



Government of Western Australia
Department of Mines, Industry Regulation and Safety
Energy Policy WA

Review of Supplementary Reserve Capacity Provisions

Stage 1 Information Paper

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Working together for a **brighter** energy future.

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Energy Policy WA

Level 1, 66 St Georges Terrace
Perth WA 6000

Locked Bag 100, East Perth WA 6892

Telephone: 08 6551 4600

www.energy.wa.gov.au

ABN 84 730 831 715

Enquiries about this report should be directed to:

Email: EPWA-info@dmirs.wa.gov.au

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Glossary

Term	Definition
AEMO	Australian Energy Market Operator
DSOC	Declared Sent Out Capacity
EPWA	Energy Policy WA
MW	megawatt
SRC	Supplementary Reserve Capacity
SWIS	South West Interconnected System
WEM	Wholesale Electricity Market

Unless otherwise defined, capitalised terms have the meaning prescribed in the WEM Rules.

1. Introduction

The Coordinator of Energy (Coordinator) is undertaking a review of the Supplementary Reserve Capacity (SRC) provisions in Section 4.24 of the Wholesale Electricity Market Rules (the WEM Rules). The need for the review was triggered by the Australian Energy Market Operator's (AEMO's) call for the provision of SRC in September 2022, and is conducted by the Coordinator under clause 4.24.19 of the WEM Rules.

Energy Policy WA (EPWA) has engaged ACIL Allen to assist with this review.

1.1 Overview of the 2022/23 SRC process

On 23 September 2022, AEMO called for tenders from potential providers of SRC for the upcoming Hot Season, commencing on 1 December 2022. The need for SRC was identified at 174MW. At the time, AEMO made available a standard form of Supplementary Capacity Contract, and a series of pre-qualification questions.

The tender process included a briefing session facilitated by AEMO on 4 October 2022, and an opportunity for questions to be posed by potential respondents. The tender period closed on 21 October, at which time AEMO commenced its assessment of all responses.

Following discussions and negotiations, AEMO entered into contracts with providers who responded to the tender process. After the completion of the tender process, AEMO also entered into negotiations with organisations who did not provide a response to the request for tender and entered into further contracts as a result of these negotiations.

AEMO dispatched SRC on 30 January and 20 February 2023. Most services responded well but some had difficulties or failed to deliver as contracted. The operation and performance of the services will be assessed as part of stage two of the SRC Review.

1.2 Scope of the SRC Review

The SRC Review is undertaken in two stages, with Stage One focussing on a review of the procurement process undertaken by AEMO between September and December 2022, and Stage Two on the operation of the SRC services between 1 December 2022 and 31 March 2023.

Figure 1: SRC Review Overview



1.3 Purpose of this paper

The purpose of this Information Paper is to inform stakeholders about the outcome of stage one of the SRC Review including:

- initial feedback from stakeholders, including AEMO and Western Power, through questionnaires and interviews;
- issues raised in the TDOWG meeting and public submissions, and the Coordinator's response to these issues;
- the Coordinator's decisions on the proposals outlined in the Consultation Paper; and
- the Amending Rules approved by the Minister.

The Amending Rules will be implemented as outlined in Appendix B of this Information Paper.

2. Consultation

EPWA consulted extensively with stakeholders throughout February and March 2023 to inform Stage 1 of the Review as summarised in the remainder of this section.

Direct engagement with AEMO and Western Power

EPWA met with the Australian Energy Market Operator (AEMO) and Western Power for initial feedback regarding the procurement process for SRC. These meetings occurred in mid-February, and were used to gather information, data and insights to inform a stakeholder questionnaire.

Questionnaire and interviews

Based on the initial feedback from AEMO, EPWA developed a questionnaire that was sent to organisations identified to have an interest in the SRC process:

- organisations that participated in AEMO's pre-tender briefing session;
- organisations that responded to the SRC tender; and
- organisations that engaged with AEMO but did not respond to the SRC tender.

EPWA received a number of responses to the questionnaire, some of them through interviews including with AEMO and Western Power.

The Consultation Paper

Based on the feedback from the questionnaire, EPWA developed a Consultation Paper with nine proposals, including proposed Amending Rules, to improve the SRC procurement process.

The consultation period was between 7 March 2023 and 21 March 2023.

TDOWG Meeting #47

EPWA discussed the proposals with the Transformation Design and Operations Working Group (TDOWG) on 15 March. At this meeting, EPWA:

- provided an overview of the SRC procurement process undertaken by AEMO in 2022 and the preliminary outputs of Stage 1 of the Coordinator's SRC Review, and
- discussed and invited feedback on each of the proposed improvements.

The presentation from the TDOWG meeting is available here: [Transformation Design and Operation Working Group \(www.wa.gov.au\)](http://www.wa.gov.au).

Review of written submissions

EPWA received a total of seven submissions in response to the Consultation Paper by the deadline for submissions:

- AEMO
- Collgar
- Enel X
- Perth Energy
- Shell
- Synergy
- Western Power

All submissions are available here on EPWA's website: [Supplementary Reserve Capacity Review \(www.wa.gov.au\)](http://www.wa.gov.au).

Written submissions contained helpful feedback, which was in general consistent with the discussion with the TDOWG. The feedback from the submissions is summarised in section 3 of this Information Paper, and all issues raised including EPWA's responses to the issues are provided in Appendix A.

Based on the submissions received, EPWA amended the proposed improvements and submitted the final draft WEM Amending Rules to the Minister for his approval.

The remainder of this paper presents each of the decisions which are reflected in the draft WEM Amending Rules that have been approved by the Minister for Energy. The Minister for Energy has commenced the WEM Amending Rules on 29 April 2023 (link to [Gazettal Notice](#)) with exception of the changes to the WEM Procedure which are commenced on 1 July 2023 to allow AEMO sufficient time to develop the required procedure changes.

3. The Coordinators Decision on the Proposed Improvements

Based on the feedback received in the TDOWG and submissions on the Stage 1 Consultation Paper, the Coordinator decided to further amend some of the improvements proposed in the Stage 1 Consultation Paper.

The remainder of this section outlines for each of the proposed improvements from the Stage 1 Consultation Paper:

- The improvement proposed in the Consultation Paper;
- A summary of the feedback received in the TDOWG and submissions;
- The Coordinator's decision; and
- Assessment against the Wholesale Market Objectives¹.

The Amending Rules approved by the Minister that implement the improvements are provided in Appendix B of this Information Paper.

3.1 Process timelines

EPWA identified that the short time allowed for the SRC procurement process hindered some possible providers from participating in the process. EPWA considered that this could lead to inefficient outcomes.

It was noted that AEMO could become aware of a shortfall even closer to its projected commencement than for the 2022 Hot Season, which could further compress the timeline for SRC procurement and exacerbate the problems experienced by stakeholders.

Proposals in the Consultation Paper

EPWA proposed to:

- provide AEMO with the discretion to run a non-binding Expressions of Interest (EOI) process for supplementary capacity at any time from 1 April in any year, if it becomes aware of a potential risk that, if eventuating, could require a supplementary capacity procurement process;
- require AEMO to assess all responses to the EOI call and prepare a shortlist that includes all potential services that AEMO considers will likely meet the supplementary capacity requirements if a supplementary capacity tender is subsequently initiated by AEMO; and

¹ 1.2.1. 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.

