

WHOLESALE ELECTRICITY MARKET

Submission to Procedure Change Proposal

AEPC_2020_04

Reserve Capacity Testing

Submitted by	
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Submission

Clause 2.10.7 of the Wholesale Electricity Market (WEM) Rules provides that any person may make a submission for a Procedure Change Proposal (including proposals developed by AEMO, the Economic Regulation Authority or the Rule Change Panel) by completing this Procedure Change Submission form.

Submissions should be provided by email to the nominated contact in the call for submissions published with the Procedure Change Proposal.

Please provide your views on the Procedure Change Proposal, including any objections or suggested revisions

Perth Energy supports the majority of the changes to the Market Procedure: Reserve Capacity Testing proposed by AEMO as they are either administrative, or necessary to align the procedure with the current version of the WEM Rules.

We do not however, support the introduction of new obligations in relation to Temperature Dependence Curves, which appear to have been introduced under the guise of clarifying the process and timing for updating a Temperature Dependence Curve¹.

Specifically, we are concerned about:

- **the amendments to the definition of Temperature Dependence Curve** which now requires that “[t]he data must be accompanied by a report from the original equipment manufacturer (OEM) or independent engineering firm.” While we appreciate temperature dependence information is important for Reserve Capacity Testing, the requirement to have a report from the OEM or independent engineering firm will impose significant cost on Market Generators, if it is at all achievable, and if it is not achievable will result in non-compliance.

Any need to produce a report for the purposes of meeting this new obligation would require Perth Energy to engage the OEM to travel to site from the United States of America to conduct testing and write a bespoke report. This would require three to five months lead time and cost around \$60,000. Moreover, it is unlikely that the information contained in that report would be able to be made available to AEMO without it signing a non-disclosure agreement (governed by US law) and conform to all associated requirements – this has been a significant problem for some parties including major insurers in the past.

This new requirement appears to be an unnecessary administrative burden imposing costs on Market Participants, without any justification in the Procedure Change Proposal. Perth Energy recommends AEMO removes the new requirement for temperature dependence information to be accompanied by a report.

- **the introduction of AEMO’s assessment and “feedback” process for temperature dependence information** in new steps 3.1.2 to 3.1.4 which now require AEMO to assess the accuracy of an updated Temperature Dependence Curve by, without limitation, confirming the technical characteristics of the Facility are reflected in the new curve, and provide feedback to be addressed. We do not consider AEMO has the expertise to adequately make this type of assessment or provide any feedback to be addressed by the OEM or independent engineering firm.

Providing a third-party technical specification should be sufficient without any form of assessment by AEMO for the purpose of Reserve Capacity Testing as it is for the Certification of Reserve Capacity. We are concerned that this new process will incur additional costs both from AEMO and Market Participants, without any value to the market. We also highlight that the need for, or benefits of this new process is not supported by any justification in the Procedure Change Proposal.

¹ Page 5, Procedure Change Proposal No: AEPC_2020_04, AEMO, 19 May 2020.

Please provide an assessment whether the Procedure Change Proposal is consistent with the Wholesale Market Objectives and the Wholesale Electricity Market Rules.

Perth Energy considers the Market Procedure: Reserve Capacity Testing, as it is proposed to be amended would be consistent with the Wholesale Market Objectives, if it is further amended as suggested in the section above.

Without Perth Energy's proposed further amendments, the procedure would be inconsistent with Wholesale Market Objectives (a) and (d) as it would impose unjustified, unnecessary costs on Market Participants, which would result in market inefficiencies and ultimately higher costs for end-use customers over the long-term.

Please indicate if the Procedure Change Proposal will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

Please indicate the time required for your organisation to implement the changes, should they be accepted as proposed.

This Procedure Change Proposal will not significantly affect Perth Energy if it is further amended as suggested in the section above.

Without Perth Energy's proposed further amendments, and more importantly, if a report is required to be provided for temperature dependence data currently held by AEMO (i.e. the new obligation is retrospectively applied) the procedure will have significant resourcing, cost and timing implications for Perth Energy that are likely to result in it being non-compliant with the procedure over the next six to 12 months.