

Call for Further Submissions:  
Limit to Early Entry Capacity Payments  
(RC\_2013\_21)  
Standard Rule Change Process

3 August 2017

## Background

On 10 January 2014 the Independent Market Operator (IMO) submitted a Rule Change Proposal titled “Limit to Early Entry Capacity Payments” (RC\_2013\_21). The Rule Change Proposal seeks to limit early entry capacity payments in periods of excess capacity. An overview of the proposed changes is provided below.

The first submission period was held between 13 January 2014 and 24 February 2014. Submissions were received from Alinta Energy, Community Electricity, Perth Energy and Synergy. All submissions supported the proposed amendments on the grounds that they avoided the imposition of unnecessary costs on the market.

The Draft Rule Change Report was published on 25 March 2014 and the second submission period was held between 26 March 2014 and 24 April 2014. No submissions were received during this period.

The IMO delayed its final decision on the Rule Change Proposal due to uncertainties associated with the Minister’s Electricity Market Review. In May 2015 the Minister asked the IMO to exercise its discretion under clause 2.5.10 of the Market Rules to extend the normal timeframes for processing all Rule Change Proposals in progress (except for those relating to the deferral of Reserve Capacity Cycles) until the new rule change approval body was established as part of the Electricity Market Review reforms.

The rule making functions of the IMO were transferred to the newly formed Rule Change Panel on 26 November 2016. The Rule Change Panel commenced its rule making functions on 3 April 2017.

On 10 April 2017 the Rule Change Panel extended the timeframe for publication of the Final Rule Change Report until 29 December 2017, to allow the Rule Change Panel sufficient time to assess the Final Rule Change Report against the recent changes to the Market Rules and the Government’s further reform announcements. In its extension notice the Rule Change Panel advised that notwithstanding the extension date it committed to publish the Final Rule Change Report as soon as practicable.

## Call for Further Submissions

The Rule Change Panel invites interested stakeholders to make submissions on this Rule Change Proposal. The further submission period is 10 Business Days from the publication of this notice. Submissions must be delivered to the Rule Change Panel by **5:00 pm on Thursday, 17 August 2017**.

The Rule Change Panel has issued this call for submissions on the basis that a significant period of time has passed since the IMO last consulted on this Rule Change Proposal, during which the Market Rules have undergone numerous changes. As the proposal has already been the subject of two rounds of public consultation the Rule Change Panel requests that stakeholders **only submit on new, substantive issues**.

The Rule Change Panel prefers to receive submissions by email, using the submission form available at <https://www.erawa.com.au/rule-change-panel/make-a-rule-change-submission> sent to [rcp.secretariat@rcpwa.com.au](mailto:rcp.secretariat@rcpwa.com.au).

Submissions may also be sent to the Rule Change Panel by post, addressed to:

Rule Change Panel  
Attn: Executive Officer  
C/o Economic Regulation Authority  
PO Box 8469  
PERTH BC WA 6849

## Overview of Proposed Changes

The IMO developed this Rule Change Proposal to remove early entry capacity payments for new capacity where the Reserve Capacity Requirement has been met. The IMO proposed that, where the Reserve Capacity Requirement has already been met for a Capacity Year as determined by the IMO, the IMO must decide that early entry capacity payments will not be available for the relevant Capacity Year, following the assignment of Capacity Credits for that Reserve Capacity Cycle.

The IMO considered that in years of excess capacity the market receives little benefit from the incentive for early entry. In such circumstances, early entry capacity payments represent an unnecessary cost to Market Customers. The IMO estimated that limiting access to early entry capacity payments will likely save Market Customers \$1.55 million on average per annum.

The IMO therefore proposed amendments to clause 4.20.5A of the Market Rules to require the IMO to determine if the Reserve Capacity Requirement has been met with existing capacity. In addition, the IMO proposed changes to clauses 4.1.16 and 4.1.21A and the creation of a new clause 4.1.16A to provide the process by which the IMO notifies the market of the determination. Changes to clause 4.1.26 were also proposed to provide the dates from which Reserve Capacity Obligations apply.

The IMO also proposed to correct an oversight from the Rule Change Proposal: Early Certified Reserve Capacity (RC\_2009\_10) by amending clause 4.28C.13 of the Market Rules to extend the eligibility for early entry capacity payments (consistent with the changes proposed for capacity certified under the standard process) to Facilities with Early Certified Reserve Capacity.

Full details relating to the Rule Change Proposal are available on the Rule Change Panel's website at [Rule Change: RC 2013 21 - Economic Regulation Authority Western Australia](#).