- require that only potential services from the shortlist are allowed to participate in a subsequent tender process, if one is subsequently initiated by AEMO.

Summary of stakeholder feedback

The majority of submissions supported the introduction of a non-binding EOI process. However, stakeholders provided mixed views on the proposal to limit tender participation to services shortlisted in the EOI process. Some stakeholders raised concerns that this limitation could unnecessarily prevent viable services from participating in the tender process and lead to inefficient market outcomes. This was consistent with views expressed during the TDOWG meeting.

One stakeholder considered AEMO should be provided with discretion whether to limit participation in a supplementary capacity tender process to shortlisted services.

One stakeholder suggested requiring AEMO to provide respondents to the call for EOI with preliminary feedback whether the proposed services are likely to meet the requirements in the EOI. This was supported by views expressed in the TDOWG meeting.

Western Power suggested to provide it with a formal role in the assessment of responses to the call for EOI.

Review Outcome 1

Following consideration of the stakeholder responses, the Coordinator recommended that the Minister makes WEM Amending Rules to:

- introduce a non-binding EOI process for the provision of supplementary capacity;
- not limit participation in a tender process to respondents shortlisted in the EOI process;
- provide for a formal role for Western Power to assess any network access matters relating to the responses to the EOI; and
- introduce a requirement for AEMO to inform respondents to the call for EOI whether their proposed services are likely to meet the requirements in the EOI.

The improvements, taking the above stakeholders feedback into account, were introduced through the new clauses 4.24.1A, 4.24.1B and 4.24.1C of the WEM Rules.

Assessment against the WEM Objectives

The Coordinator considers that allowing for an EOI process will better achieve WEM Objective 1.2.1(a), (b) and (d) and is consistent with WEM Objective (c) and (e).

An EOI process will improve the flow of information between potential providers of supplementary capacity services and AEMO. Enhancing information flows provides the opportunity for the supplementary capacity mechanism to operate in a more efficient and timely manner by expanding the pool of potential supplementary capacity service providers, and enhancing AEMO's understanding of the market for potential services. This will allow AEMO and Western Power to better prepare for a subsequent supplementary capacity procurement process should one be initiated.

Establishing an EOI process increases the time available for service providers to assess the merits of participation in the provision of supplementary capacity. Improvement in information flows and streamlining of the timeframes would also be expected to allow AEMO to achieve a lower total cost of the operation of the supplementary capacity provisions through the tendering and direct negotiation stages of the process by expanding the pool of service providers, and AEMO's knowledge and understanding of the available services.

3.2 Contracts for Supplementary Capacity services

3.2.1 The Standard Form of Contract

During the review it emerged that there were significant time delays in the procurement of supplementary capacity associated with the negotiation of contractual terms and conditions.

EPWA considered that having a Standard Form of Contract that requires too many amendments may not be efficient.

Proposals in the Consultation Paper

EPWA proposed to amend the WEM Rules to:

- require AEMO to develop and publish a non-negotiable Standard Form of Contract, that contains the general terms and conditions of the contracts; and
- allow for the negotiation of specific terms and conditions, including prices, of individual contracts.

Summary of stakeholder feedback

Stakeholders were generally supportive of the proposal. Concerns centred on the process to develop the Standard Form Contract and one stakeholder requested that AEMO should develop the Standard Form Contract in consultation with stakeholders.

Review Outcome 2

Following consideration of the stakeholder responses, the Coordinator recommended to the Minister to make WEM Amending Rules to:

- require AEMO to develop and publish a non-negotiable Standard Form of Contract, that contains the general terms and conditions of the contracts;
- require AEMO to consult with stakeholders on the development and maintenance of the Standard Form Contract; and
- allow for the negotiation of specific terms and conditions, including prices, of individual contracts.

The improvements, taking the above stakeholders feedback into account, were introduced through amendments to clauses 4.24.12, 4.24.13 and 4.24.14 of the WEM Rules.

Assessment against WEM Objectives

The Coordinator considers that a standard form contract, with appropriate flexibility allowed via Schedules, will better achieve WEM Objective 1.2.1(a) and (d), and is consistent with WEM Objective 1.2.1(b), (c) and (e).

A more appropriate Standard Form Contract will reduce administration and bidding costs, and permit more time for AEMO and service providers to negotiate on material matters in the provision of supplementary capacity services. This will help to achieve mutually beneficial outcomes within the framework available under the WEM Rules. This in turn would be expected to achieve a lower total cost provision of supplementary capacity services.

3.2.2 Limiting supplementary capacity contract term to 12 weeks

The WEM Rules currently specify that the SRC process must only allow for respondents to provide a maximum of 12 weeks of SRC service under an SRC contract.

While this length of a contract may have been appropriate at the time the initial section 4.24 of the WEM Rules was made, EPWA considered that AEMO should be allowed to contract SRC for any length of time during the Hot Season as this is currently defined in the WEM Rules.

Proposals in the Consultation Paper

EPWA proposed that the maximum duration of contracts for supplementary capacity be extended to the current length of the Hot Season, as defined in Chapter 11 of the WEM Rules), i.e. ~16 weeks.

Summary of stakeholder feedback

Stakeholders were generally supportive of the intent of the proposed change. Two stakeholders raised concerns about the proposed drafting, noting that some may interpret the rules, as written, to mean that the term of a supplementary capacity contract could only be for part of the Hot Season (i.e. not cover the whole Hot Season), or that contracts could only be for 16 weeks (i.e. could not be shorter than the Hot Season). At the TDOWG, one stakeholder considered that AEMO should be able to also contract for SRC outside of the Hot Season.

Review Outcome 3

Following consideration of the stakeholder responses, the Coordinator recommended that the Minister makes WEM Amending Rules that allow the length of supplementary capacity contracts to be up to the length of the Hot Season.

This improvement, taking the above stakeholders feedback into account, was introduced through amendments to clause 4.24.13(h)(i) of the WEM Rules.

The Coordinator did not accept the suggestion that supplementary capacity could be procured outside of the Hot Season. The supplementary capacity provisions are designed to address shortfalls during peak demand.

Assessment against WEM Objectives

The Coordinator considers that this change better achieves WEM Objectives 1.2.1(a), (b) and (d) and is consistent with WEM Objectives 1.2.1(c) and (e).

The misalignment between the maximum permissible contract length and the length of the Hot Season would be expected to result in the need for AEMO to contract for more capacity / a greater number of individual contracts than would otherwise be required. This may lead to overlapping contracted volumes, which exceed the targeted capacity, or periods where there is inadequate supplementary capacity contracted due to misalignment between service availability and needs. Aligning the maximum contracting period to the Hot Season will assist in achieving a lower total cost outcome, improved services and improved reliability.

3.3 Specifying Western Power's role in the supplementary capacity process

A number of issues, which emerged during the SRC procurement process, related to the role of Western Power. Resource constraints and a lack of escalation pathways may have been contributors to these issues. EPWA's analysis of stakeholder feedback identified that the issues were exacerbated by the fact the current WEM Rules do not specify a role for Western Power in the SRC processes.

Proposals in the Consultation Paper

EPWA proposed to amend the WEM Rules to provide for a formal role of Western Power to support the SRC procurement process.

Summary of stakeholder feedback

Stakeholders were generally supportive of the proposals in the Consultation Paper. The role of Western Power in the supplementary capacity procurement was not recognised in the previous WEM Rules, and all stakeholders, including Western Power, indicated that the procurement process was made more challenging as a result. Feedback on this proposal centred on some of the specific terms and language used to describe Western Power's role, which has been taken into account in the final drafting.

