



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

TDOWG Meeting 47

15 March 2023

Working together for a
brighter energy future.

Title: Agenda

9.30am **Introduction**

9.35am **Supplementary Reserve Capacity Review – Process Overview**

9.45am **SRC Review: Stage 1 Consultation Paper – Proposed Improvements**

11.30pm **Meeting closes**

Ground Rules

- 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 no 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 energymarkets@dmirs.wa.gov.au after the meeting.
- If you are having connection/bandwidth issues, you may want to disable the incoming and/or outgoing video.

Review of Supplementary Reserve Capacity Provisions (WEM Rules 4.24) – Stage 1

Dora Guzeleva

Supplementary Reserve Capacity Review – Process Overview

Review Overview

Review Requirement

AEMO called for tender for Supplementary Reserve Capacity (SRC) in September 2022

- The WEM Rules require that after each call for tender for SRC, the Coordinator reviews the SRC provisions

The Coordinator commenced the SRC Review in January 2023 and engaged ACIL Allen to support the review

- Stage 1: Assessment of the effectiveness of the SRC procurement process (February – April)
- Stage 2: Assessment of the performance of the procured SRC services (April – August)

Review Overview

Stakeholder Consultation

In February EPWA engaged with relevant stakeholders through a questionnaire and interviews

- EPWA received substantial feedback from 6 stakeholders plus AEMO and Western Power
- EPWA delayed publication of Consultation Paper by one week to develop draft Amending Rules to address issues raised

In March, EPWA published a Consultation Paper including:

- Issues identified
- Proposed remedies for the issues including proposed Amending Rules

Submissions close on 21 March 2023

EPWA plans to provide the resulting Amending Rules to the Minister by 31 March.

- AEMO can trigger another SRC process as early as 1 April

SRC Review: Stage 1 Consultation Paper – Proposed Improvements

Proposal 1 – Introduction of EOI Process

Issue and proposed improvement

Issue: Time available for the process was too short

- Some potential providers did not participate in the process because of timing
- Not sufficient time to assess needed Network Access options and possible increase of Declared Sent Out Capacity
- Could be exacerbated if AEMO becomes aware of shortfall with less notice

Proposal: Introduce Expression of Interest (EOI) Process

- Allow AEMO to call for EOI from 1 April
- Require AEMO to shortlist services offered through the EOI process if found suitable
- If AEMO calls for tender for Supplementary Reserve Capacity – only services from the shortlist are allowed to participate

Proposal 1 – Introduction of EOI Process

Draft Amending Rules 1

Introduce clause 4.24.1A to allow AEMO to Call for EOI from six months before the start of the Capacity Year if it identifies a potential risk. This provides AEMO with a discretion to call for EOI when it considers that there is some risk it may need to procure SRC at some point in the future. Allowing the EOI process to commence from 1 April allows sufficient time for an EOI process while allowing sufficient certainty about the actual risk to be gained.

4.24.1A. 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.

Proposal 1 – Introduction of EOI Process

Draft Amending Rules 2

Introduce clause 4.24.1B to specify that in its call for EOI AEMO must provide best estimates of the information it would have to provide in a potential tender for SRC as well as contact details for Western Power and the location of the WEM Procedure.

4.24.1B. If AEMO advertises a call for expressions of interest for supplementary capacity in accordance with clause 4.24.1A, the 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) contact details for AEMO and Western Power;
- (c) AEMO's preliminary estimate of the amount of capacity which AEMO considers may be required if the AEMO later decides to seek to acquire supplementary capacity;
- (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 Contracts entered into as a result of a subsequent call for tenders;
- (g) AEMO's preliminary estimate of the maximum contract value per hour of availability for any Supplementary Capacity Contract that AEMO will accept if it decides to seek to acquire supplementary capacity;
- (h) the location of copies of the standard Supplementary Capacity Contracts on the WEM Website;
- (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 published in accordance with clause 4.14.18.

Proposal 1 – Introduction of EOI Process

Draft Amending Rules 3

Introduce clause 4.24.1C to require AEMO to assess responses to EOI and compile a shortlist of services that will be eligible to participate in a tender process if initiated later by AEMO.

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;
- (b) prepare a shortlist of potential services that AEMO expects will be able to meet AEMO's requirements for supplementary capacity; and
- (c) inform all respondents whether their proposed services have been shortlisted.

Proposal 1 – Introduction of EOI Process

Draft Amending Rules 4

Introduce clause 4.24.8(aA) to limit the participation in a tender process to shortlisted services from the EOI process if EOI was called.

