



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

TDOWG Meeting 49

15 June 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 2 Consultation Paper – Proposed Improvements**

11:20am **Other Issues Identified to be Addressed Outside of the WEM Rules**

11:30am **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 2

Dora Guzeleva

SRC Review: Stage 2 Consultation Paper – Process Overview

Review Overview

Structure of Review

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)

Outcome: WEM Amending Rules implementing 8 improvements including:

- Introduction of a non-binding expression of interest process
 - Introduction of a non-negotiable Standard Form of Contract
 - Specifying Western Power's role in the SRC process and improving the WEM Procedure
 - Incentivising reduction of the minimum notice period for activation of SRC services
- Stage 2: Assessment of the performance of the procured SRC services (April – June)

Review Overview

Stage 2: Stakeholder consultation

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

In June, EPWA published a Consultation Paper including:

- Review of the operation and performance of SRC during the 2022/2023 Hot Season
- Issues identified
- Proposed solutions to address the issues including proposed WEM Amending Rules

Submissions close on 21 June 2023

EPWA plans to provide the resulting Amending Rules to the Minister by 30 June 2023

SRC Review: Stage 2 Consultation Paper – Proposed Improvements

Proposal 1 – Availability of Performance Measurement Data

Issue and proposed improvement

Issue: AEMO's ability to measure the performance of some services was restricted

- Confidentiality provisions hindered Western Power's to provide meter readings for some NMIs
- Some meters were incapable, or were not set up to provide, interval meter data
- This impacted primarily demand side management services
- Changes made as part of Stage 1 will enable AEMO to obtain information from Western Power about availability of interval meter data
- AEMO should be enabled to obtain any interval meter data required to measure the performance of services
- AEMO should also be able to obtain NMI related data to enable the effective and efficient procurement of the SRC services

Proposal: Introduce provisions to enable information sharing

- Require and enable Western Power to provide AEMO with the information necessary for the effective procurement and performance measurement of SRC services

Proposal 1 – Availability of Performance Measurement Data

Draft Amending Rules

Amend clause 4.24.18 (b) to provide for information transfers related to the effective procurement and measurement of performance of SRC services

4.24.18. AEMO must document in a WEM Procedure

- (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;~~
- i. ~~an expression of interest process or a procurement process for supplementary capacity under this section 4.24;~~
 - ii. ~~performance measurement of the Eligible Services subject to a Supplementary Capacity Contract;~~

Proposal 2 – Formalisation of Testing Requirements for SRC Services

Issue and proposed improvement

Issue: A number of services failed to perform when activated during the 2022/2023 Hot Season

- The current WEM Rules provide the means for AEMO to require testing as part of an SRC contract (WEM Rule 4.24.13(h)(xii)).
- AEMO did not test any SRC Services prior to contracts being finalised or prior to services being activated
- Only some service providers self-tested and provided evidence of their ability to perform as part of the procurement process
- When activated, a number of services failed to perform as contracted

Proposal: Introduce mandatory testing for any contracted SRC services

- Require that all services are tested as soon as practical after the execution of the SRC contracts

Proposal 2 – Formalisation of Testing Requirements for SRC Services

Draft Amending Rules

Amend clause 4.24.16 to introduce a mandatory testing requirement

4.24.16 ~~[Blank]~~ AEMO must verify the capability of each service procured under a Supplementary Capacity Contract as soon as practicable after entering into the relevant contract by activating the service at its full contract amount.

Proposal 3 – Changes to the Definition of Eligible Services

Issue and proposed improvement

Issue: Some limits on providing SRC are too restrictive

- Clause 4.24.3 of the WEM Rules limits the ability of potential service providers to enter into Supplementary Capacity Contracts based on past under-performance, or based on their previous participation in the Reserve Capacity Mechanism (to disincentivise withholding of capacity from the normal RCM processes)
- These provisions might be too restrictive and could unnecessarily exclude resources from providing SRC that are needed for system reliability and security

Proposal: limit restrictions on providing SRC

- Limit the restrictions related to Demand Side Programme under-performance and to previously holding Capacity Credits to three Capacity Years before the Capacity Year for which the SRC is procured

Proposal 3 – Changes to the Definition of Eligible Services

Draft Amending Rules 1

Amend clause 4.24.3 (a) to reduce restriction on participation in SRC for Market Participants with DSPs that did not satisfy their Reserve Capacity Obligations to three Capacity Years

- 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 provided by a Market Participant with a Demand Side Programme that does not satisfy its Reserve Capacity Obligations during the current Capacity Year or a ~~any of the two~~ previous Capacity Years;

Proposal 3 – Changes to the Definition of Eligible Services

Draft Amending Rules 2

Amend clause 4.24.3 (c) (ii) to reduce restriction on participation for resources that previously held Capacity Credits to three Capacity Years

- 4.24.3 The only eligible sources of supplementary capacity are the following services (“Eligible Services”):
- (c) the 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:
 - ii. has not held Capacity Credits in the current Capacity Year or the previous two ~~a previous~~ Capacity Years; and

