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Dear Energy Policy WA

REVIEW OF SUPPLEMENTARY RESERVE CAPACITY PROVISIONS – STAGE 1 CONSULTATION PAPER

Synergy welcomes the opportunity to provide a submission to Energy Policy WA (**EPWA**'s) on the Review of Supplementary Reserve Capacity Provisions – Stage 1 Consultation Paper (**Paper**).

Synergy raises the following comments for further consideration and refinement of the Supplementary Reserve Capacity (**SRC**) process. Synergy's detailed drafting comments in relation to Appendix C of the Paper are provided in the **attached** table.

Proposal 1

Synergy considers that the proposal to “*require that only potential services from the shortlist are allowed to participate in a subsequent tender process, if one is subsequently initiate by AEMO*”¹ may not be in the best interest of the market. Limiting the tender process to only the Expression of Interest (**EOI**) shortlist may result in viable tenders being excluded from the SRC, that could have resulted in a better market outcome. Further there may be circumstances where the EOI process has not resulted in enough services being offered or at higher prices that would be reasonably accepted. Synergy does not support the proposal of limiting the tenders to the EOI shortlist. A suggested alternative approach may be for Western Power and the Australian Energy Market Operator (**AEMO**) to work together to determine which tender offers they do not expect to be reasonably able to be delivered on time and remove these offers from the tender process.

Proposal 2

Synergy agrees that the intent of attempting to limit the list of potential contract variations may result in a more timely process for AEMO, however cautions that a “one size fits all” approach to the Standard Form Contract may not be appropriate for the various potential services that could be offered in the SRC. Synergy notes that the current Standard Form Contract does not

¹ Paper at page 6

seem to consider Distributed Energy Resources and unmetered assets and how these types of services may differ to offer potential service providers. These types of assets could provide valuable services to the industry, however the current arrangements make it difficult for these types of facilities to participate. Potentially, the Standard Form Contract could consider the range of different product offerings and include, for selected contract clauses, several options to suit each different product offering that the tender parties can choose between. Further, AEMO should workshop the initial Standard Form Contract with industry to discover any potential issues with the proposed drafting and resolve these in a timely manner.

Proposal 4

Synergy agrees with EPWA's proposal to clarify Western Power's role and the expectations placed on Western Power with the SRC process. Synergy notes that the information sharing of the expression of interest and the SRC tenders should be limited to technical information that is needed to assess the deliverability and capability of the product services being offered.

Proposal 6

As noted under Proposal 1, Synergy does not support the shortlisting approach for EOI proposals. Instead of the EOI shortlisting approach being adopted, Synergy supports the introduction of provisions into the Wholesale Electricity Market (**WEM**) Rules or the WEM Procedure that allows for AEMO and Western Power to remove tenders that both parties do not consider will be reasonably capable of being able to deliver the service on time. Synergy notes any qualitative assessments or benchmarking of proposals by Western Power and AEMO must be cognisant of the different product services being offered and a one-size fits all approach is unlikely to be suitable to assess deliverability of offers. Synergy suggests that the further discussion should be undertaken with AEMO and Western Power to best determine how to incorporate this provision into the WEM Rules or the WEM Procedure.

Proposal 7

Synergy considers alignment of the notification period for SRC activation with that applicable to Demand Side Programmes (**DSPs**), being 2 hours, may exclude numerous potential services from the SRC process. Synergy notes that a 2-hour notification period is unlikely to be sufficient:

- to allow Electric Storage Resources (**ESR**) facilities to ensure they are fully charged for the activation period;
- for load shifting to be undertaken to ensure that load is not going to be consumed in the activation period (for example pool pumps, heat pumps etc may need to run earlier in the day);
- to enable the full potential of an aggregation of Distributed Energy Resources (**DER**) and flexible loads to be realised due to the time needed to orchestrate the maximum volume of the service product; and
- to allow for generators to secure short term fuel supply to the full dispatch requirement of the SRC volume contracted.

Synergy notes that the notification period needs to be reflective of the type of service product being offered and the differing requirements for the different facility types. Synergy suggests a workshop with industry to determine what notification periods are best suited for different facility types.

DER Roadmap and DER Participation

Synergy notes the role of DER in the WEM is still evolving and there are several pieces of work being undertaken by EPWA and other industry members to better enable DER participation and aggregation into the markets. Synergy considers that the SRC process should be mindful of the ongoing work being undertaken by EPWA under the DER Roadmap and the on-going development of policy decisions and ensuring drafting alignment in the WEM Rules and WEM Procedures where appropriate.

Synergy thanks EPWA for their timely review of the SRC process and looks forward to continuing to consult with EPWA on market reform matters.

