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Mr Jai Thomas
Coordinator of Energy
Energy Policy WA
Department of Mines, Industry Regulation and Safety
Submitted by email: energymarkets@dmirs.wa.gov.au

Dear Mr Thomas

RE: Review of Supplementary Reserve Capacity Provisions – Stage 2 Consultation paper

Thank you for the opportunity to provide feedback on the *Review of Supplementary Reserve Capacity Provisions* stage 2 consultation paper.

Enel X works with commercial and industrial energy users to develop demand-side flexibility and offer it into wholesale capacity, energy and ancillary services markets worldwide, as well as to network businesses. In Western Australia Enel X supports consumers to minimise their capacity charges through the IRCR mechanism. For the 2022/2023 Hot Season Enel X also had a 22 MW portfolio of demand response providing Supplementary Reserve Capacity (SRC).

We support the general direction of the rule changes proposed in the consultation paper. There are two proposals that we would encourage Energy Policy WA to consider further:

- In respect of testing, we recommend the rule provide AEMO with discretion as to how it satisfies itself that an SRC provider will comply with its obligations.
- In respect of changes to the definition of eligible services, we recommend that:
 - the out of market provisions for individual loads be limited to one year; and
 - EPWA consider removing the restriction on providers offering SRC if they have not met their RCM obligations in the current or previous years.

We provide more detail on these issues in the table below.

We look forward to continuing to work with Energy Policy WA on these issues. If you have any questions or would like to discuss this submission further, please do not hesitate to contact me.

Regards

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Proposal	Enel X response
<p>1. Require and enable Western Power to provide AEMO with the information necessary for the performance measurement of SRC services.</p>	<p>Support. It is essential that AEMO has the data it needs to verify the performance of SRC services and ensure they are complying with their obligations.</p>
<p>2. Require AEMO to test every service subject to a Supplementary Capacity Contract as soon as practicable after entering into that contract.</p>	<p>Qualified support. Enel X agrees that testing is important to provide confidence in the integrity of SRC. However, the need for testing must be balanced against the associated costs for participants and therefore their incentive to offer SRC.</p> <p>We recommend that the rule change give AEMO discretion in how it satisfies itself that an SRC provider will comply with its obligations. For example, AEMO should have the discretion to permit self-tests and use evidence of past dispatches (such as in the previous season). We consider this approach would strike the appropriate balance between ensuring capacity is available when called upon and keeping the costs of providing SRC as low as possible.</p> <p>We would support amendments to the draft clause as proposed in the TDOWG meeting: “AEMO must verify the capability of each service procured under a Supplementary Capacity Contract to provide its full contract amount.”</p>
<p>3. Limit the restrictions related to Demand Side Programme performance and to previously holding Capacity Credits to three Capacity Years before the Capacity Year for which the SRC is procured.</p>	<p>Qualified support. Enel X agrees that unnecessary restrictions to offering SRC should be removed.</p> <p>There are two separate issues to consider:</p> <ol style="list-style-type: none"> 1. Whether a specific load should be able to participate in SRC if it has previously or will participate in the RCM. 2. Whether a service provider that hasn’t met its RCM obligations should be able to provide SRC. <p>On the first issue, we agree in principle with an out of market provision to avoid incentives for capacity to be withheld from the RCM. However, EPWA may wish to consider lowering the restriction further. Given the uncertainty about whether SRC will be procured in any given year, there is limited incentive for loads to move in and out of the RCM and SRC. A 12-month limit may be more appropriate. This is consistent with the approach in the NEM, where the</p>

	<p>out of market provisions for loads participating in either the wholesale market or the Reliability and Emergency Reserve Trader mechanism is 12 months.</p> <p>On the second issue, we encourage EPWA to clarify the intention of the existing clause and the proposed amendments. Enel X’s reading of the clause is that it creates a blanket restriction on a provider offering SRC with non-RCM loads if it hasn’t met its RCM obligations in relation to any RCM load. If that is the correct interpretation, we suggest that EPWA consider removing the restriction altogether (i.e. a service provider should be able to offer SRC irrespective of whether it has fulfilled its RCM obligations in the current or any previous year) on the basis that:</p> <ul style="list-style-type: none"> • SRC and RCM are two different services and, given the out-of-market provisions above, are provided by different loads. It is not clear that failure to meet obligations in respect of one service will necessarily inform ability to perform another service. • The proposed approach to testing for SRC should provide a more accurate representation of a service provider’s ability to meet its SRC obligations in the upcoming season than performance in a different market, and so should provide assurance that it is reliable.
<p>4. Facilitate the following:</p> <ol style="list-style-type: none"> a) allow the assessment of responses to a call for expression of interest to be less detailed than the assessment of responses to an actual call for tender; b) include requirements for respondents to a call for expression of interest, a call for tender or direct negotiation to provide evidence or information about their arrangements for network access; c) ensure that the head of power for the relevant WEM Procedure covers the interaction between stakeholders and Western Power before the stakeholder has decided to respond to a call for expression of interest, a call for tender, or enters into direct negotiation. 	<ol style="list-style-type: none"> a) Support. We agree this approach will make AEMO’s assessment process for the EOIs more timely and therefore less costly. b) No comment. c) No comment.

5. Require AEMO to publish the following information for each Supplementary Capacity Contract following the completion of a tender process and any direct negotiation with SRC providers:

- the name of the contracted service provider;
- quantity of supplementary capacity contracted;
- means of contracting (i.e. tender or direct negotiation); and
- the type of the service contracted.

Support. Publishing this information will assist in providing transparency to the market.