Review Outcome 4

Following consideration of the stakeholder responses, the Coordinator decided to request that the Minister makes WEM Amending Rules to:

- specify that Western Power is to be consulted and engaged in the development of the WEM Procedure and tender documents to facilitate Western Power's involvement in the supplementary capacity procurement process;
- require Western Power to provide responses to requests for information and conduct assessments to support the procurement of supplementary capacity; and
- prescribe the process through which Western Power will be engaged in the procurement of supplementary capacity.

As outlined under section 3.1, Western Power has also been given a defined role in the new EOI process for the same reasons it has been provided a defined role in the procurement process more broadly.

The improvements, taking the above stakeholders feedback into account, were introduced through amendments to clause 4.24.18 and new clauses 4.24.18A and 4.24.18B of the WEM Rules. These amendments and new clauses will commence on 1 July 2023.

Assessment against WEM Objectives

The Coordinator considers that these changes better achieve WEM Objectives 1.2.1(a), (b) and (d), and are consistent with WEM Objectives 1.2.1(c) and (e).

Clarifying the role of Western Power in the supplementary capacity process, in conjunction with other information enhancing proposals, supports the operation of an efficient and effective procurement process by increasing information flows and providing both participants and AEMO with improved capacity to deliver mutually beneficial outcomes.

3.4 The Supplementary Capacity WEM Procedure

Currently, under clause 4.24.18 of the WEM Rules, AEMO must document in a WEM Procedure the processes it follows in:

- (a) acquiring Eligible Services;
- (b) entering into Supplementary Capacity Contracts; and
- (c) determining the maximum contract value per hour of availability for any Supplementary Capacity Contract.

Based on the initial stakeholder feedback, EPWA considered that the WEM Procedure can be enhanced by providing:

- further clarity regarding the supplementary capacity procurement process;
- clarity on the roles and responsibilities of the different parties involved in the process; and

- clarity on timelines and market expectations for the provision of information and the assessment of requests.

Proposals in the Consultation Paper

EPWA proposed to add the following to the relevant WEM Procedure making heads of power:

- that the WEM Procedure documented under clause 4.24.18 must also provide:
 - (a) requirements regarding the information and assistance AEMO requires from Western Power;
 - (b) requirements, developed in consultation with Western Power, on the information that must be provided by those applying to provide Eligible Services, who request assessment of related aspects of their application from Western Power;
 - (c) timelines for the provision of requested information and for the assessment of requests that relate to the provision of SRC; and
 - (d) the name and contact details, provided by Western Power, which must be used when assistance or assessment by Western Power is requested.
- that a request for assistance or assessment to Western Power by those applying to provide Eligible Services or AEMO must:
 - (a) be in writing and addressed to the person nominated by Western Power in the WEM Procedure;
 - (b) allow sufficient time to enable Western Power to make the requested assessment in accordance with the timelines set out in the Procedure; and
 - (c) contain sufficient information and analysis as prescribed under the WEM Procedure.

Summary of stakeholder feedback

Stakeholders supported the proposal as drafted, with one stakeholder suggesting that, while the procedure should provide contact details for Western Power, this should not include the name of a contact person, as this may change frequently.

Review Outcome 5

Following consideration of the stakeholder responses, the Coordinator recommended that the Minister makes WEM Amending Rules to:

- provide for AEMO to publish instructions on the information that must be included in a request for a proposal to be assessed by Western Power;
- Include a requirement to provide guidance on expected response times when information or assessment is requested of Western Power.

These improvements were introduced through amendments to clause 4.24.18 of the WEM Rules and also implement the above improvements under Decision 4. These amendments will commence on 1 July 2023.

Assessment against WEM Objectives

The Coordinator considers that, in conjunction with other information enhancing proposals, these changes better achieve the WEM Objectives 1.2.1(a), (b), (c) and (d) and is consistent with WEM Objective (e).

Clarifying the process and managing the expectations of all parties in the supplementary capacity process supports the operation of an efficient and effective procurement process by increasing

information flows and providing both the participants and AEMO with improved capacity to deliver mutually beneficial outcomes.

3.5 Proponent readiness and submission quality

Stakeholder feedback identified that there may have been SRC submissions made by potential SRC service providers, which were lacking in detail and clarity. This included the technical readiness of the proposed services, and the commercial maturity and capacity of the proponent to deliver on the commitments of an SRC contract.

EPWA also observed that the tender pre-qualification questions, and tender assessment process, gave limited regard to supplier readiness, and the technical and / or commercial viability of the SRC services proposed.

This may have contributed to some of the issues and concerns of some proponents regarding the timeliness of Western Power's response, and its ability to meet the deadlines imposed on it by the SRC process.

Stakeholder feedback noted that AEMO's tender assessment criteria were limited to a series of self-assessed pre-qualification questions, as well as offered volume and price. There are, however, other service quality-related aspects of a contract for provision of SRC, which are material to the achievement of the outcomes of the SRC process and the WEM Objectives more broadly.

Proposals in the Consultation Paper

The Consultation Paper indicated that, while the proposed EOI process would help to resolve some of these issues, EPWA was considering whether to amend the WEM Rules to introduce additional qualitative assessment criteria to ensure that tender submissions are of sufficient quality and maturity. EPWA sought feedback on whether such changes were necessary. In particular, whether the WEM Rules should specify:

- the level of certainty regarding access to the network required for an Eligible Service; and
- the level of compliance with the Technical Rules required for an Eligible Service.

Summary of stakeholder feedback

Feedback on this matter was mixed across the submission. Western Power supported the introduction of minimum standards as part of the criteria.

Other stakeholders were less convinced regarding the need for a defined criteria, and considered that this could be addressed through existing mechanisms (such as the Technical Rules and Generation Performance Standards). The concern was that such criteria would increase the rigidity of the process and reduce the pool of potential service providers.

This was also reflected in the TDOWG discussion, in which stakeholders agreed on the need for minimum standards to apply to supplementary capacity, but considered that existing mechanisms could adequately address this need.

Review Outcome 6

Following consideration of the stakeholder responses, the Coordinator has decided that a rule change is not required at this time.

However, the Coordinator acknowledges the mixed stakeholder views on this issue, and that the compressed timeline associated with Stage 1 of the Review has not allowed for extensive consideration of this matter. The Coordinator will further assess this matter, and the need for changes to the WEM Rules, during Stage 2 of the SRC Review.

3.6 Activation notice period

EPWA understands that the maximum notice period specified in the 2022 SRC process was nine hours. The WEM Rules currently do not provide guidance on the length of the notice period for activation of SRC services.

EPWA considered that market conditions can change significantly over nine hours, which would make it difficult for AEMO to forecast with certainty the need to activate SRC services. This may lead to perverse market outcomes and higher costs to the market.

Proposals in the Consultation Paper

EPWA proposed amendments to the WEM Rules to require that the length of the notice period for activation of Eligible Services is, to the extent practicable, aligned with the length of the notice period for activation for equivalent type of services under the WEM Rules (e.g. Demand Side Programmes).

Summary of stakeholder feedback

Stakeholders acknowledged that reducing the length of the service activation notice period, to the extent practical, was in the interests of market efficiency. However, there was general disagreement on the mechanism to achieve this.

