

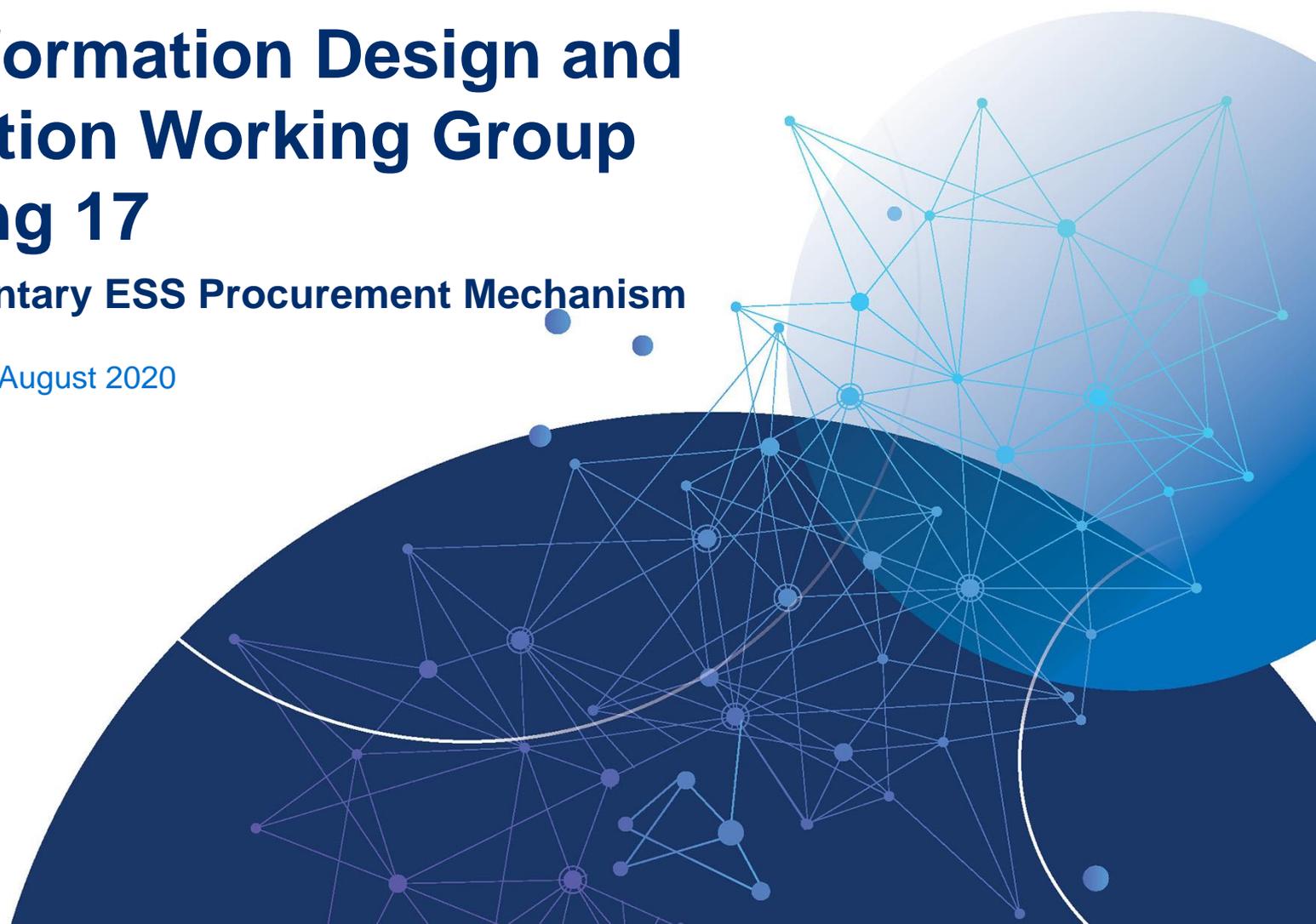


**Energy Transformation  
Implementation Unit**

# **Transformation Design and Operation Working Group Meeting 17**

**Supplementary ESS Procurement Mechanism**

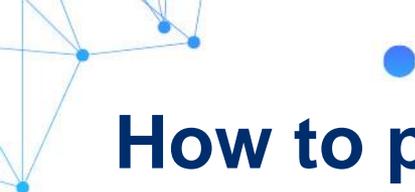
Wednesday 5 August 2020





# Ground rules and virtual meeting protocols

- Please place your microphone on mute, unless you are asking a question or making a comment.
- Please keep questions relevant to the agenda item being discussed.
- If there is not a break in discussion and you would like to say something, you can 'raise your hand' by typing 'question' or 'comment' in the meeting chat. Questions and comments can also be emailed to [TDOWG@energy.wa.gov.au](mailto:TDOWG@energy.wa.gov.au)
- The meeting will be recorded. However no minutes will be issued.
- Please state your name and organisation when you ask a question to assist with meeting minutes.
- If there are multiple people dialling in through a single profile, please email [TDOWG@energy.wa.gov.au](mailto:TDOWG@energy.wa.gov.au) with the names of the attendees to be recorded in the minutes
- If you are having connection/bandwidth issues, you may want to disable the incoming and/or outgoing video.

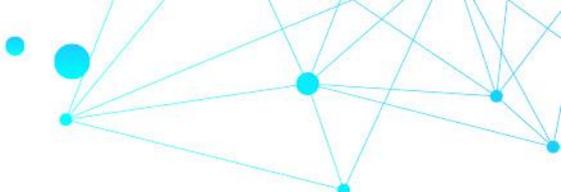


# How to provide feedback

- 
- By email, written submission or face-to-face
  - Preference is to receive feedback on rule sections rather than the entire package in one go
  - Where feedback refers to specific clauses, please provide in table format
  - Please provide alternative drafting suggestions where possible
  - End date for consultation on Tranche-1 Draft Amending Rules **cob 28 August**