## Relevant Recent Changes to the Market Rules

Since the publication of the Draft Rule Change Report the Minister has made some minor changes to the clauses of the Market Rules that are targeted for amendment by the Rule Change Proposal. These include:

- replacement of the "the IMO" with "AEMO" in several clauses;
- deletion of clause 4.27.11B, to which the proposed new clauses 4.1.26(d)(ii)(2) and 4.28C.13(a)(ii)(1) referred; and
- the inclusion of an additional obligation on AEMO in clause 4.20.5A(b) as shown below (added text):

4.20.5A. AEMO must:

- (a) assign a quantity of Capacity Credits to each Facility, where the quantity is determined in accordance with clause 4.20.5B, clause 4.20.5C or clause 4.20.5D, as applicable to the relevant Facility; and
- (b) publish the quantity of Capacity Credits assigned to each Facility and specify the Facility Class:
  - (i) if a Reserve Capacity Auction is cancelled under clause 4.15.1 – by the date and time specified in clause 4.1.16; and
  - (ii) if a Reserve Capacity Auction is not cancelled under clause 4.15.1 – by the date and time specified in clause 4.1.21A.

The clauses amended by this Rule Change Proposal are not affected by any amending rules that are currently made but yet to commence, including the amending rules in Schedule B, Part 3 of the *Wholesale Electricity Market Rules Amending Rules 2016* and the Amending Rules for the Rule Change Proposal: Reserve Capacity Mechanism – Manifest Errors (RC\_2017\_01) that are due to commence at 8:00 am on 1 October 2017.

The Rule Change Panel notes that the amendments made to the Market Rules since the publication of the Draft Rule Change Report do not appear to affect the central issue addressed by the Rule Change Proposal or the practicality of the proposed solution.

## Proposed Amending Rules

To assist stakeholders in preparing their submissions RCP Support has prepared the following revision to the proposed Amending Rules. Please note that these amendments are purely indicative at this time, have not been approved by the Rule Change Panel and may be subject to change in the Final Rule Change Report.

The changes to the proposed Amending Rules as presented in the Draft Rule Change Report include:

- redrafting of the proposed amendments to clause 4.20.5A to accommodate the additional obligation included in the clause by the Minister;
- removal of references to deleted clause 4.27.11B;
- replacement of “the IMO” with “AEMO” in the proposed new text;
- amendment of clause 4.1.26(c) and new clause 4.1.26(d) to reflect that the intention that the proposed amendments apply from the 2016 Reserve Capacity Cycle onwards;
- replacement of “clause 4.13” and “clause 4.28C” with the standard Market Rules references “section 4.13” and “section 4.28C” respectively; and
- clarification of AEMO’s specific obligations under clauses 4.1.16A(b) and 4.1.21A(b).

The revised proposed Amending Rules are presented below in their entirety, marked up against the Market Rules as at 1 July 2017 (~~deleted text~~, added text):

- 4.1.16. AEMO must publish the information required by clauses 4.15.1 and 4.15.2 pertaining to whether or not a Reserve Capacity Auction is required by 5:00 PM on the last Business Day falling on or before:
- (a) 16 September 2005, in the case of the first Reserve Capacity Cycle;
  - (b) 18 August of Year 1, in the case of subsequent Reserve Capacity Cycles up to and including 2010; and
  - (c) the first Business Day following the confirmation deadline specified in clause 4.1.15, in the case of Reserve Capacity Cycles from 2011 onwards.

~~If the Reserve Capacity Auction is cancelled, AEMO will assign Capacity Credits on the same day in accordance with clause 4.20.5A(a).~~

4.1.16A. If the Reserve Capacity Auction is cancelled, then, on the day that AEMO publishes the notice under clause 4.1.16, AEMO must:

- (a) assign Capacity Credits in accordance with clause 4.20.5A(a); and
- (b) determine in accordance with clause 4.20.5A(aA) whether the Reserve Capacity Requirement has been met or exceeded with the Capacity Credits assigned for Year 3 for which no Reserve Capacity Security was required to be provided under section 4.13.

...

4.1.21A. Not later than 5:00 PM on the last Business Day falling on or before 24 September of Year 1 of a Reserve Capacity Cycle, AEMO must, in the event that a Reserve Capacity Auction was required,:

- (a) assign Capacity Credits in accordance with clause 4.20.5A(a); and
- (b) determine in accordance with clause 4.20.5A(aA) whether the Reserve Capacity Requirement has been met or exceeded with the Capacity Credits assigned for Year 3 for which no Reserve Capacity Security was required to be provided under section 4.13.

...

