by stakeholders.

AEMO notified the MAC once the Procedure Change Proposal was published and noted that the Rule Change Panel would convene a meeting of the MAC should two or more members request it in accordance with clause 2.10.9(b) of the WEM Rules.

### 3.2. Public workshop

No public workshops were held in relation to this Procedure Change Proposal.

### 3.3. Submissions received during consultation period

AEMO published the Procedure Change Proposal (AEPC\_2019\_07) on the Market Web Site and issued a notice calling for submissions from stakeholders on 1 May 2019.

The submission period closed on 29 May 2019, with submissions received from Alinta Energy and Synergy. Both submissions generally supported the proposed amendments, requesting specific amendments and clarifications. AEMO has responded to all matters below.

Copies of submissions received during the submission period are available at: [http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2019\\_07](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2019_07).

#### 3.3.1. Specific comments and AEMO's responses

##### Contracts

Alinta suggests that:

- clauses 2.3.1 and 2.4.1 should be amended to reflect that the contracts contemplated in these steps are for a Rule Participant other than Synergy; and
- consideration should be given to whether steps 2.3.1 and 2.4.1 should also refer to clauses 3.11.8 and 3.11.8A of the WEM Rules respectively, in addition to referring to clauses 3.9.3 and 3.9.7 of the WEM Rules respectively.

##### AEMO's response

AEMO will amend the Procedure accordingly.





### Certification process for non-Synergy Facilities

Alinta considers that the certification process for provision of Ancillary Services, where Synergy is not the default provider and the Ancillary Services are provided under contract should be the same for all Facilities, as this ensures that the principles of competitive neutrality are maintained.

Given this, Alinta proposes that step 3.2.3 should be modified as follows:

3.2.3. AEMO will certify a Facility for a relevant Ancillary Service in step 3.1.2(a):

- (a) for Synergy, as part of registering the relevant Facility in accordance with clause 2.29 of the WEM Rules, as requested by Synergy, or as part of establishing an Ancillary Service Contract (if required); and
- (b) for all other Rule Participants, as part of establishing the agreement or Ancillary Services Contract in step 3.2.2.

#### AEMO's response

AEMO will amend the Procedure accordingly.

### Suspension or modification of certification

While step 3.3.2 includes the requirement for AEMO to act reasonably, Alinta requests that AEMO consider amendments to steps 3.3.2(b) and 3.3.2(d) to clarify that AEMO would only suspend or modify a Facility's certification where there is evidence of a systemic and/or underlying issue preventing that Facility from reliably providing the Ancillary Service. Alinta suggests the following amendment to the Procedure:

- step 3.3.2(b): Repeated and/or sustained non-conformance with AGC signals.
- step 3.3.2(d): Repeated and/or sustained non-provision of the Ancillary Service.

#### AEMO's response

AEMO will amend the Procedure accordingly.

### Clarification of certification process

Alinta considers that:

- step 3.3.2 refers to "suspend or modify the certification";
- step 3.3.3 refers to "vary the certification"; and
- step 3.3.4 refers to withdrawing certification following a sustained suspension,

and requests clarification as to whether the reference to "vary" in step 3.3.3:

- means both a suspension and a modification of certification; or
- is intended to just capture modifications to certification and step 3.3.4 intended to capture suspensions to certification.

#### AEMO's response

AEMO considers that an intention to "vary the certification" referred to in step 3.3.3 can only occur where AEMO decides to "suspend or modify the certification" in accordance with step 3.3.2.

AEMO will clarify the wording in the Procedure accordingly. In addition, AEMO has extended the timeframe for step 3.3.3(a) from 5 Business Days to 10 Business Days to allow Rule Participants further time to provide evidence.



### Drafting of certification process

Further to Alinta's comments on clarification of the certification process, Alinta proposed modification to the process of re-certification. Alinta proposed that the process outlined in steps 3.3.3 and 3.3.4 is intended to be:

1. AEMO provides a Market Participant with notice that it intends to vary (modify or suspend) a Facility's certification with the reasons for that intention;
2. the Market Participant has a set period of time to provide evidence to AEMO in relation to why it shouldn't vary its certification and/or remedy the issues that led to the notice of intention to vary a Facility's certification;
3. AEMO decides whether to enact the variation (i.e. modify or suspend the certification);
4. while modified or suspended, a Market Participant would still be able to seek to remedy the situation that led to the variation; and
5. if a Facility was suspended for 30 Business Days or more without rectification, AEMO would then withdraw its certification.

Accordingly, Alinta requests that AEMO re-draft the process outlined in steps 3.3.2, 3.3.3 and 3.3.4.

#### AEMO's response

AEMO will update the Procedure accordingly.

