

2023-24 Supplementary Reserve Capacity Process



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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 drivers and requirement
- Key changes to the SRC related WEM Rules
- SRC and the Eligible Service
- How to provide SRC
- Payments
- Tender process
- Questions

The Reserve Capacity Mechanism

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



Published in the WEM ESOO in June* annually

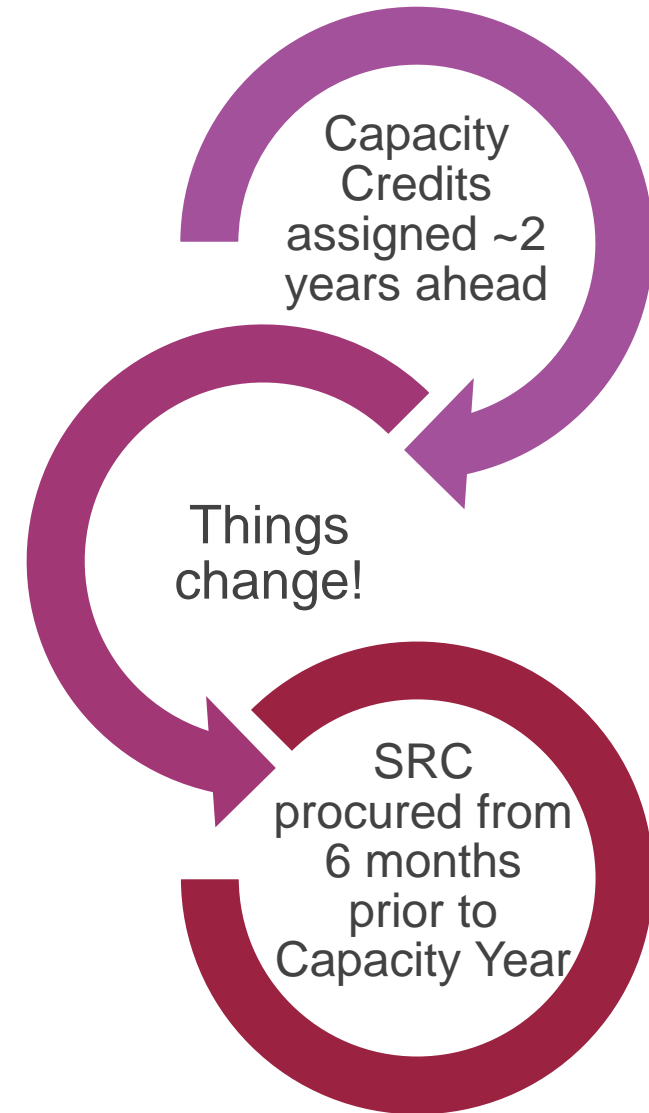
Process where capacity providers apply to AEMO to be certified, and get paid in return for that certified capacity



* The 2023 WEM ESOO has been deferred to 17 August 2023 in line with clause 4.1.1C of the WEM Rules

Supplementary Reserve Capacity (SRC)

- A standard component of the RCM which ensures reliability of supply.
- SRC is 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 is triggering the SRC process for the 2023-24 Capacity Year (CY).



SRC drivers and requirement

- In April 2022, AEMO assigned 4726.572 MW of Capacity Credits for the 2023-24 CY, resulting in a surplus of 331 MW compared to the RCR of 4,396 MW set in the 2021 Wholesale Electricity Market (WEM) Electricity Statement of Opportunities (ESOO).
- In June 2022, AEMO published the 2022 WEM ESOO with an RCR of 4,503 MW.
- Since then, several changes have been identified to the expected supply for the 2023-24 CY:
 - A voluntary capacity reduction for the Alcoa Wagerup facility (10MW)
 - An expected 198 MW uplift in the 2023 10% POE peak demand forecast when compared to the 2022 10% POE peak demand forecast.
 - Increases in contingency reserve to account for decreasing reliability in the SWIS driven by:
 - The quantum and frequency of forced outages from Non-Intermittent Generators, expected to continue over the next few years.
 - Delays in construction of new Facilities in the RCM (59MW)
- As such, **AEMO has identified a potential shortfall of up to 326 MW for the 2023-24 CY.**