Proposal 4 – Minor Clarifying Amendments

Issue and proposed improvement

Issue: AEMO has advised of ambiguity in some aspects of the current WEM Rules related to SRC

- AEMO has requested some minor clarifying amendments to the WEM Rules to fully facilitate the changes intended by Stage 1 of the Review

Proposal: Minor clarifying amendments

- 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
- Include requirements for respondents to a call for expression of interest, a call for tender or those that enter into direct negotiation to provide evidence or information about their arrangements for network access
- Ensure that the WEM Procedure covers the interaction between Western Power and stakeholders that have not yet decided to respond to a call for expression of interest, a call for tender, or to enter into direct negotiation

Proposal 4 – Minor Clarifying Amendments

Draft Amending Rules 1

Amend clause 4.24.1B to require an EOI to request a statement regarding access to the network

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

(gA) a statement that a respondent must provide evidence that the respondent has access to a network, or has taken actions to obtain network access, where applicable;

Proposal 4 – Minor Clarifying Amendments

Draft Amending Rules 2

Amend clause 4.24.7 to include a request for evidence of network access in the tender form

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

...

(l) evidence that the Eligible Service has access to a network, where applicable.

Proposal 4 – Minor Clarifying Amendments

Draft Amending Rules 3

Amend clause 4.24.1C to limit the expected level of feedback by AEMO to respondents to an EOI

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

- (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 likely be capable of meeting the requirements outlined in the call for expressions of interest and contained in the standard Supplementary Capacity Contract.

Proposal 4 – Minor Clarifying Amendments

Draft Amending Rules 4

Amend clause 4.24.18 to require the WEM Procedure to cover the interaction between Western Power and stakeholders that have not yet decided to respond to a call for expression of interest, a call for tender, or to enter into direct negotiation.

4.24.18 AEMO must document in a WEM Procedure:

- (c) requirements, developed in consultation with Western Power, regarding the information that must be provided by those ~~applying to provide Eligible Services~~ intending to respond to a call for expression of interest under clause 4.24.1B or intending to provide supplementary capacity in response to a call for tender or direct negotiation under clause 4.24.2, who request assistance or an assessment from Western Power in accordance with clause 4.24.18B;

Proposal 5 – Publishing the Results of SRC Procurement Activities

Issue and proposed improvement

Issue: Lack of transparency about the outcomes of SRC procurement

- The WEM Rules currently don't provide for the publication of any information related to the Supplementary Capacity Contracts
- EPWA considers that it is appropriate for the high level outcomes of SRC procurement activities to be published, as consumers pay for these services and should be able to understand what they are paying for and how much

Proposal: Introduce requirement to publish results of SRC procurement

- Require AEMO to publish the following information for each Supplementary Capacity Contract:
 - the name of the contracted service provider
 - quantity of supplementary capacity contracted
 - means of contracting (ie tender or direct negotiation), and
 - the type of the service contracted

Proposal 5 – Publishing the Results of SRC Procurement Activities

Draft Amending Rules

Introduce clause 4.24.11B to require the publication of the outcomes of SRC procurement activities

4.24.11B. Following the completion of the tender process and any negotiations in accordance with clause 4.24.11, AEMO must publish on the WEM Website the following information for each Supplementary Capacity Contract:

- (a) the name of the service provider that has been contracted to provide supplementary capacity;
- (b) the quantity contracted under the Supplementary Capacity Contract;
- (c) whether the contract was entered in through a tender process or direct negotiation; and
- (d) the type of the service Eligible Service contracted.

SRC Review: Stage 2 Consultation Paper – Other Issues Identified to be Addressed Outside of the WEM Rules

Other Issues: Formalising Refunds and Capacity Reductions for SRC Services Failing a Test

Issue and proposed improvement

Issue: There are no provisions about refunds or SCR quantity reductions for failing an SRC test

- The current WEM Rules allow AEMO to specify financial consequences for providers failing to provide their contracted services (WEM Rule 4.24.13 (e))
- The WEM Rules currently do not provide guidance on the consequences of a service failing a test (i.e. not meeting its availability obligations)

Proposal: No change at this time

- EPWA considers that refunds can be addressed through the Supplementary Capacity Contracts
- This issue will be revisited as part of the next review of the SRC provisions after the testing requirement has been operationalised

Other Issues Identified: Introduction of a Security Payment for SRC Providers

Issue and proposed improvement

Issue: There is currently no requirement for SRC providers to provide security payments

- The WEM Rules require that participants in the RCM provide security deposits for new Facilities and Demand Side Programmes
- The WEM Rules currently do not require SRC providers to provide a security deposit
- No issues with the payment of refunds have been identified during the SRC Review

Proposal: No change at this time

- EPWA considers there is no need for an obligation for service providers to provide security at this stage
- This issue will be revisited as part of the next review of the SRC provisions