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);

Proposal 2 – Contracts for Services: Standard Form Contract

Issue and proposed improvement

Issue: Standard form contract could be improved

- A Standard Form of Contract that requires too many amendments may not be efficient.

Proposal: Provide more specific guidance on the Standard Form of Contract

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

Proposal 2 – Contracts for Services: Standard Form Contract

Draft Amending Rules

Amend clause 4.24.14 to specify that AEMO must contract for SRC using the standard from Supplementary Capacity Contract but providing AEMO discretion to allow variations where AEMO considers it is appropriate.

~~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.~~

4.24.14. AEMO must enter into Supplementary Capacity Contracts in the form of the relevant standard form Supplementary Capacity Contract. AEMO may allow a Supplementary Capacity Contract to vary from the standard form contract where AEMO 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 considers appropriate.

Proposal 3 – Contracts for Services: Maximum Length of Contract

Issue and proposed improvement

Issue: The maximum contract length for SRC is 12 weeks

- This maximum may have been appropriate at the time of implementation.
- EPWA considers that AEMO should be allowed to contract SRC for any length of time during the Hot Season.

Proposal: Align maximum contract length to Hot Season

- 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.

Proposal 3 – Contracts for Services: Maximum Length of Contract

Draft Amending Rules

Amend clause 4.24.13 to allow the maximum contract term to cover any length during the Hot Season

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

(h) blank schedules specifying:

- i. the term of the Supplementary Capacity Contract, where this term ~~is not to exceed 12 weeks~~ must be within the Hot Season;

Proposal 4 – Specifying Western Power’s Role in the SRC Process

Issue and proposed improvement

Issue: Western Power’s role in SRC procurement is not clear

- Western Power, and its information, are critical for an effective SRC procurement process.
- Stakeholders expressed frustration about the processing of requests and lack of escalation pathways.
- The WEM Rules do not specify a role for Western Power for the SRC procurement process.

Proposal: Specify Western Power’s role in SRC procurement

- Provide for formal role of Western Power to support SRC procurement process
- Specify timelines and escalation pathways
- Also addressed through the proposed amendments to the SRC WEM Procedure (as per Proposal 5)

Proposal 5 – The SRC WEM Procedure

Issue and proposed improvement

Issue: The WEM Procedure for SRC Procurement requires improvement

- There was some uncertainty about the procurement process including roles, responsibilities, and timelines.
- A lack of clarity and information in the SRC Procedure created uncertainty during the procurement process.

Proposal: Require AEMO to develop a more comprehensive WEM Procedure

- AEMO to draft a procedure that:
 - further clarifies the SRC procurement process;
 - clarifies the roles and responsibilities of the different parties involved in the process; and
 - specifies timelines for the provision of information and the assessment of requests.
- This proposal complements Proposal 4.

Proposals 4 & 5

Draft Amending Rules 1

Amend clause 4.24.18 to require that the WEM Procedure specifies Western Power's role in the procurement process and timelines for providing information and assessing requests.

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

(a) the process it follows in:

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; and

(b) requirements regarding the information and assistance AEMO requires from Western Power;

(c) requirements, developed in consultation with Western Power, regarding 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;

(d) timelines for the provision of requested information and for the assessment of requests submitted; and

(e) the name and contact details, provided by Western Power, which must be used when assistance or assessment by Western Power is requested.

Proposal 4 & 5

Draft Amending Rules 2

Introduce clauses 4.24.18A to formalise Western Power's role in the procurement process

4.24.18A. Western Power must provide information and respond to requests 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.

Introduce clause 4.24.18B to specify in the WEM Procedure requirements for requests to Western Power during the SRC procurement process.

4.24.18B. 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) enable Western Power to make the requested assessment in accordance with the timelines specified under clause 4.24.18A(d); and
- (c) contain sufficient information and analysis as prescribed under the WEM Procedure.

Proposal 6 – Proponent Readiness and Submission Quality

Issue and proposed improvement

Issue: Offer readiness may have been insufficient in some cases

- Some SRC submissions may have been lacking in detail and clarity.
- Pre-qualification questions gave limited regard to supplier readiness and viability of the offered service.
- This may have contributed to concerns related to Western Power’s assessment of requests.

Proposal: No change at this time

- EOI process should help address this issue.
- EPWA is considering whether to specify additional qualitative assessment criteria to ensure that tender submissions are of sufficient quality and maturity. EPWA is seeking feedback on whether such changes are 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.