4.1.26. Reserve Capacity Obligations apply:

(a)...

- iii. from the Trading Day commencing on 1 October 2007 for Interruptible Loads, Curtailable Loads or Dispatchable Loads commissioned after Energy Market Commencement; ~~and~~

(b)...

- iii. from the Trading Day commencing on 30 November of Year 3, for new generating systems undertaking Commissioning Tests after 30 November of Year 3; ~~and~~

- (c) for subsequent Reserve Capacity Cycles ~~from 2010 onwards~~ up to and including 2015:

...

- iii. from the Trading Day commencing on 1 October of Year 3, for new generating systems undertaking Commissioning Tests after 1 October of Year 3; and

- (d) for subsequent Reserve Capacity Cycles from 2016 onwards:

- i. where AEMO has determined in accordance with clause 4.20.5A(aA) that the Reserve Capacity Requirement has been met or exceeded with the Capacity Credits assigned for Year 3 for which no Reserve Capacity Security was required to be provided under section 4.13, from the Trading Day commencing on 1 October of Year 3:

- ii. where AEMO has determined in accordance with clause 4.20.5A(aA) that the Reserve Capacity Requirement has not been met with the Capacity Credits assigned for Year 3 for which no Reserve Capacity Security was required to be provided under section 4.13:

1. from the Trading Day commencing on 1 October of Year 3, for Facilities that were commissioned as at the scheduled time of the Reserve Capacity Auction for the Reserve Capacity Cycle as specified in clause 4.1.18(a) or for Facilities which have provided Capacity Credits in one or both of the two previous Reserve Capacity Cycles;

2. from the Trading Day commencing on the scheduled date of commissioning, as specified in accordance with clause 4.10.1(c)(iii)(7), or as revised in accordance with clause 4.27.11A, for Facilities commissioned between 1 June of Year 3 and 1 October of Year 3; or

3. from the Trading Day commencing on 1 October of Year 3, for new generating systems undertaking Commissioning Tests after 1 October of Year 3.

...

4.20.5A. AEMO must:

- (a) assign a quantity of Capacity Credits to each Facility, where the quantity is determined in accordance with clause 4.20.5B, clause 4.20.5C or clause 4.20.5D, as applicable to the relevant Facility; ~~and~~

- (aA) determine whether the Reserve Capacity Requirement has been met or exceeded with the Capacity Credits assigned for Year 3 for which no Reserve Capacity Security was required to be provided under section 4.13; and

~~(b) publish the quantity of Capacity Credits assigned to each Facility and specify the Facility Class:~~

(b) publish AEMO's determination under clause 4.20.5A(aA) and, for each Facility assigned Capacity Credits under clause 4.20.5A(a), the quantity of Capacity Credits assigned and the Facility Class:

- (i) if a Reserve Capacity Auction is cancelled under clause 4.15.1 – by the date and time specified in clause 4.1.16; and
- (ii) if a Reserve Capacity Auction is not cancelled under clause 4.15.1 – by the date and time specified in clause 4.1.21A.

...

4.28C.13. If AEMO approves the granting of Capacity Credits to the Facility under this ~~clause~~ section 4.28C, then the Capacity Credits and the Reserve Capacity Obligations associated with that Facility will apply from the commencement of the Trading Day commencing on the start date until the end of the Trading Day ending on the end date, where:

~~(a) the start date is 1 October of year 3 of the capacity cycle the application relates to under clause 4.28C.2; and~~

(a) the start date is:

i. where AEMO has determined, under clause 4.20.5A(aA), that the Reserve Capacity Requirement has been met or exceeded with the Capacity Credits assigned for Year 3 for which no Reserve Capacity Security was required to be provided under section 4.13 – 1 October of Year 3 of the Reserve Capacity Cycle to which the application relates, as determined under clause 4.28C.2; and

ii. where AEMO has determined, under clause 4.20.5A(aA), that the Reserve Capacity Requirement has not been met with the Capacity Credits assigned for Year 3 for which no Reserve Capacity Security was required to be provided under section 4.13:

1. for Facilities commissioned between 1 June of Year 3 and 1 October of Year 3 – the date on which the Facility completes all Commissioning Tests and is capable of meeting Reserve Capacity Obligations in full, as specified in accordance with clause 4.10.1(c)(iii)(7), or as revised in accordance with clause 4.27.11A; or

2. for new generating systems undertaking Commissioning Tests after 1 October of Year 3 – 1 October of Year 3; and

(b) the end date is the earlier of:

- i. the first instance of the date 1 October after the start date; and
- ii. the decommissioning date of the Facility.