

## Wholesale Electricity Market Rule Change Proposal Submission

### RC\_2017\_06 - Reduction of the prudential exposure in the Reserve Capacity Mechanism

#### Submitted by

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<b>Date submitted:</b>	12 January 2018

Submissions on Rule Change Proposals can be sent by:

Email to: [rcp.secretariat@rcpwa.com.au](mailto:rcp.secretariat@rcpwa.com.au)

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

#### 1. Please provide your views on the proposal, including any objections or suggested revisions.

The Australian Energy Market Operator (**AEMO**) welcomes the opportunity to provide a submission to the Rule Change Panel on the Draft Rule Change Report: Reduction of the prudential exposure in the Reserve Capacity Mechanism (**Draft Rule Change Report**).

AEMO notes the Rule Change Panel (**RCP**) has proposed a number of changes to the Rule Change Proposal submitted by AEMO. AEMO supports the changes proposed from the initial proposal to:

- improve clarity in drafting;
- remove the existing distinction in the WEM Rules between the initial and updated Individual Reserve Capacity Requirement;
- remove any specific references to Short Term Special Price Arrangements; and
- clarify that Capacity Credits covered by Special Price Arrangements cannot be traded bilaterally.

AEMO notes that the cost and implementation figures published in the Draft Rule Change Report are a preliminary estimate only and are based on the Rule Change Proposal submitted

by AEMO. The changes proposed by the RCP in the Draft Rule Change Report will result in additional modifications to AEMO's systems. In particular, updates to AEMO's settlement system will be required to remove any variables or references to the bilateral trading of Capacity Credits covered by Special Price Arrangements.

With reference to proposed clause 9.4.14, AEMO suggests limiting the time within which a Capacity Credit Allocation Submission can be reversed. Specifically, AEMO proposes that Capacity Credit Allocation Submissions can only be reversed up until the time specified in clause 9.16.2(b)(ii) to ensure no changes are made during AEMO's settlement processing.

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**2. Please provide an assessment whether the change will better facilitate the achievement of the Wholesale Market Objectives.**

Refer to AEMO's comments in the Rule Change Proposal.

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

AEMO is currently assessing the impacts of the Draft Rule Change Report on AEMO's IT systems. This assessment will provide a more accurate understanding of the costs and the time required for AEMO to implement all of the proposed changes. This information will be provided to the RCP for publication when it is available.

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**4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.**

Refer to AEMO's response to question 3.

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