# SESSM Objectives

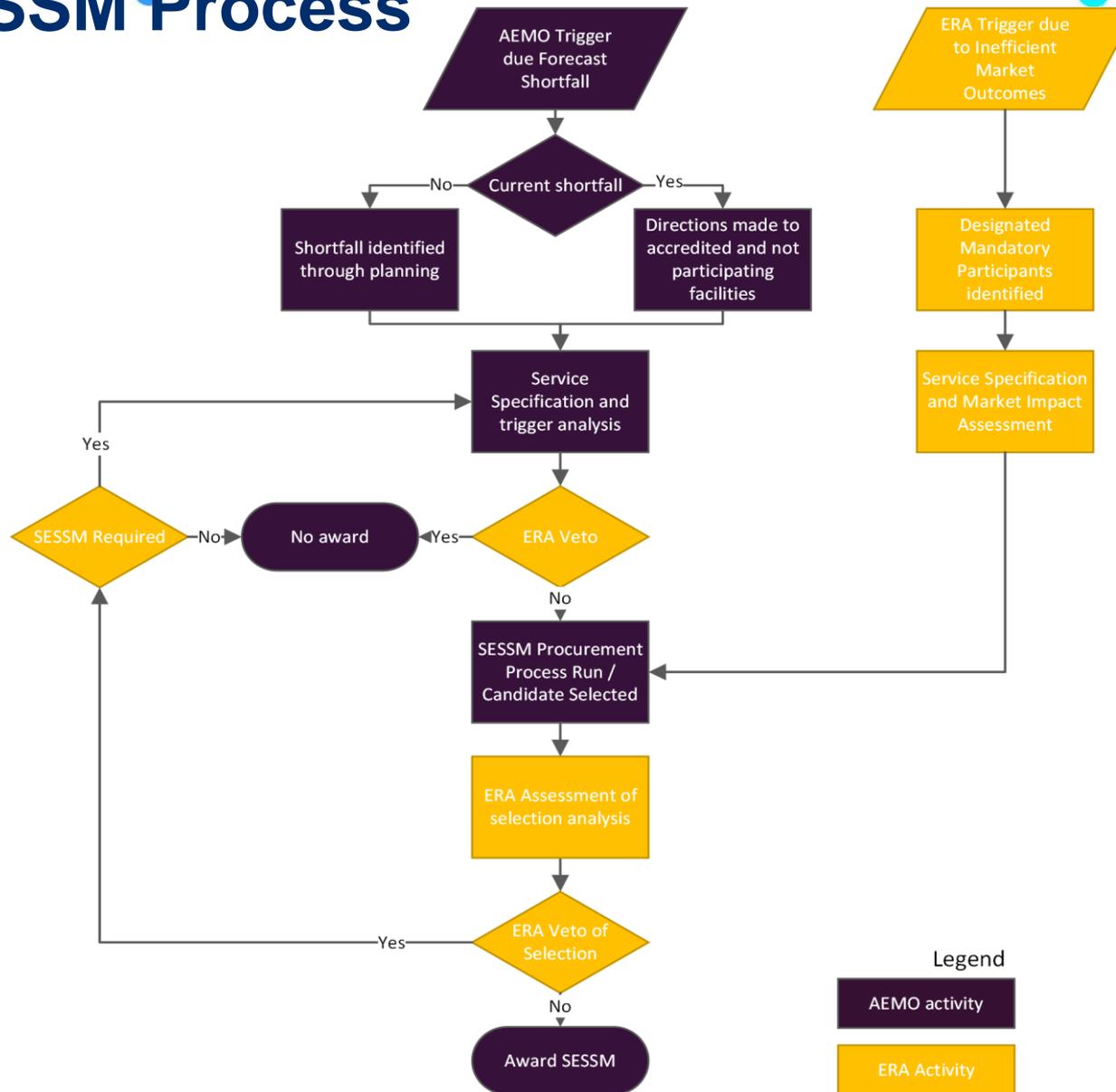
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- Incentivise new FCESS entry
  - Mitigate scarcity in FCESS markets, manifesting either as a shortfall of accredited capacity or shortfall of participation
  - Mitigate market power by:
    - the threat of competitive entry
    - a mechanism to enable an ex-ante review of ESS operating costs by the ERA

# Transitional arrangements

- At market start, SESSM will be off by default
- Pre-market start transitional arrangements under development

Objective	Transitional arrangements	Details
Ensure sufficient FCESS-accredited capability is available to participate in FCESS markets at market-start	Accreditation Test	Existing Facilities currently participating in AS in CY 2020 must accredit to provide the equivalent new FCESS from market start; may accredit for other FCESS  Existing Facilities not currently participating in AS may also seek accreditation