AEMO raised concerns that the reference to “equivalent services under the WEM Rules” in the proposed Amending Rules would be difficult to apply. Two stakeholder considered that limiting the notice period to two hours to align with the notice period for Demand Side would be too strict and would exclude a range of services.

The feedback suggested that there was a need to consider a flexible approach for setting the activation notice periods to ensure otherwise suitable services are not excluded, noting a blanket “maximum hours rule” was not the best way to achieve this.

Review Outcome 7

Following consideration of the stakeholder responses, the Coordinator decided to recommend that the Minister makes WEM Amending Rules to:

- introduce guidance that the notice period specified in an Supplementary Capacity contract should be aligned, to the extent practicable and considering the characteristics of the facility providing the service, with the notice period for similar facilities under the WEM Rules.

The change addressed the issues raised by stakeholders and reflected the intent of the initial proposal to provide guidance to supplementary capacity providers and AEMO while still allowing for negotiation of individual notice periods to reflect a Facility’s unique characteristics.

The improvements were introduced through a new clause 4.24.14A of the WEM Rules.

Assessment against WEM Objectives

The Coordinator considers that the change will better achieve WEM Objectives 1.2.1(a) and (d), and is consistent with WEM Objectives 1.2.1(b), (c) and (e).

A lack of specification on notice periods in the WEM Rules, and the way this was addressed through a maximum notice period in the 2022 SRC process, may result in an inefficient market outcome by creating a need for AEMO to pre-emptively and / or prematurely activate supplementary capacity. The rule change provides a mechanism to avoid inefficient activation notice periods.

3.7 Other proposed changes

3.7.1 Definition of Eligible Services

Proposals in the Consultation Paper

EPWA proposed to replace “generation” with “production” of electricity throughout section 4.24 of the WEM Rules to ensure Electric Storage Resources are not prevented from offering “Eligible Services”.

Summary of stakeholder feedback

Stakeholders were supportive of this change and agreed with the reasons for it outlined in the Consultation Paper. One stakeholder raised concerns that the use of the term “production” could preclude idle Electric Storage Resources or Distributed Energy Resources from participating.

Review Outcome 8

Following consideration of the stakeholder responses, the Coordinator decided to recommend that the Minister makes WEM Amending Rules to:

- Change the definition of Eligible Services to remove reference to ‘electricity generation’ and replace this with ‘electricity production’.

The improvements were introduced through amendments to clauses 4.24.3 and 4.24.13 of the WEM Rules.

The Coordinator considered that further changes to the term Eligible Services were not required. The current provisions, as amended, would allow load reduction services to provide supplementary capacity.

Assessment against WEM Objectives

The Coordinator considers that the changes will better achieve WEM Objectives 1.2.1(a), (b), (c), (d) and (e).

Ensuring that all technology types can be contracted to provide supplementary capacity would have a positive impact on cost, emission reduction objectives and reliability of supply.

3.7.2 Changes for clarity and consistency

Proposals in the Consultation Paper

EPWA proposed a number of other changes to improve clarity and consistency, and avoid ambiguity in the current provisions in section 4.24, including changes to the definition of Eligible Services in clause 2.24.3.

Summary of stakeholder feedback

Stakeholders were generally supportive of the proposed changes and provided some suggestions for further improvements.

Review Outcome 9

The Coordinator decided to recommend that the Minister makes WEM Amending Rules to improve clarity and consistency and avoid ambiguity.

The improvements were introduced through amendments to clauses 4.24.1, 4.24.3(a), 4.24.3(b), 4.24.3(c), 4.24.11, 4.24.11A (new), and 4.24.19 of the WEM Rules.

Appendix A. Issues Raised in Submissions

Proposed Change	Clause	Submitter	Submitter Feedback/Suggestions	Response to Feedback
Proposed improvements to the process timeline				
<p>PROPOSAL 1</p> <p>EPWA proposes to provide AEMO with the discretion to run a non-binding Expressions of Interest (EOI) process for SRC at any time from 1 April in any year, if it becomes aware of a potential risk that, if eventuating, could require an SRC procurement process.</p>	4.24.1A (new)	Perth Energy	Supportive	
		Western Power	Supportive	
		AEMO	Supportive	
		Synergy	No comment	
		Enel X	Supportive, however Enel X notes an EOI cannot be a substitute for concluding contracting a reasonable time ahead of the Hot Season.	EPWA notes that the proposed change does not change the requirement for a subsequent SRC procurement processes.
		Collgar	Supportive	
	Shell Energy	Shell Energy do not support that tan EOI process for SRC is undertaken every year and considers it should be limited to years when it is determined that there is a high probability of requiring SRC. Shell Energy encourages EPWA and AEMO to consider alternative options to improve the SRC procurement process.	EPWA notes that the proposal provides that AEMO should only call for EOI if it considers it is likely that SRC will need to be procured later.	
	4.24.1B (new)	Perth Energy	Supportive	
		Western Power	No comment	
		AEMO	Supportive	
Synergy		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 for the call for tenders (in clause 4.24.6).	EPWA considers that the time allowed to respond to a call for EOI will depend on when a potential risk is identified by AEMO and should be set at AEMO's discretion.	

Proposed Change	Clause	Submitter	Submitter Feedback/Suggestions	Response to Feedback
			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. Synergy provided drafting suggestions (see Synergy's submission for details).	EPWA also notes that the final decision is to not implement the shortlisting of services in the proposed EOI process and to not limit participation in an SRC tender process to services offered in the EOI process. Therefore, it is not necessary to specify the time allowed to respond to a call for EOI in the WEM Rules.
		Enel X	Supportive	
		Collgar	Supportive	
		Shell	No comment	
PROPOSAL 1 EPWA proposes to require AEMO to assess all responses to the EOI call and prepare a shortlist that includes all potential services that AEMO considers will likely meet the SRC requirements if an SRC tender is subsequently initiated by AEMO.	4.24.1C (new)	Perth Energy	Supportive	
		Western Power	Western Power are supportive of a shortlist approach, and being involved in the shortlist process to influence outcomes when Western Power is a key stakeholder. We suggest this (Western Power's involvement) is incorporated as an additional bullet point in 4.24.1C	The final decision is that the shortlisting provisions will not be implemented. However, further amendments have been made to clause 4.24.1C to provide a formal role for Western Power in the assessment of responses to a call for EOI.
		AEMO	Supportive	
		Synergy	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. Synergy provided drafting suggestions (see Synergy's submission for details).	The final decision is to not implement the shortlisting of services in the EOI process and to not limit participation in a subsequent SRC tender process to services offered in the EOI process.
		Enel X	Supportive	

Proposed Change	Clause	Submitter	Submitter Feedback/Suggestions	Response to Feedback
		Collgar	In order to avoid wasting valuable resources on preparing proposals that have a low chance of approval, it is proposed that AEMO provide preliminary feedback on the likelihood of a project being approved. This feedback can help guide project proponents in refining their proposals or identifying alternative solutions, ultimately leading to a more efficient and effective process for all involved.	Further amendments have been made to clause 4.24.1C to require AEMO to provide feedback on all responses to a call for EOI.
		Shell	Shell Energy do not support a shortlist via an EOI process for SRC to be undertaken every year as we believe this should be required only if it is determined that there is a high probability of requiring SRC in the forward year.	See above.
PROPOSAL 1 EPWA proposes 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.	4.24.8(aA) (new)	Perth Energy	For this reason, Perth Energy suggests that AEMO should have the right to call tenders only from the EOI shortlist but not be obligated to do so. Perth Energy provided alternative drafting.	See above
		Western Power	Supportive	
		AEMO	Supportive	
		Synergy	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.	See above
		Enel X	Supportive	
		Collgar	Supportive	
		Shell	No comment	

