

# WHOLESALE ELECTRICITY MARKET

PROCEDURE CHANGE REPORT: AEPC\_2019\_06  
REMOVAL OF RESOURCE PLANS AND DISPATCHABLE  
LOADS

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## EXECUTIVE SUMMARY

### Purpose

Under clause 2.10.3 of the Wholesale Electricity Market (WEM) Rules, if an Amending Rule requires AEMO to develop new Market Procedures or to amend or replace existing Market Procedures, then AEMO is responsible for the development, amendment, or replacement of Market Procedures so as to comply with the Amending Rule.

On 29 October 2018, the Rule Change Panel published its final decision on the former Independent Market Operator's Rule Change Proposal: Removal of Resource Plans and Dispatchable Loads (RC\_2014\_06). The proposed Amending Rules come into effect on 1 July 2019.

On 8 May 2019, AEMO published the Procedure Change Proposal: Removal of Resource Plans and Dispatchable Loads (AEPC\_2019\_06) to implement the changes resulting from RC\_2014\_06 to the following Market Procedures:

- Balancing Facility Requirements;
- Balancing Market Forecast;
- Certification of Reserve Capacity;
- Determination of DSM Dispatch Payment Tranches and Adjustments;
- Settlement; and
- Determining Loss Factors.

The publication of this Procedure Change Report, and the accompanying Market Procedures, completes the Procedure Change Process conducted by AEMO under section 2.10 of the WEM Rules.

### Proposed amendments

The amendments to the WEM Rules introduced as part of RC\_2014\_06 were designed to:

- remove the concept of Resource Plans from the WEM Rules, as the primary purpose of Resource Plans no longer existed, due to the evolution of the WEM's operations, but yet they continued to place a significant and unnecessary administrative burden on Market Generators and imposed unnecessary costs on the market operator, which are passed on to Market Participants;
- remove the concept of the Dispatchable Load Facility Class from the WEM Rules, as the Dispatchable Load provisions are confusing for stakeholders, potentially open to gaming and likely to prove unworkable in practice;
- extend the STEM window by one hour to provide more time for Market Participants to rectify any issues or correct any errors that may affect their STEM Submissions;
- provide clarification of the STEM Submission parameter update process that the market operator is required to follow to allow continual updates to be made in real-time when it accepts a new STEM Submission;
- remove the obligation for Market Participants to access STEM Auction results by a certain time, and for the market operator to contact Market Participants that could not access their STEM Auction results in the required timeframe on the basis that this requirement only existed because the auction results were an input into Resource Plans, which were proposed to be removed; and
- remove the requirement for Market Generators to provide Fuel Declaration updates, as these are now provided through the BMO.

A summary of the associated changes to each of the Market Procedures are shown in the following table:



Market Procedure	Change
Balancing Facility Requirements	<ul style="list-style-type: none"> <li>• Updates to reflect AEMO’s latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures)</li> <li>• Removal of the reference to a Facility Resource Plan in step 4.1.2 to reflect changes required by RC_2014_06</li> <li>• Removal of redundant “Blank” clauses</li> <li>• Removal of transitional arrangements related to market commencement</li> <li>• Minor administrative changes including the addition of rule references and correction of step references</li> </ul>
Balancing Market Forecast	<ul style="list-style-type: none"> <li>• Updates to reflect AEMO’s latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures)</li> <li>• Changes to define the equations for AEMO’s spare capacity forecasts, as required by the gazettal of amendments to the Reserve Capacity Mechanism made by the Minister for Energy that commenced on 1 October 2017</li> <li>• Introduction of a requirement for AEMO to determine the Forecast Balancing Merit Order within the first 15 minutes of a Trading Interval to reflect changes required by RC_2014_06</li> <li>• Minor administrative changes</li> </ul>
Certification of Reserve Capacity	<ul style="list-style-type: none"> <li>• Updates to reflect AEMO’s latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures)</li> <li>• Removal of references to Dispatchable Loads in section 7 to reflect changes required by RC_2014_06</li> <li>• Minor administrative changes</li> </ul>
Determination of DSM Dispatch Payment Tranches & Adjustments	<ul style="list-style-type: none"> <li>• Updates to reflect AEMO’s latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures)</li> <li>• Removal of references to Dispatchable Load in the definition table to reflect changes required by RC_2014_06</li> <li>• Minor administrative changes including the addition of rule references and correction of step references</li> </ul>
Settlement	<ul style="list-style-type: none"> <li>• Updates to reflect AEMO’s latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures)</li> <li>• Removal of references to Dispatchable Loads in sections 3.5 to 3.7 to reflect changes required by RC_2014_06</li> <li>• Updates to the STEM settlement process overview diagram to reflect changes required by RC_2014_06</li> <li>• Changes to update the procedure to reflect historical Rule Change Proposals and other gazetted amendments (e.g. removal of references to Verve Energy)</li> <li>• Minor administrative changes including the addition of rule references and correction of step references</li> </ul>