Yours sincerely



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Detailed Comments on the Proposed WEM Rule Drafting in Appendix C of the Paper

Review of the Supplementary Reserve Capacity Provisions – Proposed WEM Rule Changes				
#	Rule ref.	Classification	Issue	Suggestion
1.	4.24.1B	Minor	<p>Synergy notes that there is no timeframe provided within the WEM rules for the submission period for the expression of interest period. Synergy suggests that the length of the submission window should be consistent with that drafted for the call for tenders (in clause 4.24.6). Synergy notes that some product service offerings may require a longer timeframe than others and considers that AEMO should allow for the maximum time (30 Business Days) where appropriate.</p> <p>The proposed drafting amendments are to state the time window for submissions and to align the drafting with that in clause 2.24.6.</p>	<p>4.24.1B. If AEMO advertises a decides to call for expressions of interest for supplementary capacity, then, no earlier than 30 Business Days and no later than 10 Business Days prior to the proposed closing date for submissions of expression of interest, AEMO must advertise the call for expressions of interest in accordance with clause 4.24.1A. theThe notice must include: (a) the date and time at which any person wishing to respond to the call for expressions of interest must have completed and lodged with AEMO the form published by AEMO on the WEM Website; (b)(a) contact details for AEMO and Western Power; ...etc [Re-itemising the remaining sub-clauses due to the removal of sub-clause (a)]</p>
2.	4.24.1C	Moderate	<p>In line with Synergy's request that the EOI process is not made a mandatory process for the tenders. Synergy suggests that the drafting of clause 4.24.1C is revised such that instead of shortlisting proposed services, AEMO is providing early guidance to respondents if they expect that their proposed service will be deliverable on time.</p>	<p>4.24.1C. Following the close of the call for expressions of interest for supplementary capacity published under clause 4.24.1A, AEMO must: (a) assess all responses received; and (b) prepare a shortlist within 10 business days following the close of call for expressions of interest, provide written guidance to respondents of potential services that which specifies whether AEMO expects the relevant response will be able to meet AEMO's requirements for supplementary capacity. and (c) inform all respondents whether their proposed services have been shortlisted.</p>
3.	4.24.3, 4.24.12, 4.24.13	Clarity	<p>Synergy agrees that the drafting of the WEM Rules should be revised to ensure that ESR and DER facilities are not inadvertently excluded from participation due to the drafting stating "generation". Synergy however seeks clarity as to whether the proposed alternative drafting of "electricity production" allows for the inclusion of ESR and DER facilities that are sitting idle (i.e. they are providing a service by not consuming or withdrawing energy)?</p>	

Review of the Supplementary Reserve Capacity Provisions – Proposed WEM Rule Changes

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4.	4.24.8(aA)	Major	As discussed earlier, Synergy does not support the limiting the tender process to a shortlist from the EOI. To address this concern Synergy proposes that clause 4.24.8(aA) is deleted.	<p>4.24.8. In determining the result of a call for tenders and entering into Supplementary Capacity Contracts: (a) AEMO must only accept an offer for the provision of Eligible Services; (aA) If AEMO advertised a call for expressions of interest for supplementary capacity under clause 4.24.1A, AEMO must only accept an offer for the provision of a service, which was shortlisted under clause 4.24.1C(b); ...</p>
5.	4.24.13(h)iv	Moderate	As discussed earlier, Synergy requests that the notification period for tenders should be able to vary in line with differing requirements of the facilities being offered, and as such proposed this clause is amended to remove the tie to equivalent services in the WEM Rules.	<p>4.24.13. (h) blank schedules specifying: ... iv. the notification time to be given for activation, where the time must be aligned, to the extent practicable, with the notification time for equivalent services under the WEM Rules;</p>
6.	4.24.14	Moderate	As noted under Proposal 2, it would be preferable for AEMO to workshop the standard form Supplementary Capacity Contract with industry to develop a range of optional contract terms which can be selected to suit each different product offering. If there is a need to vary the standard form Supplementary Capacity Contract, then Synergy considers the parties should mutually agree on these variations as reflected in the proposed amendments to the WEM Rules.	<p>4.24.14. AEMO must enter into Supplementary Capacity Contracts in the form of the relevant standard form Supplementary Capacity Contract. AEMO and the supplier of an Eligible Service may allow a vary a Supplementary Capacity Contract to vary from the standard form contract where AEMO and the supplier mutually agrees considers that those variations are reasonably required, having regard to the specific characteristics of the Facility providing supplementary capacity and to any other matter that AEMO and the supplier considers appropriate.</p>