Proposed Change	Clause	Submitter	Submitter Feedback/Suggestions	Response to Feedback
Proposed improvements to the contracts for SRC Services				
<p>PROPOSAL 2</p> <p>EPWA proposes to amend the WEM Rules to:</p> <ul style="list-style-type: none"> require AEMO to develop and publish a non-negotiable Standard Form of Contract, that contains the general terms and conditions of the contracts; and allow for the negotiation of specific terms and conditions for limited aspects of the Standard Form Contract, including prices, of individual contracts. 	4.24.14	Perth Energy	Supportive	
		Western Power	No comment	
		AEMO	Supportive	
		Synergy	<p>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 seem to consider Distributed Energy Resources and unmetered assets and how these types of services may differ to offer potential service provides. 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. Synergy provided alternative drafting (see Synergy’s submission for details).</p>	<p>Clause 4.24.14 is further amended to require that AEMO consults with stakeholders when developing the Standard Form Contract.</p>
		Enel X	Support an improved SRC contract structure with clear demarcation between negotiable and non-negotiable elements. Enel X would be	

Proposed Change	Clause	Submitter	Submitter Feedback/Suggestions	Response to Feedback
			willing to engage in the wider industry review of the new SRC contract structure.	
		Collgar	Supportive	
		Shell	No comment	
PROPOSAL 3 EPWA proposes that the maximum duration of contracts for SRC be extended to the current definition of the Hot Season, as defined in Chapter 11 of the WEM Rules), i.e. ~16 weeks.	4.24.13	Perth Energy	Extending the contracting period to cover the whole of the Hot Season, as recommended in Proposal 3, addresses the perceived problem of a misalignment between the contracting term and the hot season. Again, noting the extensive closures scheduled for the coming years, the remaining providers may not be able to individually meet the full commitment of the Hot Season. If this period is too long for some providers, which would exclude them from offering the provision of service, consideration could be given to accepting proposals for entities that can only offer supplementary capacity for a shorter period, as these partial offers may be grouped to meet the proposed period and / or if insufficient “full term” capacity is offered.	Clause 4.24.13 has been further amended to remove any perception that contract terms will always have to cover the entire Hot Season.
		Western Power	No comment	
		AEMO	Supportive	
		Synergy	Supportive	
		Enel X	Supportive	
		Collgar	Supportive	
		Shell	Supportive	
Proposed improvements to specifying Western Power’s role in the SRC process				
PROPOSAL 4		Perth Energy	Supportive	

Proposed Change	Clause	Submitter	Submitter Feedback/Suggestions	Response to Feedback
EPWA proposes to amend the WEM Rules to provide for a formal role of Western Power to support the SRC procurement process.	4.24.18A (new)	Western Power	It would be helpful for the WEM Procedure to identify the requirements on Western Power on the information and assistance participants requires [sic] from Western Power, including timeframes.	Clause 4.24.18A has been further amended to address Western Power's concern.
		AEMO	Supportive	
		Synergy	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.	EPWA considers that it is important that Western Power and AEMO cooperate fully to ensure any supplementary capacity is provided at the lowest possible cost and on the most efficient basis.
		Enel X	No comment	
		Collgar	<p>To increase efficiency and reduce the burden on project proponents, it is recommended that a process be established to exempt certain projects from full Western Power modelling requirements when only minor changes are made to a facility. This exemption would apply to projects that do not significantly impact the overall facility performance or the interconnected power system. By implementing this exemption process, resources can be allocated more effectively, and project development timelines can be reduced.</p> <p>To expedite the proposal process for SRC projects, it is suggested that the Application and Queuing Policy be relaxed specifically for these types of proposals. This relaxation could include measures such as reduced waiting periods, streamlined application requirements, or prioritization of SRC proposals in the queue. This policy adjustment would help accelerate the</p>	It is beyond scope of the SRC Provisions to address Western Power's network connection processes more generally.

Proposed Change	Clause	Submitter	Submitter Feedback/Suggestions	Response to Feedback
			development and implementation of critical SRC projects, ensuring a more resilient power system.	
		Shell	No comment	
Proposed improvements to the SRC WEM Procedure				
<p>PROPOSAL 5 EPWA proposes to add the following to the relevant WEM Procedure making heads of power that the WEM Procedure documented under clause 4.24.18 must also provide:</p> <p>(a) requirements regarding the information and assistance AEMO requires from Western Power;</p> <p>(b) requirements, developed in consultation with Western Power, on the information that must be provided by those applying to provide Eligible Services, who request assessment of related aspects of their application from Western Power;</p> <p>(c) timelines for the provision of requested information and for the assessment of requests</p>	4.24.18	Perth Energy	Supportive	
		Western Power	Name is not a required field in the information made available to respondents as it will often be an email inbox as the primary contact.	Clause 4.24.18 has been further amended to address Western Power's concern.
		AEMO	Supportive	
		Synergy	Supportive	
		Enel X	No comment	
		Collgar	Supportive	
		Shell	No comment	
	4.24.18A (new)	Perth Energy	Supportive	
		Western Power	No comment	
		AEMO	Supportive	
		Synergy	Supportive	
		Enel X	No comment	
		Collgar	Supportive	
		Shell	No comment	

Proposed Change	Clause	Submitter	Submitter Feedback/Suggestions	Response to Feedback
that relate to the provision of SRC; and (d) the name and contact details, provided by Western Power, which must be used when assistance or assessment by Western Power is requested.				
<p>PROPOSAL 5 EPWA proposes to add the following to the relevant WEM Procedure making heads of power that a request for assistance or assessment to Western Power by those applying to provide Eligible Services or AEMO must:</p> <p>(a) be in writing and addressed to the person nominated by Western Power in the WEM Procedure;</p> <p>(b) allow sufficient time to enable Western Power to make the requested assessment in accordance with the timelines set out in the Procedure; and</p> <p>(c) contain sufficient information and analysis as prescribed under the WEM Procedure.</p>	4.24.18B (new)	Perth Energy	Supportive	
		Western Power	No comment	
		AEMO	Supportive	
		Synergy	Supportive	
		Enel X	No comment	
		Collgar	Supportive	
		Shell	No comment	
	4.24.18C (new)	Perth Energy	Supportive	
		Western Power	No comment	
		AEMO	Supportive	
		Synergy	Supportive	
		Enel X	No comment	
		Collgar	Supportive	
		Shell	No comment	

Proposed Change	Clause	Submitter	Submitter Feedback/Suggestions	Response to Feedback
Proposed improvements to the proponent redness and submissions quality				
<p>PROPOSAL 6 EPWA is considering whether to amend the WEM Rules to introduce additional qualitative assessment criteria to ensure that tender submissions are of sufficient quality and maturity. In particular, whether the WEM Rules should specify:</p> <ul style="list-style-type: none"> • the level of certainty regarding access to the network required for an Eligible Service; and • the level of compliance with the Technical Rules required for an Eligible Service. 	n/a	Perth Energy	No comment	
		Western Power	Western Power supports the introduction of network access certainty, level of compliance to Technical Rules, and meeting Minimum Generation Performance Standards, as criteria for the tender assessment. Western Power welcomes being part of the process to either define the criteria or have direct input into the process to influence outcomes where Western Power is a key stakeholder.	See section 3.6 of this Information Paper.
		AEMO	Supportive	
		Synergy	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.	See section 3.6 of this Information Paper.
		Enel X	Supportive	
Collgar	Collgar understand the importance of ensuring that proposals submitted for assessment possess an adequate level of detail and quality. However, increasing the rigidity of the WEM Rules might not guarantee improved market outcomes. Instead, it may be more suitable for AEMO to undertake a thorough quality review when evaluating EOI proposals. Since network access might not be established before a proposal is submitted, the rules should offer flexibility in considering the project's likelihood of initiation. Collgar supports the possibility of relaxing	See section 3.6 of this Information Paper.		