Market Procedure	Change
Determining Loss Factors	<ul style="list-style-type: none"><li>• Updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures)</li><li>• Removal of the list of specific reference services, instead to require Western Power to document the mapping of all applicable reference services under the approved access arrangement current at the time</li><li>• Removal of reference to Dispatchable Loads in step 3.2.3 to reflect changes required by RC_2014_06</li><li>• Minor administrative changes including the addition of rule references and correction of step references</li></ul>

## Consultation

Draft versions of the proposed amended Market Procedures were presented at the AEMO Procedure Change Working Group (APCWG) held on 2 May 2019. Details of this forum are available at: <http://aemo.com.au/Stakeholder-Consultation/Industry-forums-and-working-groups/WA-Forums/WEM-APCWG>. Minor changes were suggested, and the relevant procedures were updated accordingly.

The RCP Secretariat did not convene a meeting of the Market Advisory Committee (MAC) regarding this Procedure Change Proposal.

AEMO published the Procedure Change Proposal (AEPC\_2019\_06) and issued a notice calling for submissions on 8 May 2019.

The submission period closed on 6 June 2019. No submissions were received.

## AEMO's decision

AEMO's decision is to accept the Market Procedures, as amended, following the consultation period.

AEMO considers that the revised Market Procedures are consistent with the Wholesale Market Objectives, the *Electricity Industry Act*, the WEM Regulations and the WEM Rules.

## Next steps

The revised Market Procedures will commence on 1 July 2019.



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## 1. BACKGROUND

### 1.1. Regulatory requirements

#### 1.1.1. Requirements for the Procedure Change Proposal

Under clause 2.10.3 of the WEM Rules, if an Amending Rule requires AEMO to develop new Market Procedures or to amend or replace existing Market Procedures, then AEMO is responsible for the development, amendment, or replacement of Market Procedures so as to comply with the Amending Rule.

Under clause 2.9.3 of the WEM Rules, Market Procedures:

- (a) must:
  - i. be developed, amended or replaced in accordance with the process in the WEM Rules;
  - ii. be consistent with the Wholesale Market Objectives; and
  - iii. be consistent with the WEM Rules, the *Electricity Industry Act* and the Regulations; and
- (b) may be amended or replaced in accordance with section 2.10 of the WEM Rules and must be amended or replaced in accordance with section 2.10 of the WEM Rules where a change is required to maintain consistency with Amending Rules.

AEMO has published this Procedure Change Report in accordance with the Procedure Change Process specified in section 2.10 of the WEM Rules.

The Procedure Change Proposal addresses the necessary consequential changes to AEMO's Market Procedures as required to be developed and progressed under clause 2.10.3 of the WEM Rules, specifically related to the Market Procedures:

- Balancing Facility Requirements;
- Balancing Market Forecast;
- Certification of Reserve Capacity;
- Determination of DSM Dispatch Payment Tranches and Adjustments;
- Settlement; and
- Determining Loss Factors.

#### 1.1.2. Requirements for proposed amended Market Procedures

Clause 7A.1.6 of the WEM Rules (as in effect from 1 July 2019) provides the requirement for the Market Procedure: Balancing Facility Requirements:

7A.1.6. *AEMO must develop a Balancing Facility Requirements Market Procedure specifying:*

- a) *technical and communication criteria that a Balancing Facility, or a type of Balancing Facility, must meet, including:*
  - i. *Facility quantity parameters and limits for participation in the Balancing Market;*
  - ii. *the manner and forms of communication to be used while participating in the Balancing Market, including receiving Dispatch Instructions; and*
  - iii. *ramp rate limitations; and*
- b) *the type of conditions AEMO may impose under clause 7A.1.11(b) and the manner and circumstances in which they may be imposed and lifted.*

The current version of the Market Procedure: Balancing Facility Requirements commenced on 18 April 2017.



