

WHOLESALE ELECTRICITY MARKET

PROCEDURE CHANGE PROPOSAL NO: AEPC_2021_01

WEM PROCEDURE: RESERVE CAPACITY TESTING

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EXECUTIVE SUMMARY

Change requested by:	AEMO
Date submitted:	27 July 2021
Type of Procedure Change Proposal:	Amendment
WEM Procedures affected:	Reserve Capacity Testing

The publication of this Procedure Change Proposal and the accompanying call for submissions commences the Procedure Change Process conducted by AEMO to consider proposed amendments to the WEM Procedure: Reserve Capacity Testing (Procedure) under the Wholesale Electricity Market Rules (**WEM Rules**).

The Minister for Energy amended the WEM Rules on 11 February 2020 to implement changes to the Reserve Capacity Price from the 2019 Reserve Capacity Cycle (**RCM Pricing Amendments**). Further information about the changes can be found on Energy Policy WA's website¹.

On 1 October 2021, changes affecting Reserve Capacity Testing for Demand Side Programmes will commence. Demand Side Programmes will be required to conduct Reserve Capacity Tests for at least two Trading Intervals.

In summary, the proposed amendments intend to reflect:

- The RCM Pricing Amendments.
- AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures).

Minor changes have been made to improve the clarity of the Procedure.

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* (and clause 1.2.1 of the WEM Rules).

Stakeholders are invited to submit written responses on the proposed WEM Procedure by 5.00 pm (Perth time) on 24 August 2021, in accordance with the call for submissions published with this paper.

¹ At <https://www.wa.gov.au/government/document-collections/improving-reserve-capacity-pricing-signals>.



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1. PROCEDURE CHANGE PROCESS

In accordance with clause 2.10 of the WEM Rules, which outlines the Procedure Change Process, AEMO may initiate the Procedure Change Process in respect of WEM 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 WEM Procedure would be appropriate.

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

Under clause 2.9.3 of the WEM Rules, WEM 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	27 July 2021
Submissions due on Procedure Change Proposal	24 August 2021
Procedure Change Report published	17 September 2021
Proposed commencement of amended Market Procedure	1 October 2021

Prior to the submission’s 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

Clause 4.25.14 of the WEM Rules states that AEMO must document the procedure to be followed in performing Reserve Capacity Tests in a WEM Procedure. The current version of the Procedure commenced on 1 August 2020².

2.2. Context for this consultation

The Minister for Energy amended the WEM Rules on 11 February 2020 to implement changes to the Reserve Capacity Price from the 2019 Reserve Capacity Cycle (RCM Pricing Amendments). Further information about the changes can be found on Energy Policy WA's website³.

On 1 October 2021, changes affecting Reserve Capacity Testing for Demand Side Programmes will commence and include:

- Random Reserve Capacity Tests for at least two Trading Intervals at a time chosen by AEMO.
- The option for a Market Participant with a Demand Side Programme that has failed a first Reserve Capacity Test to choose to reduce the Capacity Credits instead of performing a second Reserve Capacity Test.
- Preventing Demand Side Programmes from completing a Reserve Capacity Test at the same time as a Verification Test.

In addition to the RCM Pricing Amendments, AEMO has updated the Procedure to:

- Specify the requirements for a Market Participant wishing to use a Temperature Dependence Curve provided in Standing Data for the purpose of Reserve Capacity Testing. For AEMO to use a Temperature Dependence Curve provided in Standing Data for Reserve Capacity Testing purposes, it must meet the same criteria as a Temperature Dependence Curve provided for certification of Reserve Capacity.
- Reflect AEMO's latest WEM Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all Procedures).

Procedures are not intended to be standalone documents and must be read in conjunction with the WEM Rules. In line with AEMO's standard practice, direct quotes of clauses of the WEM Rules have been removed to avoid possible inconsistencies between the WEM Rules and the Procedure.

2.3. Consultation to date

A draft version of the proposed amended Market Procedure was presented at the AEMO Procedure Change Working Group held on 19 July 2021. While AEMO did not make any changes to the Procedure following the meeting, additional context behind the changes to the Procedure has been added to this document.

The minutes and papers from the AEMO Procedure Change Working Group meeting can be found at: <https://aemo.com.au/consultations/industry-forums-and-working-groups/list-of-industry-forums-and-working-groups/wem-aemo-procedure-change-working-group>.

² At <https://aemo.com.au/energy-systems/electricity/wholesale-electricity-market-wem/procedures-policies-and-guides/procedures>

³ At <https://www.wa.gov.au/government/document-collections/improving-reserve-capacity-pricing-signals>.



3. PROPOSED PROCEDURE CHANGE

3.1. Detail of the proposed procedure change

The proposed changes to the WEM Procedure are summarised below:

- New process for Reserve Capacity Testing for Demand Side Programmes (see section 2.2 for further detail).
- Updates to clarify the process for requesting AEMO to use a Temperature Dependence Curve provided in Standing Data (see section 2.2 for further detail).
- Updates to reflect AEMO's latest WEM Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures).
- Other minor typographical and formatting changes.

3.2. Proposed drafting

AEMO has published a draft of the WEM Procedure: Reserve Capacity Testing incorporating the changes AEMO proposes for consultation. Clean and change-marked versions are available at: https://aemo.com.au/consultations/current-and-closed-consultations/aepec_2021_01.

3.3. Wholesale Market Objective assessment

The steps outlined in the proposed amended WEM Procedure describe how Rule Participants will fulfil their obligations under the WEM Rules.

AEMO considers that the WEM Procedure, if amended as proposed, would be consistent with the Wholesale Market Objectives.

4. SUMMARY OF MATTERS FOR CONSULTATION

AEMO invites stakeholders to suggest alternative options for drafting, where they consider these would improve the WEM Procedure or better meet the Wholesale Market Objectives.

Stakeholders are invited to submit written responses on the proposed amended WEM Procedure by 5:00 pm (Australian Western Standard Time) on 24 August 2021, in accordance with the call for submissions published with this paper.

Stakeholders with questions in relation to the proposed amended WEM Procedure or this Procedure Change Proposal can contact AEMO via email at wa.capacity@aemo.com.au.

All correspondence in relation to this Procedure Change Proposal must be entitled "AEPC_2021_01: WEM Procedure: Reserve Capacity Testing – [Name of the submitting company or individual]".