Proposed Change	Clause	Submitter	Submitter Feedback/Suggestions	Response to Feedback
			compliance levels with technical rules, where feasible.	
		Shell	No comment	
<p>PROPOSAL 7 EPWA proposes to amend the WEM Rules to require that the length of the notice period for activation of Eligible Services is, to the extent practicable, aligned with the length of the notice period for activation for equivalent type of services under the WEM Rules (e.g. Demand Side Programmes).</p>	4.24.13	Perth Energy	Supportive	
		Western Power	No comment	
		AEMO	<p>AEMO considers that the use of the phrase 'equivalent services under the WEM Rules' creates uncertainty and may be difficult to apply in practice, as it may not be clear which services under the WEM Rules are deemed to be equivalent to each of the types of Eligible Services in clause 4.24.3.</p> <p>Further, reducing the notification time for load reduction SRC measures to align with Demand Side Programme notification (assuming they are deemed to be equivalent) may reduce SRC deployment by ruling out potential SRC providers that are unable to implement load reduction measures with a 2-hour notification time.</p> <p>AEMO acknowledges Energy Policy WA's concerns that a 9-hour notification period may result in sub-optimal outcomes with regards to procurement and deployment of SRC.</p> <p>AEMO's preference is to remove reference to 'equivalent types of services' and work with Energy Policy WA on determining an appropriate notification time for SRC Eligible Services that balances these issues, with input from industry.</p>	Clause 4.24.13 has been further amended to address AEMO's concern.
		Synergy	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	Clause 4.24.13 has been further amended to address Synergy's concern.

Proposed Change	Clause	Submitter	Submitter Feedback/Suggestions	Response to Feedback
			<p>from the SRC process. Synergy notes that a 2-hour notification period is unlikely to be sufficient:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>	
		Synergy	Supportive	
		Enel X	Supportive	
		Collgar	No comment	
		Shell	No comment	
Other proposed Changes – Minor amendments				
PROPOSAL 8		Perth Energy	Supportive	
		Western Power	No comment	

Proposed Change	Clause	Submitter	Submitter Feedback/Suggestions	Response to Feedback
EPWA also proposes to replace “generation” with “production” of electricity throughout section 4.24 of the WEM Rules to ensure Electric Storage Resources are not prevented from offering “Eligible Services”.	4.24.3	AEMO	Supportive	EPWA considers that the Amending Rules, as currently drafted, will allow ESR and DER facilities to provide a SRC services. See section 3.8 of this Information Paper.
		Synergy	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)?	
		Enel X	No comment	
		Collgar	Supportive	
		Shell	No comment	
PROPOSAL 9 EPWA also proposes a number of other changes to improve clarity and consistency, and avoid ambiguity in the current provisions in section 4.24, including changes to the definition of Eligible Services in clause 2.24.3.	4.24.1	Perth Energy	Supportive	
		Western Power	No comment	
		AEMO	Supportive	
		Synergy	Supportive	
		Enel X	No comment	
		Collgar	Supportive	
		Shell	No comment	
	4.24.3(a)	Perth Energy	Supportive	
		Western Power	No comment	
		AEMO	Supportive	
		Synergy	Supportive	
		Enel X	No comment	
		Collgar	Supportive	
		Shell	No comment	

Proposed Change	Clause	Submitter	Submitter Feedback/Suggestions	Response to Feedback
	4.24.3(b)	Perth Energy	Supportive	
		Western Power	No comment	
		AEMO	Supportive	
		Synergy	Supportive	
		Enel X	No comment	
		Collgar	Supportive	
		Shell	No comment	
	4.24.3(c)	Perth Energy	Supportive	
		Western Power	No comment	
		AEMO	Supportive	
		Synergy	Supportive	
		Enel X	No comment	
		Collgar	Supportive	
		Shell	No comment	
	4.24.11	Perth Energy	Supportive	
		Western Power	No comment	
		AEMO	Supportive	
		Synergy	Supportive	
		Enel X	No comment	
		Collgar	Supportive	
		Shell	No comment	
4.24.11A (new)	Perth Energy	Supportive		
	Western Power	No comment		
	AEMO	Supportive		

Proposed Change	Clause	Submitter	Submitter Feedback/Suggestions	Response to Feedback
		Synergy	Supportive	
		Enel X	No comment	
		Collgar	Supportive	
		Shell	No comment	
	4.24.19	Perth Energy	Supportive	
		Western Power	No comment	
		AEMO	Supportive	
		Synergy	Supportive	
		Enel X	No comment	
		Collgar	Supportive	
		Shell	No comment	

Appendix B. Proposed WEM Rule changes

EPWA proposes the following Amending Rules to implement the changes proposed in Section 3 of this Consultation Paper (~~deleted text~~, added text):

- 4.24.1. If, at any time after the day which is six months before the start of a Capacity Year AEMO considers that, ~~in its opinion~~, inadequate Reserve Capacity will be available in the SWIS to maintain Power System Security and Power System Reliability, using the most recent published forecasts and the methodology outlined in clauses 4.5.9(a) and 4.5.9(b) and any other information AEMO considers relevant, then it must:
- (a) determine the expected start and end dates for the period of the shortfall;
 - (b) determine the expected amount of the shortfall; and
 - (c) seek to acquire supplementary capacity in accordance with clause 4.24.2.

4.24.1A. Without limiting clause 4.24.1, if, at any time after the day which is six months before the start of a Capacity Year AEMO considers that there is a risk that adequate Reserve Capacity may not be available in the SWIS to maintain Power System Security and Power System Reliability, then it may advertise a call for expressions of interest for supplementary capacity by publishing a notice on the WEM Website and issuing a Market Advisory.

4.24.1B. A notice calling for expressions of interest for supplementary capacity in accordance with clause 4.24.1A must include:

- (a) the date and time by when any person wishing to respond to the call for expressions of interest must have completed and lodged with AEMO the form specified in clause 4.24.1B(i);
- (b) contact details for AEMO and Western Power;
- (c) AEMO's preliminary estimate of the amount of capacity which AEMO considers may be required if AEMO decides to seek to acquire supplementary capacity pursuant to clause 4.24.1;
- (d) AEMO's preliminary estimate of the number of hours over which the capacity is expected to be used;
- (e) AEMO's preliminary estimate of the time of the day where the capacity is expected to be required;
- (f) AEMO's preliminary estimate of the term of any Supplementary Capacity Contract if AEMO decides to seek to acquire supplementary capacity pursuant to clause 4.24.1;
- (g) AEMO's preliminary estimate of the maximum contract value per hour of availability for any Supplementary Capacity Contract that AEMO will accept if AEMO decides to seek to acquire supplementary capacity pursuant to clause 4.24.1;
- (h) the location on the WEM Website of the standard Supplementary Capacity Contract;

- (i) the location on the WEM Website of the form to be used in responding to the call for expressions of interest; and
- (j) the location on the WEM Website of the WEM Procedure referred to in clause 4.24.18.