Clauses 7A.3.3 and 7A.3.4 of the WEM Rules (as in effect from 1 July 2019) provide the requirement for the Market Procedure: Balancing Market Forecast:

7A.3.3. *AEMO must document in the Balancing Forecast Market Procedure the processes it must follow when:*

- a) *determining Forecast BMOs and providing them to System Management;*
- b) *preparing and publishing Balancing Forecasts; and*
- c) *assigning priority to Facilities in the case where there is a tie in a Forecast BMO or Forecast LFAS Merit Order.*

7A.3.4. *AEMO must document in the Balancing Forecast Market Procedure in accordance with the following principles:*

- a) *to the extent reasonably practicable, Balancing Forecasts must use the latest information available to AEMO; and*
- b) *Balancing Forecasts must provide Market Participants with information upon which to make an assessment regarding their Balancing Submissions and whether to update a Balancing Submission.*

The current version of the Market Procedure: Balancing Market Forecast commenced on 18 April 2017.

Clauses 4.9.10 and 4.28C.15 of the WEM Rules provide the requirement for the Market Procedure: Certification of Reserve Capacity:

4.9.10. *AEMO must document the procedure that:*

- a) *Market Participants must follow in the process of applying for Certified Reserve Capacity; and*
- b) *AEMO must follow in processing applications for Certified Reserve Capacity, including how Certified Reserve Capacity is assigned and Reserve Capacity Obligation Quantities are set, in a Market Procedure. AEMO and Market Participants must follow that documented Market Procedure when Market Participants are applying for Certified Reserve Capacity and when AEMO is processing those applications.*

4.28C.15. *AEMO must document the process for applying for and approving Capacity Credits in accordance with this clause 4.28C in a Market Procedure, and AEMO and Market Participants must follow that documented Market Procedure.*

The current version of the Market Procedure: Certification of Reserve Capacity commenced on 1 October 2017.

Clauses 6.17.6B and 6.17.6F of the WEM Rules provide the requirement for the Market Procedure: Determination of DSM Dispatch Payment Tranches and Adjustments:

6.17.6B. *AEMO must develop a Market Procedure that details the methodology to calculate the Tranche 2 DSM Dispatch Payment and the Tranche 3 DSM Dispatch Payment for each Demand Side Programme.*

6.17.6F. *AEMO must document the procedure it follows in making the adjustment referred to in clause 6.17.6E, and Rule Participants, including AEMO, must follow the documented Market Procedure.*

The current version of the Market Procedure: Determination of DSM Dispatch Payment Tranches and Adjustments commenced on 1 October 2017.

Clause 9.2.1 of the WEM Rules provides the requirement for the Market Procedure: Settlement:





9.2.1. *AEMO must document the settlement process, including the application of taxes and interest, in the Settlement Procedure, and AEMO and Market Participants must follow that documented Market Procedure.*

The current version of the Market Procedure: Settlement commenced on 18 April 2017.

Clause 2.27.17 of the WEM Rules provides the requirement for the Market Procedure: Determining Loss Factors:

2.27.17. *AEMO must, with the assistance of Network Operators, document the standards, methodologies, classification systems and procedures to be used in determining Loss Factors in the Market Procedure for Determining Loss Factors.*

The current version of the Market Procedure: Determining Loss Factors commenced on 30 November 2015.

AEMO has developed and reviewed the proposed amended Market Procedures as a whole to ensure compliance with the relevant provisions in the *Electricity Industry Act*, Regulations and WEM Rules (as in force and as decided to be amended).

## 1.2. Context for this consultation

Under clause 2.10.3 of the WEM Rules, if an Amending Rule requires AEMO to develop new Market Procedures or to amend or replace existing Market Procedures, then AEMO is responsible for the development, amendment, or replacement of Market Procedures so as to comply with the Amending Rule.

On 29 October 2018, the Rule Change Panel published its final decision on the former Independent Market Operator's Rule Change Proposal: Removal of Resource Plans and Dispatchable Loads (RC\_2014\_06). The Rule Change Panel's final decision was to implement the following key changes:

- Remove the concept of Resource Plans from the WEM Rules, as the primary purpose of Resource Plans no longer existed, due to the evolution of the WEM's operations, and yet they continued to place a significant and unnecessary administrative burden on Market Generators and imposed unnecessary costs on the market operator, which are passed on to Market Participants.
- Remove the concept of the Dispatchable Load Facility Class from the WEM Rules as the Dispatchable Load provisions are confusing for stakeholders, potentially open to gaming and likely to prove unworkable in practice. AEMO considered the cost of addressing the issues with Dispatchable Loads would be significant and the potential benefits low.
- Extend the STEM window by one hour to provide more time for Market Participants to rectify any issues or correct any errors that may affect their STEM Submissions.
- Provide clarification of the STEM Submission parameter update process that the market operator is required to follow to allow continual updates to be made in real-time when it accepts a new STEM Submission.
- Remove the obligation for Market Participants to access STEM Auction results by a certain time, and for the market operator to contact Market Participants that could not access their STEM Auction results in the required timeframe on the basis that this requirement only existed because the auction results were an input into Resource Plans, which were proposed to be removed.
- Remove the requirement for Market Generators to provide Fuel Declaration updates as these are now provided through the BMO.

