

# WHOLESALE ELECTRICITY MARKET

## Submission to Procedure Change Proposal

**AEPC\_2020\_02**

**Certification of Reserve Capacity**

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### Submission

Clause 2.10.7 of the Wholesale Electricity Market Rules provides that any person may make a submission for a Procedure Change Proposal (including proposals developed by AEMO, the Economic Regulation Authority or the Rule Change Panel) by completing this Procedure Change Submission form.

Submissions should be provided by email to the nominated contact in the call for submissions published with the Procedure Change Proposal.

**Please provide your views on the Procedure Change Proposal, including any objections or suggested revisions**

The Australian Energy Council (the ‘**AEC**’) welcomes the opportunity to make a submission to the Australian Energy Market Operator (the ‘**AEMO**’) regarding the proposed amendments to the Market Procedure: Certification of Reserve Capacity.

The AEC is the industry body representing 23 electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. These businesses collectively generate the majority of electricity in Australia and sell gas and electricity to over 10 million homes and businesses.

The AEC supports the intent of the Procedure Change Proposal to clarify the process of applying for Certified Reserve Capacity.

In particular, the AEC welcomes the addition of step 4.2.2 which allows AEMO to provide a preliminary screening review and give feedback to applicants. This will assist in reducing the risk of inadvertent administrative errors that result in invalid applications.

However, the AEC raises the below issues for AEMO’s consideration.

**Step 3.1.11**

The AEC notes that this step introduces a new request for temperature dependence data. It is unclear how and whether AEMO intends to apply this information as part of the certification process and, as this information ‘may’ be provided, there could be inconsistent assessments between Market Participants who do and do not provide this information.

The AEC requests that AEMO clarify the purpose of this information and how it will be used.

**Step 5.3.4**

The AEC is concerned that the ‘90% firm’ requirement appears to be highly arbitrary and unnecessarily adds more prescription to fuel obligations.

WA’s electricity supply is diversifying quickly with increasing amounts of intermittent generation on the SWIS. To account for this changing market there has been a trend towards increasing flexibility in fuel supply, transport and storage arrangements over recent years. However, step 5.3.4 goes counter to that and instead adds even more fuel obligations on Market Participants.

There is no justification to support a ‘90% firm’ requirement and there is no support for such a defined figure in the Market Rules. Additionally, stating that a “*quantity less than 90% firm may ... indicate a restriction on fuel availability ...*” points to a discretionary aspect that can be arbitrarily employed by AEMO.

The AEC instead suggests that it would be more appropriate for AEMO to withdraw the ‘90% firm’ amount and consider the merits of the fuel and transport data provided by each Market Participant. Making fuel obligations appropriate, and not requiring ‘90% firm’, will assist in ensuring that generators are not forced to over-procure fuel and transport capacity at significant cost to the market.

### **Step 5.3.6**

The inclusion of step 5.3.6 creates unnecessary requirements, and potentially greater costs, for generators who are capable of using an alternative fuel.

The AEC suggests that it should only be necessary for Market Participants to provide evidence that a Facility complies with the requirements of steps 5.3.4 and 5.3.5 for each fuel type when both the primary and alternative fuels are needed to satisfy the fuel requirement. In cases where a generator satisfies the requirement using just the primary fuel type, it should only be required to provide evidence of compliance for that fuel type.

### **Step 5.3.7**

This step, as drafted, will mean that generators are accredited on the fuel type that gives the lowest capability and they may receive a lower level of Capacity Credits when they invest in a secondary fuel.

The AEC encourages AEMO to consider the impact of this proposed step on investment and suggests that a Market Participant should only be accredited based on the lower of its capabilities when that generator requires both its primary and alternative fuel to satisfy the fuel requirement.

A generator that satisfies the requirement using just one fuel type should be accredited based on its performance using this primary fuel, regardless of whether it is capable of also using a secondary fuel.

### **Please provide an assessment whether the Procedure Change Proposal is consistent with the Market Objectives and the Wholesale Electricity Market Rules.**

The AEC considers that proposed step 5.3.4, 5.3.6 and 5.3.7 may be inconsistent with Market Objective (a) and (d) because they may discourage, rather than promote, investment in improved reliability and economically efficient Facilities through the adoption of secondary fuel types. Secondary fuels may improve the reliability and economics of Facilities by enabling them to operate regardless of disruption to their primary fuel source.

Except for step 5.3.4, 5.3.6 and 5.3.7, the AEC views this Procedure Change Proposal as consistent with Market Objectives and the Wholesale Electricity Market Rules.

### **Please indicate if the Procedure Change Proposal will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.**

As an industry body, this Procedure Change Proposal will not have any direct implications for the AEC.

### **Please indicate the time required for your organisation to implement the changes, should they be accepted as proposed.**

As an industry body, the AEC will not need to modify its systems or business processes as a result of this Procedure Change Proposal being implemented.