Ensure sufficient lead time and costs for new facilities to be ready to participate	Market Test	Intending participants can engage with AEMO on project details and costs

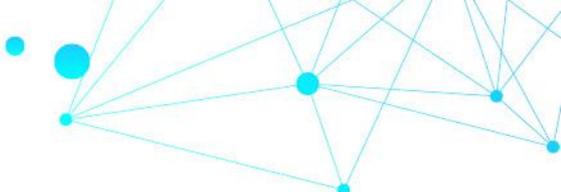
# SESSM Process





# Triggering the SESSM

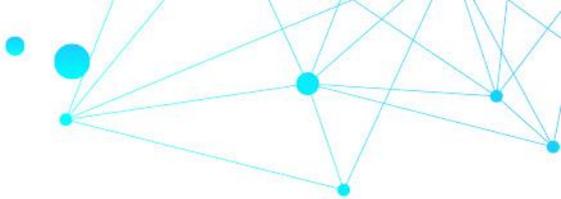
## Clauses 3.15A.1 – 3.15A.5

- AEMO can only trigger for a shortfall – participation or accreditation
    - Intervened to direct accredited facilities to offer
    - Forecasted a shortfall in accredited capacity
  - ERA can only trigger for inefficient market outcomes
    - Considers market power is present and/or is being exercised
    - Structural issues in the market
  - Both entities required to publish reasons etc. for trigger
  - ERA to document in a procedure how it identifies inefficient market outcomes
- 



