



Wholesale Electricity Market

Procedure Change Proposal No:
AEPC_2024_06

WEM Procedure: Supplementary Capacity

Published: August 2024

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Australian Energy Market Operator Ltd ABN 94 072 010 327

Executive Summary

Change requested by:	AEMO
Date submitted:	09 August 2024
Type of Procedure Change Proposal:	Amendment
Market Procedures affected:	WEM Procedure: Supplementary Capacity

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: Supplementary Capacity (Procedure)*, which was last updated on 1 April 2024.

AEMO has initiated this Procedure Change Proposal to amend the Procedure following amendments to the WEM Rules¹ arising from a review by the Coordinator into potential improvements in the procurement and activation of supplementary capacity².

In response to the Amending Rules, gazetted on 26 July 2024, the amended Procedure will:

- no longer specify the method for determining the maximum contract value per hour of availability for any Supplementary Capacity Contract.
- align provisions relating to assessment of tenders with the Amended Rules, which now includes a new clause 4.24.8A.

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: Supplementary Capacity incorporating the changes AEMO proposes for consultation. The draft Procedure is available [here](#).

Consultation on proposed changes

AEMO will hold an AEMO Procedure Change Working Group (APCWG) meeting on 28 August 2024 to provide an opportunity for engagement on the proposed changes.

AEMO is seeking comment and feedback on:

- whether the proposed changes to the Procedure effectively implement AEMO's intended outcomes and give effect to the Amending Rules.
- whether stakeholders believe there are any other relevant issues that have not been considered.

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* (the Act) (and clause 1.2.1 of the WEM Rules).

¹ Available at: <https://www.wa.gov.au/government/document-collections/wholesale-electricity-market-amendment-supplementary-capacity-no-3-rules-2024>

² Available at: <https://www.wa.gov.au/government/document-collections/2024-supplementary-capacity-review>.

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

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 6 September 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 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	9 August 2024
APCWG forum	28 August 2024
Closing date for submissions on Procedure Change Proposal	6 September 2024
Publication of Procedure Change Report	13 September 2024
Proposed commencement of amended WEM DER Register Information Procedure	13 September 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

2.1.1. Changes to take effect on 27 July 2024

Amendments to clause 4.24.18 of the WEM Rules commenced on 27 July 2024 and no longer require AEMO to document in a WEM Procedure the process AEMO follows in determining the Maximum Contract Value per hour of availability for any Supplementary Capacity Contract (previously clause 4.24.18(a)(iii)).

Clause 4.24.18(a)(v) has also been amended to remove reference to clause 4.24.8(d) when determining whether a provider of an Eligible Service has access to the network.

Other clauses in section 4.24, as amended, that are of relevance to this Procedure Change Proposal include the addition of a new clause 4.24.8A that relates to the assessment of tenders for a new ‘activation-only’ supplementary capacity product.

4.24.8A	<p><u>In determining the result of a call for tenders and entering into Supplementary Capacity Contracts for Eligible Services being offered on an activation only basis, AEMO must:</u></p> <ul style="list-style-type: none"> (a) <u>only accept an offer for the provision of Eligible Services;</u> (b) <u>have regard to:</u> <ul style="list-style-type: none"> i. <u>any restrictions on availability specified for the Eligible Service in the relevant tender form in accordance with clause 4.24.7(f)(i); and</u> ii. <u>the notification time for activating the Eligible Service specified in the relevant tender form in accordance with clause 4.24.7(gA); and</u> (c) <u>be reasonably satisfied that the provider of the Eligible Service has access to a network, where applicable.</u>
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2.2. Context for this consultation

On 11 August 2023, AEMO commenced a process to acquire supplementary capacity in accordance with section 4.24 of the WEM Rules by publishing a call for tender.

Under clause 4.24.19, following each call for tender for supplementary capacity, the Coordinator must review the supplementary capacity provisions of section 4.24 with regard to the Wholesale Market Objectives, and must undertake a public consultation process in respect of the outcome of the review. Energy Policy WA, on behalf of the Coordinator, undertook the review³, which concluded with a set of Amending Rules gazetted on 27 July 2024.

Amendments arising from the review that affect the Procedure include:

- amendments to improve competitiveness and efficiency of procuring supplementary capacity, including the removal of the requirement for AEMO to document the method for determining the maximum contract value per hour of availability in the Procedure.
- amendments that provide for an alternative supplementary capacity service, whereby providers who cannot commit to the standing obligations around availability to provide services and receive remuneration on an 'activation only' basis.

Amendments relating to the Procedure commenced on 27 July 2024 and this Procedure Change Proposal will ensure that the amended Procedure aligns with the Amending Rules as soon as possible, and with the intent of having the amended Procedure published prior to the assessment of tender responses.

3. Proposed procedure change

3.1. Proposed amendments

3.1.1. Removal of method for determining maximum contract value

The proposed Procedure has been updated to reflect the amendment to clause 4.24.18(a)(iii), which removes the requirement for AEMO to document the process it follows in determining the maximum contract value per hour of availability for any Supplementary Capacity Contract. Consequently, paragraph 9 and associated definitions have been removed from the Procedure.

3.1.2. Determining that a provider of an Eligible Service will have access to the network

Paragraphs 3.2.9 and 4.1.4 are proposed to be amended to include reference to new clause 4.24.8A(c) when specifying how AEMO will determine that a Potential Provider engaging in a tender process or direct negotiation, respectively, has access to the network.

³ Available at: <https://www.wa.gov.au/government/document-collections/2024-supplementary-capacity-review>.

3.1.3. Assessment of tender responses for 'activation-only' service

The proposed amended Procedure contains amendments to paragraphs 3.1.1(d) and 3.2.3 to ensure that the new provisions of clause 4.24.8A relating to the new activation-only service are adequately captured in AEMO's tender processes.

3.2. Proposed drafting

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

4. Summary of matters for consultation

AEMO will hold an AEMO Procedure Change Working Group (APCWG) meeting on 28 August 2024 to provide an opportunity for engagement on the proposed Procedure. Any stakeholder wishing to attend the APCWG meeting or discuss the proposed Procedure with AEMO should contact AEMO at wa.marketdevelopment@aemo.com.au.

AEMO is seeking comment and feedback on:

- whether the proposed changes to the Procedure effectively implement AEMO's intended outcomes and give effect to the Amending Rules.
- whether stakeholders believe there are any other relevant issues that have not been considered.

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 Act (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.

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 6 September 2024 in accordance with the call for submissions published with this Procedure Change Proposal.