4.24.1C. Following the close of a call for expressions of interest for supplementary capacity in accordance with clause 4.24.1A, AEMO:

- (a) must assess all responses received by the closing date, and may assess any late responses;
- (b) must consult with Western Power on any network access matters related to the proposed Eligible Services specified in the responses in accordance with the WEM Procedure referred to in clause.4.24.18; and
- (c) must, for each response assessed by it, provide feedback to each respondent on whether AEMO or Western Power, as applicable, consider the Eligible Services they propose to provide would be capable of meeting the requirements outlined in the call for expressions of interest and contained in the standard Supplementary Capacity Contract.

4.24.2. If AEMO decides to seek to acquire supplementary capacity and:

- (a) the expected start date of the shortfall is at least 12 weeks from the date AEMO becomes aware of the shortfall, then it must call for tenders from potential suppliers of supplementary capacity in an invitation to tender;
- (b) clause 4.24.2(a) does not apply, then it must either:
 - i. call for tenders from potential suppliers of supplementary capacity in an invitation to tender; or
 - ii. negotiate directly with potential suppliers of supplementary capacity.

4.24.3. The only eligible sources of supplementary capacity are the following services (“**Eligible Services**”):

- (a) load reduction, that is measures to reduce a consumer’s consumption of electricity supplied through the SWIS from that which the consumer would have otherwise consumed, but excluding ~~reductions associated with the operation of Registered Facilities (including registered Loads) and~~ reductions provided by a Market Participant with a Demand Side Programme that does not satisfy its Reserve Capacity Obligations ~~forduring~~ the current Reserve Capacity YearCycle or a previous Capacity Year~~in accordance with clause 4.8.3(d) at the time AEMO seeks to acquire supplementary capacity;~~
- (b) the generation production of electricity by Energy Producing Systems that are not Registered Facilities; and
- (c) the generation production of electricity by Energy Producing Systems that are Registered Facilities, or load reductions provided by loads, but only to the extent that the electricity is generated, or the load reduction is provided, by capacity for which the relevant Market Participant, either:

- i. does not hold Capacity Credits in the current ~~Reserve~~-Capacity ~~CycleYear~~; and
- ii. has not held Capacity Credits in the current ~~Reserve~~-Capacity ~~CycleYear~~ or a previous ~~Reserve~~-Capacity ~~CycleYear~~; and
- iii. holds Capacity Credits in a subsequent ~~Reserve~~ Capacity ~~CycleYear~~,
or
- iv. provides evidence satisfactory to AEMO, prior to a Supplementary Capacity Contract taking effect, that:
 1. costs have been incurred to enable the provision of the capacity through the installation of physical equipment; and
 2. the capacity is in addition to the sent out capacity of the Energy Producing Systems, or the maximum amount of load that can be curtailed, that existed prior to the installation of the physical equipment.

4.24.4. A person is not required to be a Rule Participant in order to submit a tender in response to a call for tenders under clause 4.24.2 or enter into a Supplementary Capacity Contract with AEMO. ~~However~~, if a Rule Participant does enter into a Supplementary Capacity Contract with AEMO, then it must comply with that contract.

4.24.5. AEMO must not call for tenders for supplementary capacity earlier than six calendar months prior to the calendar month in which the shortfall period is expected to start.

4.24.6. If AEMO decides to call for tenders for supplementary capacity, then, no earlier than 30 Business Days and no later than 10 Business Days prior to the proposed closing date for submission of tenders, AEMO must advertise the call for tenders in accordance with clause 4.24.6A. ~~The advertisement must include:~~

- (a) the date and time ~~at which by when~~ any person wishing to tender to supply Eligible Services must have completed and lodged with AEMO the form specified in clause 4.24.7;
- (b) contact details for AEMO ~~and Western Power~~;
- (c) the amount of capacity required;
- (d) the number of hours over which the capacity is expected to be used;
- (e) the time of the day where the capacity is expected to be required;
- (f) the expected term of any Supplementary Capacity Contracts entered into as a result of the call for tenders;
- (g) the maximum contract value per hour of availability for any Supplementary Capacity Contract that AEMO will accept;
- (h) the location ~~on the WEM Website of copies of~~ the standard Supplementary Capacity Contracts ~~on the WEM Website~~; and

- (i) the location on the WEM Website of the tender form to be used in applying to provide Eligible Services.

4.24.6A. In advertising the call for tenders in accordance with clause 4.24.6, AEMO must:

- (a) publish a notice on the WEM Website;
- (b) publish a notice on at least one major tender portal; and
- (c) issue a Market Advisory.

4.24.7. AEMO must prescribe the tender form to be used by those applying to provide Eligible Services. -This form must require the specification of:

- (a) the name and contact details of the applicant;
- (b) the nature of the Eligible Service to be provided;
- (c) the amount of the Eligible Service available;
- (d) the maximum number of hours over the term of the Supplementary Capacity Contract that the Eligible Service will be available;
- (e) the maximum number of hours on each day during the term of the Supplementary Capacity Contract that the Eligible Service will be available;
- (f) the time of each day during the term of the Supplementary Capacity Contract that the Eligible Service will be available;
- (g) any information required to complete the relevant standard form Supplementary Capacity Contract for the Eligible Service and the applicant, together with full details of any amendments to the standard form Supplementary Capacity Contract required by the applicant;
- (h) the mechanism for activating the Eligible Service;
- (i) the mechanisms available for measuring the Eligible Service provided;
- (j) the values of
 - i. the availability price for the Eligible Service expressed in dollars; and
 - ii. the activation price for the Eligible Service, expressed in dollars per hour of activation, where this price must reflect direct or opportunity costs incurred,

where the activation price plus:

- iii. the availability price; divided by
- iv. the lesser of:
 - 1. the number of hours specified in the advertisement for the call for tenders under clause 4.24.6(d); and
 - 2. the number of hours specified for the Eligible Service in accordance with clause 4.24.7(d),

must not exceed the maximum contract value per hour of availability specified in the advertisement for the call for tenders under clause 4.24.6(g); and

- (k) the location of the Eligible Service and any associated Transmission Node Identifier.

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;
- (b) AEMO must not accept an offer for the provision of an Eligible Service if AEMO is not satisfied that the Eligible Service will be available during times of system peak demand coinciding with the shortfall period;
- (c) subject to the preceding paragraphs and clause 4.24.9, AEMO is to seek to enter into the lowest cost mix of Supplementary Capacity Contracts that:
 - i. will meet the requirement for supplementary capacity; or
 - ii. will, if it is not possible to meet requirement for supplementary capacity, minimise the remaining Reserve Capacity shortfall,

where the cost of each Supplementary Capacity Contract is to be defined to be the sum of:

- iii. the availability price; plus
- iv. the product of the activation price and the lesser of:
 - 1. the number of hours specified in the advertisement for the call for tenders under clause 4.24.6(d); and
 - 2. the number of hours specified for the Eligible Service in the relevant tender form in accordance with clause 4.24.7(d); and
- (d) AEMO must be reasonably satisfied that the provider of the Eligible Service has access to a network, where applicable.