# Service Specification

## Clauses 3.15A.6 – 3.15A.8

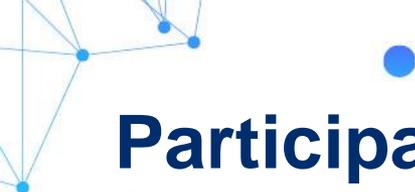
- 
- AEMO must determine the service specifications, including duration, timing, quantity profile, and minimum availability requirement (which may be 100%)
  - Service quantity must align with the relevant shortfall identified where the trigger was to rectify a shortfall
    - minimise over-procurement
  - Service quantity must be the full forecast quantity where the trigger was due to inefficient market outcomes
    - enable price-discovery from competitors for the entire quantity



# ERA veto of trigger

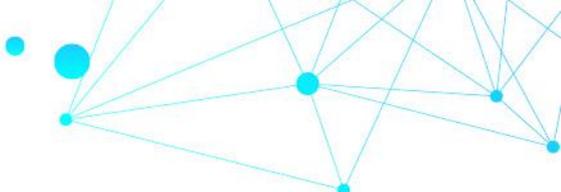
## Clauses 3.15A.9 – 3.15A.12

- ERA must determine whether to veto within 10 BD
- Veto power exists as a check-and-balance for AEMO's processes
- ERA can veto if it reasonably considers:
  - AEMO's trigger analysis is not in accordance with its procedure – SESSM doesn't proceed
  - AEMO did not provide sufficient information – AEMO must revise and resubmit
  - AEMO's service specs don't comply – AEMO must revise and resubmit
- ERA must publish its veto information



# Participation in SESSM

## Clause 3.15A.13 – 3.15A.18

- 
- New unregistered participants can participate in the SESSM when it is triggered, however if the facility receives a SESSM Award, it must register and become accredited before the service commencement date
  - Where an existing facility accredited for the FCESS participates in the SESSM in response to a shortfall trigger, it can only do so to seek payment for fixed costs for increasing its relevant FCESS-accredited capability
  - Where ERA triggers the SESSM, it can designate one or more existing facilities to participate in the SESSM



# Participation in SESSM

## Clauses 3.15A.22

Each SESSM Award is to a single Facility for a single FCESS.

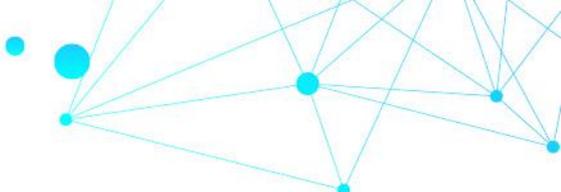
A SESSM Award will consist of:

- Availability Quantity
  - The total quantity for each Dispatch Interval the Facility must offer for the associated FCESS (in addition to any relevant Base ESS Quantity)
- Availability Payment
  - The total amount payable across the SESSM Award which should cover fixed costs not covered by any RCM payments
- Offer Cap
  - The highest price offered for the service, before accounting for Enablement Losses
- Award Duration
  - The duration of the award



# Procurement and Submission

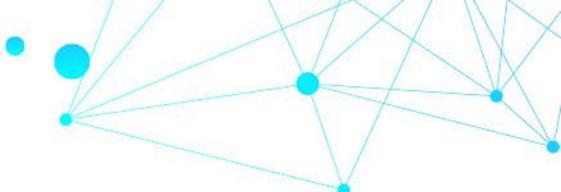
## Clauses 3.15A.19 – 3.15A.27

- 
- AEMO must widely publish the SESSM procurement notice
  - AEMO must make a SESSM Submission form available on its website
  - SESSM Submission must be made in good faith and provide requisite information to enable comparison
  - More than one SESSM Submission and contingent offers for multiple services are acceptable, as long as at least one confirming (non-contingent) submission has been made