### Determination of LFAS requirement

Synergy considers that the proposed Procedure does not outline the procedure AEMO follows in determining the LFAS requirement, as required by clause 3.11.14 of the WEM Rules.

Accordingly, Synergy suggests that AEMO should amend the Procedure to document the procedure it follows in determining the LFAS requirement.

#### AEMO's response

AEMO considers that:

- the Procedure specifies in steps 2 and 4, at a high-level, the procedure it must adhere to when determining Ancillary Service Requirements for each Ancillary Service; and
- clause 3.11.11(c) of the WEM Rules requires AEMO to "submit to the Economic Regulation Authority a report containing information on the Ancillary Service Requirements for the coming year".

Given that the exact procedure AEMO follows when determining Ancillary Service Requirements is subject to the specific power system conditions at the relevant time, AEMO considers that the approach it follows to determining the Ancillary Service Requirements is more appropriate in this Ancillary Services report.

### Provision of LFAS

Synergy considers that:

- clause 3.10.2(b) of the WEM Rules requires upwards LFAS capacity to be "counted as providing part of the Spinning Reserve requirement"; and
- the Procedure does not require upwards LFAS providers to also be capable of providing Spinning Reserve.

In addition, Synergy considers that the WEM Rules:



- overstate the amount of upwards LFAS capacity that contributes to the Spinning Reserve requirement; and
- understate the amount of Spinning Reserve that Synergy provides.

Accordingly, Synergy considers that not requiring Facilities providing upwards LFAS to concurrently provide Spinning Reserve is inefficient, because it requires additional resources to meet the Ancillary Service Requirements and, therefore, imposes additional costs, which may be inconsistent with the Wholesale Market Objectives and AEMO's obligations to support these objectives.

Synergy considers that the same inefficiency occurs where Facilities providing downwards LFAS are not required to concurrently provide Load Rejection Reserve.

#### **AEMO's response**

AEMO does not share Synergy's interpretation of the WEM Rules in regard to clause 3.10.2(b).

In AEMO's view, WEM Rule 3.10.2(b) informs AEMO as to how to set the standard for Spinning Reserve. It does not place an obligation upon Market Participants that are providing LFAS.

As such, the Procedure would be inconsistent with the WEM Rules if it included the requirement that upwards LFAS providers must also be capable of providing Spinning Reserve.

The remainder of Synergy's comments are more appropriately brought to the attention of the Rule Change Panel, as they relate to WEM Rule matters, and are not relevant to the Procedure.

AEMO does not intend to amend the Procedure in relation to Synergy's comments.

## **4. AEMO'S ASSESSMENT**

### **4.1. Further changes to the Procedure**

AEMO has amended the Procedure, as indicated in section 3.3.1 of this report.

In addition, AEMO has varied the wording of step 4.1.4 of the Procedure to reflect AEMO's view that Facilities providing LFAS can only be counted towards Spinning Reserve or Load Rejection Reserve if the service is provided by a Balancing Portfolio (Synergy) Facility or by a Balancing Facility (non-Synergy) under an Ancillary Service Contract. AEMO's Ancillary Services Report for 2019/20 provides further detail regarding AEMO's view on this issue.

### **4.2. Consistency with Electricity Industry Act, WEM Regulations, and WEM Rules**

The revised Procedure has been reviewed as a whole by AEMO to ensure compliance with the relevant provisions in the:

- *Electricity Industry Act 2004*.
- *Electricity Industry (Wholesale Electricity Market) Regulations 2004* (WEM Regulations).
- WEM Rules.

### **4.3. Consistency with Wholesale Market Objectives**

AEMO considers that the steps are drafted in a way that is consistent with the objectives of the WEM Rules. As a result, AEMO considers that the revised Procedure, as a whole, is consistent with the Wholesale Market Objectives.



#### 4.4. Implementation of the Procedure

The Procedure was developed in accordance with clauses 3.11.14, 3.11.15 and 7B.1.2 of the WEM Rules.

This Procedure does not require system changes by AEMO.

The Procedure will not require Rule Participants to implement any procedural or system amendments before commencement.

Consequently, AEMO considers that commencement at 8:00 AM on 1 July 2019 will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance.

#### 4.5. AEMO's decision and commencement

AEMO's decision is to accept the Procedure, as amended, following the consultation period. The new Power System Operation Procedure: Ancillary Services will commence at 8:00 AM on 1 July 2019.

AEMO has made this decision on the basis that the new Procedure:

- Is consistent with the Wholesale Market Objectives.
- Is consistent with the *Electricity Industry Act 2004*, WEM Regulations, and WEM Rules.
- Has the general support of submissions received during the consultation period.

The revised Power System Operation Procedure: Ancillary Services is available at:  
[http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2019\\_07](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2019_07).