

## Improving Access to the Western Power Network

### Network Access Quantity Framework Transitional Arrangements

**9 APRIL 2020**

The Energy Transformation Taskforce has endorsed transitional arrangements to implement the Network Access Quantity (NAQ) framework, as part of changes to the assignment of Capacity Credits under the Reserve Capacity Mechanism (RCM).

Under the transitional arrangements:

1. The 2020 Reserve Capacity Cycle is not deferred and will proceed under existing timelines, with Capacity Credits allocated under existing processes.
2. The assignment of NAQ is deferred to the 2021 Reserve Capacity Cycle.
3. In the 2021 Reserve Capacity Cycle, existing facilities will be prioritised in the NAQ assignment process over new facilities. An 'existing' facility will be defined as a facility that has been assigned Capacity Credits in the 2020 Reserve Capacity Cycle.
4. The enduring arrangements for assigning NAQ and Capacity Credits will apply from the 2022 Reserve Capacity Cycle.
5. The enduring arrangements are described in the Assigning Capacity Credits in a Constrained Network, Network Access Quantity – Key Design Parameters, 20 February 2020 Information Paper.

### Background

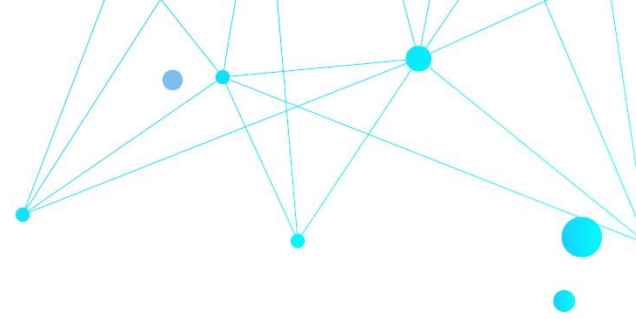
During the consultation period for the design of the NAQ framework, several market participants requested that the 2020 Reserve Capacity Cycle be deferred to allow for several broader reforms to the RCM to occur before NAQ is assigned. These include:

1. Improvements to the Relevant Level Methodology (RLM) that were identified by the Economic Regulation Authority (ERA) in its March 2019 review that the ERA considers will result in a more accurate assessment of the capacity value of intermittent generation.
2. A new method for determining the capacity value of large-scale storage facilities, either standalone or located with another generation facility. The ETIU is leading this work and anticipates new arrangements to be in place for the 2021 Cycle.
3. Reviewing the 14-hour fuel requirements for conventional generation facilities, which imposes a significant cost burden that is not borne by other types of capacity resources.

April 2020

Network Access  
Quantity  
Framework

Transitional  
arrangements



## The Taskforce's decision

The Taskforce did not support the deferral of the 2020 Reserve Capacity Cycle for the following reasons:

- The implementation of the NAQ framework does not directly create a need to defer the 2020 Reserve Capacity Cycle.
- Deferring the 2020 Reserve Capacity Cycle would cause significant disruption to existing processes and arrangements (especially at this late stage), including the financing plans for new projects or re-financing for existing projects.
- There is no guarantee that a deferral of up to six months (or even one year) would enable all (or any) of the above matters to be determined and implemented.

However, the Taskforce recognised that the NAQ assignment process would benefit from a more accurate assessment of the capacity value of intermittent generation. This would better signal the level of available capacity in the network, ensuring that the level of congestion is not misrepresented and improving the quality of information to guide investment decisions.

On this basis, the Taskforce has deferred the assignment of NAQ until the 2021 Reserve Capacity Cycle to provide an opportunity for the new Relevant Level Methodology arrangements to be progressed by the ERA and implemented. The ETIU will support the ERA in the preparation of its rule change proposal in the lead up to September 2020, although there are significant timing challenges for AEMO to implement new systems to accommodate the new RLM changes in time for the 2021 Cycle. These challenges will be better understood once the detailed design of the RCM changes has been completed.

Under the approach to defer the assignment of NAQ until the 2021 Cycle, transitional provisions will be included in the NAQ framework to ensure that Capacity Credits assigned to facilities under the 2020 Cycle, to be defined as 'existing' facilities, are protected from the potential displacement effect of new entrants connecting under the 2021 Cycle, to be defined as 'new' facilities. A priority order will then be developed to assign NAQ existing facilities in priority over new facilities.

In relation to the matters 2 and 3 raised by market participants to support a deferral of the 2020 Cycle:

- The Taskforce is developing new rules for the accreditation of large-scale storage facilities that are expected to be made by the end of 2020. The ETIU will commence consultation with industry in April 2020.

While several market participants are considering storage facilities as part of a new development or located at existing generation facilities 'behind the meter', the deferral of the 2020 Reserve Capacity Cycle provides no certainty that these proposed storage investments will proceed but it will cause a significant amount of disruption to other market participants.

- The Taskforce acknowledges that the 14-hour fuel reserve requirement may impose a significant cost burden on conventional generation that is ultimately passed on to end consumers, and there is merit in reviewing this requirement in the context of an evolving energy sector.

However, this issue has not been considered for some time and may have implications for system security and reliability, which will require careful consideration in the context of the rapidly evolving energy sector. As this is not a critical issue for the Energy Transformation Strategy, the Taskforce does not propose to consider this matter at this stage, however the Taskforce or Energy Policy WA may consider it in the future, or any party may submit a proposal to the Rule Change Panel.