4.24.9. AEMO is not under any obligation to accept any tender, or enter into a Supplementary Capacity Contract in respect of any tender, made in response to a call for tenders under clause 4.24.2.

4.24.10. If AEMO negotiates directly with a potential supplier of Eligible Services in accordance with clause 4.24.2(b)(ii), then it must provide the following information to the potential supplier:

- (a) the amount of capacity required;
- (b) the relevant standard form Supplementary Capacity Contract; and
- (c) details of the information to be provided by the potential supplier, including:
 - i. the amount of the Eligible Service available;
 - ii. the mechanism for activating the Eligible Service;
 - iii. the mechanisms available for measuring the Eligible Service provided;
 - iv. the availability price for the Eligible Service expressed in dollars;

- v. the activation price for the Eligible Service, expressed in dollars per hour of activation, where this price must reflect direct or opportunity costs incurred; and
- vi. the location of the Eligible Service and any associated Transmission Node Identifier.

4.24.11. Subject to ~~clause clauses~~ 4.24.3, 4.24.11A and 4.24.14, AEMO may at its discretion enter into any negotiated Supplementary Capacity Contract, but must ~~employ use~~ reasonable endeavours to minimise the cost of Eligible Services acquired in this manner.

4.24.11A. Where AEMO has issued a call for tenders under clauses 4.24.2(a) or 4.24.2(b)(i), AEMO must not enter into negotiations for a negotiated Supplementary Capacity Contract under clause 4.24.11 before the completion of the tender, including, to avoid doubt, assessment of all in-time responses received by AEMO in response to the tender.

4.24.12. AEMO must, in consultation with stakeholders, develop and maintain a standard form Supplementary Capacity Contract, which accords with the requirements in clause 4.24.13.

4.24.13. A standard form Supplementary Capacity Contract will require the supplier of an Eligible Service to reduce net consumption, or to increase generation energy production, on instruction from AEMO and must specify:

- (a) that there are no force majeure conditions;
- (b) the settlement process to be followed, including timing of payments;
- (c) contract variation conditions;
- (d) any conditions required to ensure that if a different person takes over the facility used to provide the Eligible Service, that the person taking over will be bound by the contract obligations (for example, by requiring the execution of a deed of assumption or novation);
- (e) the financial consequences of failing to supply the Eligible Service in accordance with the contract, based on the arrangements which apply under section 4.26 where a Market Participant holding Capacity Credits for a Facility fails to comply with its Reserve Capacity Obligations;
- (f) [Blank]
- (g) the technical standards and verification arrangements which facilities used to provide Eligible Services must comply with; and
- (h) blank schedules specifying:
 - i. the term of the Supplementary Capacity Contract, where this term ~~is not to exceed 12 weeks~~ is not to exceed, but may be shorter than, the Hot Season;
 - ii. the sources of the net consumption reduction or generation energy production increase;

- iii. the amount of net consumption reduction or ~~generation~~ energy production increase required;
- iv. the notification time to be given for activation;
- v. the method of notification of activation;
- vi. the minimum duration of any activation;
- vii. the maximum duration of any single activation;
- viii. any limits on the number of times AEMO can request activation;
- ix. the basis to be used for measuring the response;
- x. the availability price;
- xi. the activation price;
- xii. technical matters relating to the facility (including testing); and
- xiii. the fact that activation instructions will be given by AEMO.

4.24.14. AEMO must enter into a Supplementary Capacity Contract in the form of the standard form Supplementary Capacity Contract, except where AEMO considers that one or more variations are reasonably required, having regard to the specific characteristics of the facility providing the supplementary capacity and to any other matter that AEMO considers appropriate, then AEMO may enter into a Supplementary Capacity Contract containing such variations.

4.24.14A. The notification time for activation specified in a Supplementary Capacity Contract must be aligned, to the extent practicable and considering the characteristics of the facility providing the Eligible Service, with the notification time applicable to a similar type of facility providing a similar service under the WEM Rules.

~~4.24.14. Despite the existence of the standard form Supplementary Capacity Contract, AEMO may enter into Supplementary Capacity Contracts in any form it considers appropriate.~~

4.24.15. AEMO must recover the full cost it incurs in respect of Supplementary Capacity Contracts in accordance with section 4.28 and Chapter 9.

4.24.16. [Blank]

4.24.17. [Blank]

4.24.18. AEMO must document in a WEM Procedure ~~the procedures it follows in:~~

(a) the processes it follows in:

~~(a) acquiring Eligible Services;~~

~~(b) entering into Supplementary Capacity Contracts; and~~

~~(c) determining the maximum contract value per hour of availability for any Supplementary Capacity Contract.~~

i. acquiring Eligible Services;

- ii. entering into Supplementary Capacity Contracts; and
- iii. determining the maximum contract value per hour of availability for any Supplementary Capacity Contract;
- (b) requirements regarding the information and assistance AEMO may require from Western Power to support an expression of interest process or a procurement process for supplementary capacity under this section 4.24;
- (c) requirements, developed in consultation with Western Power, regarding the information that must be provided by those applying to provide Eligible Services, who request assistance or an assessment from Western Power in accordance with clause 4.24.18B;
- (d) timelines, developed in consultation with Western Power where applicable, for the provision of requested information and for assistance or an assessment of requests submitted; and
- (e) contact details for Western Power which must be used by AEMO or those applying to provide Eligible Services when assistance or assessment by Western Power is requested in accordance with clause 4.24.18B.

4.24.18A. Western Power must provide information and respond to requests for assistance or assessment related to the provision of supplementary capacity under this section 4.24 in accordance with the WEM Procedure referred to in clause 4.24.18.

4.24.18B. A request to Western Power for assistance or an assessment by those applying to provide Eligible Services or a request to Western Power by AEMO must:

- (a) be in writing and addressed to the contact nominated by Western Power in the WEM Procedure referred to in clause 4.24.18;
- (b) allow sufficient time to enable Western Power to provide the assistance or make the assessment requested in accordance with the timelines specified under clause 4.24.18(d); and
- (c) contain the information and analysis as may be required under the WEM Procedure referred to in clause 4.24.18.

4.24.19. Following each call for tenders for supplementary capacity or otherwise acquiring Eligible Services, the Coordinator must review the ~~Supplementary Reserve Capacity supplementary capacity~~ provisions of this section 4.24 ~~of the WEM Rules~~ with regard to the Wholesale Market Objectives and must undertake a public consultation process in respect of the outcome of the review.

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Appendix 3: Determination of Network Access Quantities

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Part A No Candidate Fixed Price Facility

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Step 12: For each Availability Class report the capacity shortfall, which indicates the amount to be procured through the ~~Supplementary Reserve Capacity~~ supplementary capacity process in section 4.24.

...

Part B Candidate Fixed Price Facility

...

Step 12: For each Availability Class report the capacity shortfall, which indicates the amount to be procured through the ~~Supplementary Reserve Capacity~~ supplementary capacity process in section 4.24.

...

Energy Policy WA

Level 1, 66 St Georges Terrace, Perth WA 6000

Locked Bag 100, East Perth WA 6892

Telephone: 08 6551 4600

www.energy.wa.gov.au

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