

WHOLESALE ELECTRICITY MARKET

PROCEDURE CHANGE PROPOSAL NO: AEPC_2019_07

POWER SYSTEM OPERATION PROCEDURE:
ANCILLARY SERVICES

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EXECUTIVE SUMMARY

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

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

- (a) the procedure to be followed by AEMO when:
 - (i) determining Ancillary Service Requirements **[Clause 3.11.14(a)]**;
 - (ii) 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)]**;
 - (iii) the WEM Rules require Ancillary Services to be provided **[Clause 3.11.15]**;
- (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 Market Participants, Ancillary Service Providers and Network Operators where the WEM Rules require Ancillary Services to be provided **[Clause 3.11.15]**.

This Procedure Change Proposal includes this document, which outlines the reason for the proposed amendments to the Market Procedure, and the proposed Market Procedure itself, which is available at:

http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2019_07.

AEMO invites stakeholders to suggest alternative options or drafting where they consider that these would improve the procedure or better meet the Wholesale Market Objectives in section 122(2) of the *Electricity Industry Act 2004* (Electricity Industry Act) (and clause 1.2.1 of the WEM Rules).

Stakeholders are invited to submit written responses on the proposed Power System Operation Procedure by 5.00 pm Australian Western Standard Time (AWST) on 29 May 2019, in accordance with the call for submissions published with this Procedure Change Proposal.



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1. PROCEDURE CHANGE PROCESS

Section 2.10 of the WEM Rules outlines the Procedure Change Process.

AEMO may initiate the Procedure Change Process in respect of Market Procedures (including Power System Operation Procedures and the Monitoring and Reporting Protocol) for which it is responsible, by developing a Procedure Change Proposal. Rule Participants may notify AEMO where they consider an amendment or replacement of an AEMO Market Procedure would be appropriate (Clauses 2.10.1 and 2.10.2).

If an Amending Rule requires AEMO to develop new Market Procedures or amend or replace existing Market Procedures, then AEMO is responsible for the development, amendment or replacement of Market Procedures to comply with the Amending Rule (Clause 2.10.3).

Under clause 2.9.3 of the WEM Rules, Market 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 in clause 2.10 of the WEM Rules.

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
Procedure Change Proposal published	1 May 2019
Submissions due on Procedure Change Proposal	29 May 2019
Procedure Change Report published	1 July 2019
Proposed commencement of revised Market Procedure	2 July 2019

Prior to the submissions' due date, 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

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.*

The proposed Power System Operation Procedure would be the third version of this Procedure. AEMO proposes to commence the revised procedure on 2 July 2019.

2.2. Context for this consultation

As part of the amalgamation of System Management and AEMO, the Power System Operation Procedures (PSOP) are being revised and updated. In general, AEMO is revising the Market Procedures to:

- (a) Remove any Power System Operation Procedures (PSOP) not required by WEM Rules.
- (b) Update all PSOPs to current AEMO standards.
- (c) Ensure PSOPs comply with obligations.
- (d) Ensure content in Procedures is required because a WEM Rule requirement exists to include detail or process or AEMO requires an obligation on itself or Participants.



3. PROPOSED PROCEDURE CHANGE

3.1. Detail of the proposed procedure change

AEMO has redrafted the Procedure as follows:

1. 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.

2. 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; 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 imposts on Rule Participants.

3. 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.
4. Section 5 details the procurement of Ancillary Services, including the process for:
 - (a) AEMO to enter into Ancillary Service Contracts, and
 - (b) conducting competitive tender processes, which specifies:
 - (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.



3.2. Proposed drafting

AEMO has published a draft of the proposed Power System Operation Procedure: Ancillary Services for consultation, which is available at: http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2019_07. AEMO has also provided a marked-up version of the revised Procedure.

3.3. Consultation to date

Draft versions of the Market 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>.

These changes have been incorporated into the proposed Power System Operation Procedure that forms part of this Procedure Change Proposal.

3.4. Consistency with WEM Rules, Electricity Industry Act and WEM Regulations

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

- Electricity Industry Act.
- WEM Regulations.
- WEM Rules.

3.5. Consistency with Wholesale Market Objectives

The steps outlined in this revised Power System Operation Procedure describe:

- (a) the procedure to be followed by AEMO when:
 - (i) determining Ancillary Service Requirements [Clause 3.11.14(a)];
 - (ii) 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)];
 - (iii) the WEM Rules require Ancillary Services to be provided **[Clause 3.11.15]**;
- (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 Market Participants, Ancillary Service Providers and Network Operators where the WEM Rules require Ancillary Services to be provided **[Clause 3.11.15]**.



AEMO considers that the steps are drafted in a way that does not change 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. CONSULTATION PROCESS

AEMO invites stakeholders to suggest alternative options or drafting where they consider that these would improve the procedure or better meet the Wholesale Market Objectives in section 122(2) of the Electricity Industry Act (and clause 1.2.1 of the WEM Rules).

Stakeholders are invited to submit written responses on the proposed Power System Operation Procedure by 5.00 pm (AWST) on 29 May 2019, in accordance with the call for submissions published with this paper.

Stakeholders with questions in relation to the proposed Power System Operation Procedure or this Procedure Change Proposal can contact AEMO via email to wa@aemo.com.au.

All correspondence in relation to this Procedure Change Proposal must be entitled "AEPC_2019_07 Ancillary Services - [Name of the submitting company or individual]".