Key changes to Supplementary Capacity in WEM Rules

Clauses 4.24.1B and 4.24.1C - Expression of Interest (EOI) option was introduced which considers:

expected interaction between the respondent, Western Power and AEMO where the Eligible Service has yet to obtain access to the network (EOI is not being used for 2023-24 CY).

Clause 4.24.11B - AEMO must publish on the WEM Website:

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

Cause 4.24.18 - AEMO must verify the ability of each contracted Eligible Service to provide the maximum quantity contracted under the SCC.

Key changes to Supplementary Capacity in WEM Rules

Clause 4.24.3 - a service provider cannot provide SRC services:

- for load reduction, if the service provider is a Market Participant with a Demand Side Programme that does not satisfy, or has not satisfied, its Reserve Capacity Obligations during the current CY or a previous CY; and
- for a Registered Facility or load reduction for which the relevant Market Participant has held or holds Capacity Credits for the current or a previous CY.

Clause 4.24.7 (l) and (m) – AEMO will request :

- evidence that the Eligible Service will have access to a network for the contract period, where applicable; and
- applicant's consent for Western Power to provide AEMO with relevant information, including information related to meters, meter readings and status of access arrangements, where applicable.

Providing SRC

- AEMO is undertaking the necessary steps to procure up to 326 MW of SRC in accordance with Section 4.24 of the WEM Rules.
- Contracts are limited to a 16 week duration.
- Multiple SCCs may be entered into with the same applicant to acquire SRC for the full required period.
- Providers of SRC need to meet requirements of the Eligible Service (MR 4.24.3 of the WEM Rules).
- The Eligible Service is required to be made available from 3:30 pm to 8:30 pm over the period commencing 1 December 2023 and ending 1 April 2024.
- The Eligible Service will be:
 - From Generation capacity and/or load curtailment.
 - Greater than 1 MW.
 - Of a duration no less than 2 hours.
 - Activated within 2 to 5 hours of the request for its provision.
- Activation test will be required.

Payments

- SRC providers must nominate their required Availability Payment which must not exceed the max Availability Payment of \$98,068/MW for the term of the Eligible Service.
- SRC providers must nominate their required Activation Payment which must not exceed \$1,486/MWh* for the term of the Eligible Service.
- Availability Payments will be transferred weekly for a Market Participant.
- Activation Payments will be transferred ~ 1 week following Activation.

* Based on the current Alternative Maximum STEM Price of \$743/MWh

Tender process – key dates

Key activities	Dates
Invitation to Tender opening date	11 Aug 2023
Deadline for questions from Recipients	25 Aug 2023
Deadline for AEMO to answer Recipients queries	1 Sept 2023
Invitation to Tender closing date	8 Sept 2023
AEMO informs successful recipients	Week commencing 23 Oct 2023
Anticipated Supplementary Contract start date	1 Dec 2023

Tender process – related documents

On 11 August, 2023, AEMO will publish:

- Invitation to Tender on VendorPanel system – [VendorPanel Public Tenders](#)
- Relevant tender information on AEMO's website

Participants are encouraged to familiarise themselves with the amended SRC WEM Procedure - [AEMO | Procedures](#)

Next steps

- Providers to:
 - Acknowledge the tender process dates.
 - Access and review the Tender documentation (from 11 Aug 23).
 - Request clarifications from AEMO, if required.
- AEMO will:
 - Respond to tender related queries.
 - Assess tender responses according to the assessment criteria (provided with the tender documentation).
 - Test Eligible Service and execute contracts accordingly.



Questions

For any questions, please reach out to the Reserve Capacity team at wa.capacity@aemo.com.au