

Supplementary Reserve Capacity - 2022-23

Industry Forum – 3 October 2022



We acknowledge the Traditional Owners of country throughout Australia and recognise their continuing connection to land, waters and culture. We pay our respects to their Elders past, present and emerging.

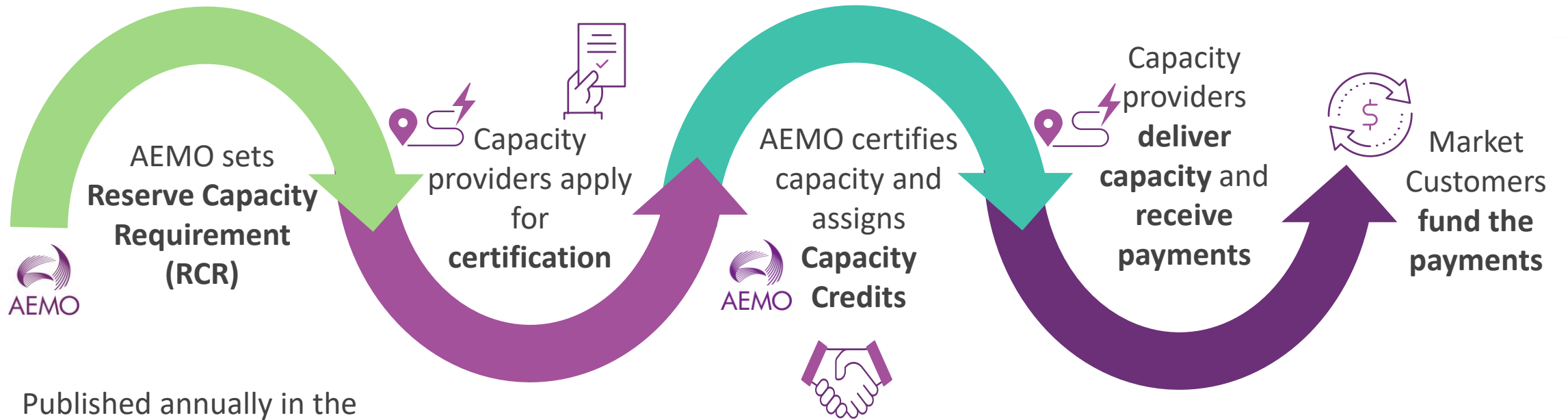
Agenda

- Context
- Reserve Capacity Mechanism (RCM) & Supplementary Reserve Capacity (SRC)
- SRC and the Eligible Service
- How to provide SRC
- Responding to the Tender
- Questions

The Role of RCM



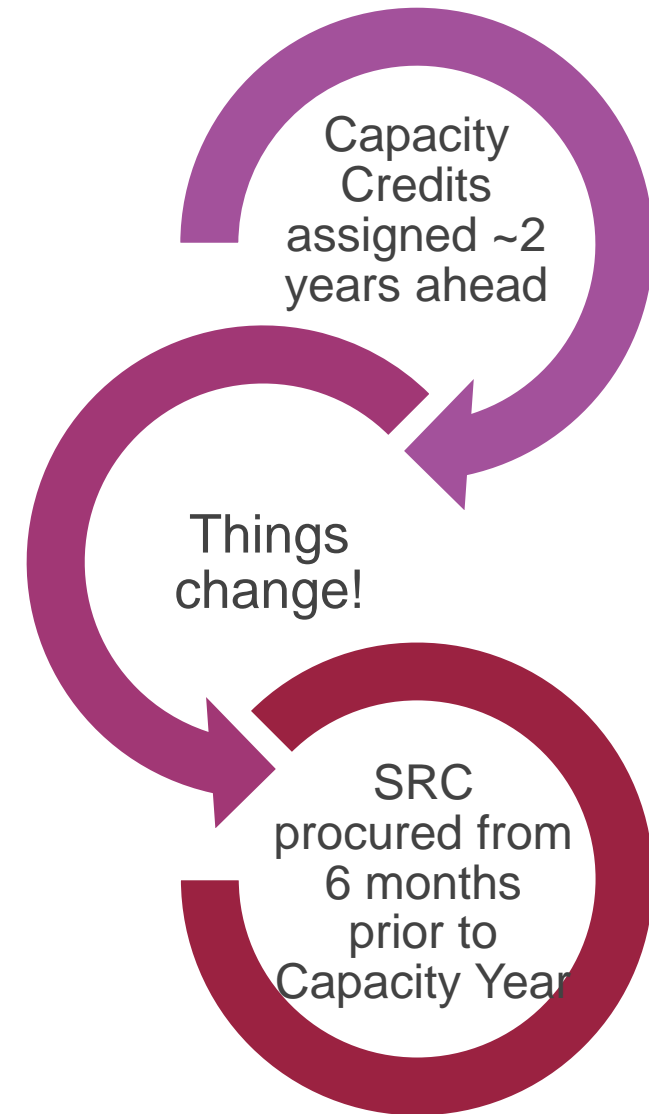
The RCM ensures there is sufficient generation and demand side capacity to meet peak demand periods (roughly 2 years in the future)



Published annually in the WEM ESOC in June

The Supplementary Reserve Capacity (SRC)

- A standard component of the RCM which ensures reliability of supply
- A process to enable procurement of capacity after the usual Certified Reserve Capacity process is concluded and a shortfall is identified
- AEMO may call for tenders or negotiate directly with potential suppliers of SRC
- AEMO has triggered the SRC process for the 2022-23 Capacity Year



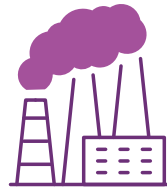
What caused this shortfall?