The Minister for Energy approved the proposed Amending Rules on 26 November 2018 to come into effect on 1 July 2019.

The Procedure Change Proposal, published by AEMO on 8 May 2019, addresses the necessary consequential changes to AEMO's Market Procedures for Balancing Facility Requirements, Balancing



Market Forecast, Certification of Reserve Capacity, Determination of DSM Dispatch Payment Tranches and Adjustments, Settlement, and Determining Loss Factors.

### 1.3. Procedure Change Process and timetable

On 8 May 2019, AEMO published a Procedure Change Proposal: Removal of Resource Plans and Dispatchable Loads (AEPC\_2019\_06) and issued a call for submissions, which are available at: [http://aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2019\\_06](http://aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2019_06).

The proposal was progressed using the Procedure Change Process specified in section 2.10 of the WEM Rules, with submissions required by 6 June 2019.

## 2. PROCEDURE CHANGE PROPOSAL

### 2.1. Detail of the Procedure Change Proposal

The following sections provide an overview of the key changes that were made to each of the affected Market Procedures.

#### 2.1.1. Balancing Facility Requirements

This procedure is proposed to be amended to remove the reference to a Facility Resource Plan in step 4.1.2 of the procedure, in order to reflect changes required by RC\_2014\_06.

In addition, AEMO proposed minor amendments including:

- updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures);
- removal of "Blank" clauses; and
- minor administrative changes, including addition of rule references and correction of step references.
- removal of transitional arrangements related to market commencement.

AEMO proposes to commence the proposed amended Market Procedure on 1 July 2019 in line with the commencement date for the associated WEM Rules.

#### 2.1.2. Balancing Market Forecast

This procedure is proposed to be amended to:

- define the equations for AEMO's spare capacity forecasts, as required by the gazettal of amendments made to the Reserve Capacity Mechanism by the Minister for Energy that commenced on 1 October 2017; and
- introduce a requirement for AEMO to determine the Forecast BMO within the first 15 minutes of a Trading Interval, in order to reflect changes required by RC\_2014\_06.

In addition, AEMO proposes minor amendments to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures), as well as minor administrative changes.

AEMO proposes to commence the proposed amended Market Procedure on 1 July 2019 in line with the commencement date for the associated WEM Rules.



### 2.1.3. Certification of Reserve Capacity

This procedure is proposed to be amended to remove references to Dispatchable Loads in section 7 of the procedure, in order to reflect changes required by RC\_2014\_06.

In addition, AEMO proposes minor amendments to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures), as well as minor administrative changes.

AEMO proposes to commence the proposed amended Market Procedure on 1 July 2019 in line with the commencement date for the associated WEM Rules.

### 2.1.4. Determination of DSM Dispatch Payment Tranches and Adjustments

This procedure is proposed to be amended by removing references to a Dispatchable Load in the definition table of the procedure, in order to reflect changes required by RC\_2014\_06.

In addition, AEMO proposes minor amendments including:

- updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures); and
- minor administrative changes, including addition of rule references and correction of step references.

AEMO proposes to commence the proposed amended Market Procedure on 1 July 2019 in line with the commencement date for the associated WEM Rules.

### 2.1.5. Settlement

This procedure is proposed to be amended to:

- remove references to Dispatchable Loads in sections 3.5 to 3.7 of the procedure, in order to reflect changes required by RC\_2014\_06;
- update the STEM Settlement process overview diagram in section 2.1 of the procedure to reflect changes in STEM times, as required by RC\_2014\_06; and
- update the procedure to reflect previous Rule Change Proposals and other gazetted amendments, such as removal of references to Verve Energy.

In addition, AEMO proposes minor amendments including:

- updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures); and
- minor administrative changes, including addition of rule references and correction of step references.

AEMO proposes to commence the proposed amended Market Procedure on 1 July 2019 in line with the commencement date for the associated WEM Rules.

### 2.1.6. Determining Loss Factors

This procedure is proposed to be amended to:

- remove the list of specific reference services, instead to require Western Power to document the mapping of all applicable reference services under the approved access arrangement current at the time; and
- remove the reference to Dispatchable Loads in step 3.2.3 of the procedure, in order to reflect changes required by RC\_2014\_06.