Proposal 7 – Activation Notice Period

Issue and proposed improvement

Issue: Mismatch in activation notice periods

- The maximum activation notice period for services procured was nine hours.
- Market conditions can change significantly over nine hours.
- This may lead to perverse market outcomes and higher costs to the market.
- The WEM Rules provide no guidance on this matter.

Proposal: Provide guidance that notice period for activating SRC should align with equivalent types of WEM services

- Require that the length of the notice period is aligned with the length of the notice period for activation for equivalent type of services under the WEM Rules (e.g. Demand Side Programmes).

Proposal 7 – Activation notice period

Draft Amending Rules

Amend clause 4.24.13 to require that the notice period for activation of SRC specified in the Supplementary Capacity Contract must align with the activation notice of equivalent WEM Services to the extent practicable. This provides guidance about appropriate notice periods but gives AEMO discretion to make decisions based on individual circumstances.

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

(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;

Proposal 8 – Definition of Eligible Services

Issue and proposed improvement

Issue: Definition may exclude electricity storage systems

- The current Eligible Services definition includes “generation” and “demand management”
- This may exclude Electric Storage Resources as their services are not typically considered “generation”

Proposal: Modify Eligible Services to generalise technologies

- Replace “generation” with “production” throughout WEM Rules 4.24

Proposal 8 – Definition of Eligible Services

Draft Amending Rules 1

Amend clause 4.24.3 to replace “generation” with “production”

- 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, 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 ~~for~~during 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;
 - (c) the ~~generation~~ production of electricity by Energy Producing Systems that are Registered Facilities, or load reductions provided by loads, but only to extent that the electricity is generated, or the load reduction is provided, by capacity for which the relevant Market Participant

Proposal 8 – Definition of Eligible Services

Draft Amending Rules 2

Amend clause 4.24.3 to replace “generation” with “energy production”

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:

...

- (h) blank schedules specifying:
 - 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;

...

Proposal 9 – Other Amendments (clarifications)

Draft Amending Rules 1

Amend clause 4.24.1 to make the earliest start of the SRC process more explicit, delete superfluous reference to AEMO's opinion and clarify that AEMO may consider any information it considers relevant when deciding whether adequate Reserve Capacity will be available.

- 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.

Proposal 9 – Other Amendments (clarifications and consequential)

Draft Amending Rules 2

Further amend clause 4.24.3 (a) to:

- clarify that Registered Facilities can offer additional load reduction, subject to performance;
- replace term “Reserve Capacity Cycle” with “Capacity Year” because Reserve Capacity Cycles overlap;
- as a consequence, clarify that the restriction to Market Participants with a DSP that did not satisfy their Reserve Capacity Obligations relates to a current and a previous Capacity Year; and
- remove the reference to clause 4.8.3(d), which no longer exists.

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, 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 ~~for during~~ the current Reserve Capacity Year Cycle or a previous Capacity Year ~~in accordance with clause 4.8.3(d) at the time AEMO seeks to acquire supplementary capacity;~~

...

Proposal 9 – Other Amendments (terminology)

Draft Amending Rules 3

Further amend clause 4.24.3 (c) to specify that the requirements in this clause apply only to Registered Facilities and replace the term “Reserve Capacity Cycle” with “Capacity Year” because Reserve Capacity Cycles overlap.

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

...

- (c) the ~~generation~~ production of electricity by Energy Producing Systems that are Registered Facilities, or load reductions provided by loads, but only to 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. hold Capacity Credits in a subsequent ~~Reserve~~-Capacity CycleYear, or

...

Proposal 9 – Other Amendments (consequential)

Draft Amending Rules 4

Amend clause 4.24.11 to reflect proposed amendment of clause 4.24.14 requiring AEMO to enter into Supplementary Capacity Contracts using the standard form Supplementary Capacity Contract.

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

Proposal 9 – Other Amendments (clarification)

Draft Amending Rules 5

Introduce new clause 4.24.11A to clarify that, if AEMO has commenced a tender process, this process must be completed before AEMO can enter into direct negotiations.

4.24.11A For the avoidance of doubt, AEMO must not enter into negotiations under clause 4.24.11 before the completion of a tender, called by AEMO in accordance with clause 4.24.2

Proposal 9 – Other Amendments (terminology)

Draft Amending Rules 6

Amend clause 4.24.19 to replace reference to “Supplementary Reserve Capacity” with “supplementary Capacity” to provide for consistent terminology within section 4.24.

- 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.