# Selection and Approval

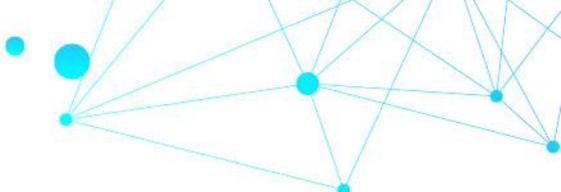
## Clauses 3.15A.28 – 3.15A.32

- 
- AEMO has 20 BD to analyse, select and approve facilities for SESSM Award
  - AEMO's analysis determines the lowest cost combination of SESSM submissions to meet the service requirements
    - Energy price profiling for historical Dispatch Intervals that match the SESSM service specification – average, high and low cost
    - Estimated Enablement Losses at those energy prices
    - When procuring more than one FCESS, ensure each MW of capability is counted only once.
  - AEMO must notify ERA the results of its analysis and recommendation for SESSM Awards



# ERA veto of SESSM Award

## Clauses 3.15A.33 – 3.15A.37

- 
- ERA has 10 BD to review and veto AEMO's recommendation of SESSM Award
  - Where ERA triggered the SESSM, ERA can veto the SESSM Award if it considers the costs of FCESS provision will not be lowered.
  - Where ERA considers good faith obligations have been breached, ERA can use its compliance & enforcement powers, however the participant can challenge the decision through existing processes.



# Award and notification

## Clauses 3.15A.38 – 3.15A.40

- Some details about the SESSM Awards will be published:
  - Identity of the Award recipient
  - Service specification
  - Duration of SESSM Award
  - Availability Payment, Offer Cap
  - Base ESS quantity



# Obligations for new entrants

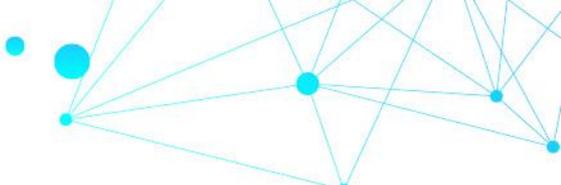
## Clauses 3.15A.41 – 3.15A.44

- Where an unregistered participant has been granted a SESSM Award, they must register and accredit the facility
- Facilities yet to commence operation must file progress report with AEMO (if not already doing so under RCM)
- AEMO may require further reports, revise the Award commencement date or cancel the SESSM Award if it considers the facility will not be ready to provide the FCESS by the required time



# SESSM performance monitoring

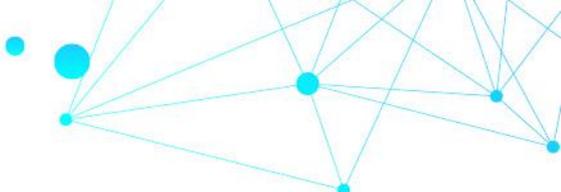
## Clauses 3.15A.45 – 3.15A.46

- Award comes with performance obligations
  - Facility will be liable for refunds if it does not offer the sum of the Availability Quantity and the Base ESS Quantity
    - Refund capped to the Availability Payment
    - Refund factor of 3
    - Settlement draft rules will provide details
  - Where Facility consistently fails to meet obligations, AEMO may revise the Availability Quantity and prorate the Availability Payment accordingly.
- 



# EOI process for ESS

## Section 3.15B

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- AEMO to conduct EOI process once every two years, including ahead of market start
  - Submissions made in the EOI process are confidential and non-binding
  - Information collected from EOI process can be used by the ERA for its monitoring and review functions
  - The process provides engagement with new facilities to understand the accreditation process and allows participants to prepare submissions in readiness for a short lead-time SESSM procurement.



# Meeting close

- Information Paper on SESSM available at Taskforce website
  - Questions or feedback can be emailed to [TDOWG@energy.wa.gov.au](mailto:TDOWG@energy.wa.gov.au)
  - Next TDOWG on 10 August on STEM
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