In addition, AEMO proposes minor changes and amendments including:

- updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures); and
- minor administrative changes, including addition of rule references and correction of step references.

AEMO proposes to commence the proposed amended Market Procedure on 1 July 2019 in line with the commencement date for the associated WEM Rules.

## **2.2. Proposed drafting**

On 8 May 2019, AEMO published drafts of the proposed amended Market Procedures for Balancing Facility Requirements, Balancing Market Forecast, Certification of Reserve Capacity, Determination of DSM Dispatch Payment Tranches and Adjustments, Settlement and Determining Loss Factors, incorporating the changes AEMO proposes for consultation with stakeholders.

Clean and change-marked versions are available at:

[http://www.aemo.com.au/StakeholderConsultation/Consultations/AEPC\\_2019\\_06](http://www.aemo.com.au/StakeholderConsultation/Consultations/AEPC_2019_06).

## **3. CONSULTATION PROECESS**

### **3.1. Market Advisory Committee or working group**

The MAC has delegated its advisory role with respect to AEMO Procedure Change Proposals to the APCWG, in accordance with clause 2.3.17(a) of the WEM Rules.

Draft versions of the procedures were presented to the APCWG meeting held on 2 May 2019. Details of this forum are available at: <http://aemo.com.au/Stakeholder-Consultation/Industry-forums-and-working-groups/WA-Forums/WEM-APCWG>.

Stakeholders from Alinta Energy, the Australian Energy Council, Bluewaters Power, Collgar, ERM Power, Kleenheat, Metro Power, Perth Energy, Synergy, Transalta and Western Power attended the workshop and did not raise any material issues with the proposed amended procedures.

Minor changes were suggested and the relevant procedures were updated accordingly.

AEMO notified the MAC when the Procedure Change Proposal was published and noted that the Rule Change Panel must convene a meeting of the MAC, in accordance with clause 2.10.9 of the WEM Rules, should the Rule Change Panel think it is appropriate, or AEMO, the Economic Regulation Authority, or two or more members request it. The Rule Change Panel did not convene a meeting of the MAC in relation to this Procedure Change Proposal.

### **3.2. Public workshop**

No public workshops were held in relation to this Procedure Change Proposal.

### **3.3. Submissions received during consultation**

AEMO published the Procedure Change Proposal (AEPC\_2019\_06) and issued a call for submissions on 8 May 2019.

The submission period closed on 6 June 2019. No submissions were received.



## 4. AEMO'S ASSESSMENT

### 4.1. Further changes to the Market Procedures

Following the consultation process, AEMO has made a number of minor additional administrative amendments to each of the procedures.

Marked-up versions of the procedures, distinguishing these amendments from those made prior to consultation are provided as Appendices 1, 3, 5, 7, 9 and 11 to this Procedure Change Report.

### 4.2. Consistency with *Electricity Industry Act*, WEM Regulations and WEM Rules

The revised procedures have been reviewed by AEMO to ensure compliance with the relevant provisions in the:

- *Electricity Industry Act*;
- WEM Regulations; and
- WEM Rules.

### 4.3. Consistency with Wholesale Market Objectives

The steps outlined in the proposed amended Market Procedures describe how Rule Participants are required to meet their obligations under the WEM Rules, thereby increasing procedural transparency and certainty for Rule Participants.

AEMO considers that the Market Procedures, as proposed to be amended, are consistent with the Wholesale Market Objectives and the WEM Rules.

### 4.4. Implementation

The Market Procedures were developed in accordance with the WEM Rules due to commence on 1 July 2019.

AEMO has developed the necessary system changes to support the approved Amending Rules and the Market Procedure changes made as part of AEPC\_2019\_06. The system changes will be implemented in time for the 1 July 2019 commencement of the Amending Rules and revised Market Procedures.

The Market Procedures, as amended, will require Market Participants to amend their processes for performing operational actions in line with the new timeline before commencement of the amended Market Procedures. AEMO does not anticipate any system changes will be required.

AEMO, therefore, considers that the proposed commencement on 1 July 2019, will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance with the amended Market Procedures.

### 4.5. AEMO's decision and commencement

AEMO's decision is to accept the Market Procedures, as amended, following the consultation period. The revised Market Procedures will commence on 1 July 2019.

AEMO has made this decision on the basis that the revised Market Procedures:

- are consistent with the Wholesale Market Objectives;
- are consistent with the *Electricity Industry Act*, WEM Regulations and WEM Rules; and
- did not elicit any submissions during the consultation period.