



Wholesale Electricity Market

Procedure Change Proposal No:
AEPC_2024_04

WEM Procedure: RCM Constraint Formulation

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Australian Energy Market Operator Ltd ABN 94 072 010 327

Executive Summary

Change requested by:	AEMO
Date submitted:	2 May 2024
Type of Procedure Change Proposal:	Amendment
Market Procedures affected:	WEM Procedure: RCM Constraint Formulation

The publication of this Procedure Change Proposal and the accompanying notice of call for submissions commences the Procedure Change Process conducted by AEMO under clause 2.10 of the Wholesale Electricity Market Rules (**WEM Rules**).

This Procedure Change Proposal relates to revisions being made to the *WEM Procedure: Reserve Capacity Mechanism Constraint Formulation* (**Procedure**), which was published on 29 September 2023.

AEMO has initiated this Procedure Change Proposal to amend the Procedure to reflect amendments arising from the Wholesale Electricity Market Amendment (Reserve Capacity Reform) Rules 2023, gazetted on 13 December 2023.

These amendments include the removal of all references and requirements associated with "Preliminary RCM Constraint Equations" to reflect the rule changes implemented on 13 December 2023.

AEMO considers the proposed changes in the amended Procedure are consistent with the WEM Rules, would better achieve Wholesale Market Objectives (a) and (d), and are consistent with all other objectives.

AEMO has published a draft version of the amended WEM Procedure: RCM Constraint Formulation incorporating the changes AEMO proposes for consultation.

AEMO invites stakeholders to suggest alternative options for drafting, where they consider these would improve the proposed 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).

AEMO also requests that stakeholders identify any unintended adverse consequences of the proposed replacement Procedure, as drafted.

Should any stakeholder want to discuss the impact of the proposed changes with AEMO, please contact the WA System Engineering team at wem.constraints@aemo.com.au.

Stakeholders are invited to submit written responses on the proposed amended Procedures to wa.marketdevelopment@aemo.com.au, by 5:00 PM (Australian Western Standard Time) on 30 May 2024 in accordance with the call for submissions published with this Procedure Change Proposal.

1. Procedure Change Process

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

AEMO may initiate the Procedure Change Process in respect of WEM Procedures for which it is responsible by developing a Procedure Change Proposal. Rule Participants may notify AEMO where they consider an amendment or replacement of a 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 so as to comply with the Amending Rule.

Clause 2.9.3 of the WEM Rules states that WEM Procedures:

- (b) 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
- (c) 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.

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
Publication of Procedure Change Proposal	2 May 2024
Closing date for submissions on Procedure Change Proposal	30 May 2024
Publication of Procedure Change Report	13 June 2024
Proposed commencement of amended WEM DER Register Information Procedure	13 June 2024

Before the closing date for submissions, 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

This WEM Procedure: RCM Constraint Formulation (**Procedure**) is made in accordance with AEMO's functions under clause 2.1A.2(h) of the WEM Rules.

The purpose of this Procedure is to document (with respect to RCM Constraint Equations):

- (a) the processes to be followed and the methodology to be used by AEMO in determining Constraint Equation terms and coefficients for Network Constraints [**clause 2.27A.10(cA)**];
- (b) the processes to be followed and the methodology to be used by AEMO in selecting one or more Constraint Equations to respond to a Network Constraint, including in respect of the location of terms on each side of the Constraint Equation [**clause 2.27A.10(cB)**];
- (c) the processes to be followed by AEMO and the matters it must consider in formulating and, where applicable, updating Constraint Equations, including:
 - (i) the approach to be taken by AEMO in applying:
 - (A) an Operating Margin; and
 - (B) the principles described in clause 2.27A.9; and
 - (ii) the conventions for assigning a unique identifier to Constraint Equations and Constraint Sets [**clause 2.27A.10(b)**]; and
- (d) any other processes or procedures relating to Constraints or Network congestion that AEMO considers are reasonably required to enable it to carry out its functions under the WEM Rules [**clause 2.27A.10(d)**].

2.2. Context for this consultation

In 2022, the Coordinator of Energy in consultation with the Market Advisory Committee undertook a review of the Western Australian Reserve Capacity Mechanism (RCM). During consultation on the RCM Review, stakeholders and AEMO provided feedback that developing Preliminary RCM Constraint Equations was resource intensive, provided little benefit to the market and that the obligation should be removed. In December 2023, the Minister for Energy amended the WEM Rules. These amendments included the removal of the requirement for AEMO to develop the Preliminary RCM Constraint Equations.

AEMO has initiated this Procedure Change Proposal to amend the Procedure to reflect amendments arising from the Wholesale Electricity Market Amendment (Reserve Capacity Reform) Rules 2023, gazetted on 13 December 2023.

The changes are discussed further in Section 3.1.

3. Proposed procedure change

3.1. Details of the proposed procedure change

3.1.1. Removal of Preliminary RCM Constraint Equations

The proposed Procedure has been updated to remove the terms Preliminary RCM Constraint Equations and Preliminary RCM Facility. This has been done to align with the WEM Rules.

3.1.2. Other minor and administrative amendments

The proposed amended Procedure contains minor administrative amendments to update the Procedure version history and other minor amendments to improve alignment with the WEM Rules.

3.2. Proposed drafting

AEMO has published for consultation a draft version of the amended WEM Procedure: RCM Constraint Formulation indicating the changes AEMO proposes. The draft Procedure is available [here](#).

4. Summary of matters for consultation

AEMO invites stakeholders to suggest alternative options for drafting, where they consider these would improve the proposed 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).

AEMO also requests that stakeholders identify any unintended adverse consequences of the proposed replacement Procedure, as drafted.

Should any stakeholder want to discuss the impact of the proposed changes with AEMO, please contact the WA System Engineering team at wem.constraints@aemo.com.au.

Stakeholders are invited to submit written responses on the proposed amended Procedures to wa.marketdevelopment@aemo.com.au, by 5:00 PM (Australian Western Standard Time) on 30 May 2024 in accordance with the call for submissions published with this Procedure Change Proposal.