Since the publication of the 2022 WEM ESOO in June, AEMO has identified a potential shortfall of 174 MW for the 2022-23 Capacity Year, driven by several factors.

Several risks exist in relation to supply reliability in the SWIS over the coming years.



Existing challenges with coal supply, which may not be resolved in the near-term



Potential reductions in the reliability of aging thermal generators



Stronger than forecast demand growth

Providing SRC

- AEMO is seeking 174 MW of SRC via a tender process
- SRC providers need to make available power generation and/or load curtailment that meets requirements of the Eligible Service (MR 4.24.3 of the WEM Rules)
- The Eligible Service:
 - is required to be made available from 5 pm-9 pm over the period covering the 1 December 2022-31 March 2023.
 - needs to be for generation capacity, or load curtailment amounting to at least 1 MW
 - needs to be for a duration of at least 1 hour
 - Will need to be activated within 9 hours of the request for its provision
- Contracts are limited to a 12-week duration

Measuring Curtailment

The amount of Eligible Service provided via a load curtailment is quantified by:

- Identifying the historical median consumption during the 12 Trading Intervals, with the highest demand in the preceding Hot Season
- Subtract from above, the interval meter data relating to the aggregate amount of the *capacity* actually supplied in accordance with an *operating instruction* from AEMO given **under clause 5.5** during Trading Intervals during the Trading Month, as measured in accordance with **clause 7.1**

Payments

- SRC providers to nominate their required
 - Availability Payment - max availability payment allowed is \$ 47,448.42 per MW (assumes 12 weeks available 5 pm to 9 pm).
 - Activation Payment - max activation payment allowed is \$ 2,204 per MWh
- Payments will be transferred Monthly

SRC Payment Example (Ceiling)

SRC provider makes available 10 MW of verifiable SRC (Eligible Service) for between 5 pm and 9 pm during each Business Day for the full term of the SRC Agreement (12 weeks).

- Total max Availability payment for the term of the contract = $10 \times 5 \times 12 \times \564.86 (day rate) = \$338,916

On request from AEMO the SRC provider provides 10 MW of curtailment/generation for 2 hours 3 days per week of the contract.

- Total max Activation payment for the term of the contract = $10 \times 2 \times 3 \times 12 \times \$2,204$ = \$1,586,880

Other elements of the SRC Agreement

- Successful SRC Activation test required
- Proposed amendments may be made to the standard SRC agreement
- Real-time monitoring of curtailment/generation will be sought.
- AEMO may request operational procedure(s) that support delivery of SRC
- Pricing is important in determining value and forms part of the overall benefits to achieve the best possible outcome for the WEM

Tender process- key dates

Key Activities	Dates
Invitation to Tender opening date	23 Sep 2022
Deadline for questions from Recipients	14 Oct 2022
Deadline for AEMO to answer Recipients queries	19 Oct 2022
Invitation to Tender closing date	21 Oct 2022
AEMO informs successful recipients	Week commencing 21 Nov 2022
Anticipated Supplementary Contract start date	1 Dec 2022

Tender Process – related documents

AEMO has published the Invitation to Tender on VendorPanel system - <https://www.vendorpanel.com.au/PublicTenders.aspx>

- Invitation to Tender - https://aemo.com.au/-/media/files/electricity/wem/reserve_capacity_mechanism/supplementary-reserve-capacity/invitation-to-tender.pdf?la=en
- Supplementary Capacity Contract - https://aemo.com.au/-/media/files/electricity/wem/reserve_capacity_mechanism/supplementary-reserve-capacity/standard-form-supplementary-capacity-contract.pdf?la=en
- Vendor pre-qualification questions - https://aemo.com.au/-/media/files/electricity/wem/reserve_capacity_mechanism/supplementary-reserve-capacity/vendor-pre-qualification-questions.xlsx?la=en
- SRC Market Procedure- [AEMO | Procedures](#)

Next steps

- Providers to:
 - Acknowledge the tender submission dates
 - Access and review the Tender documentation
 - Request clarifications from AEMO if necessary
 - Amend Agreement if necessary
- AEMO will:
 - Respond to tender related queries
 - Assess tender responses according to the assessment criteria (provided with the tender documentation) and proceed or not with offers
 - Test Eligible Service and execute contracts accordingly
 - Issue requests for SRC Activation as per the terms of the SRC Agreement
 - Transfer payments to SRC providers as per the terms of the SRC Agreement



Questions

Please reach out to the Reserve Capacity (WA) team @
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