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8 October 2024

Ms Dora Guzeleva
Director, Wholesale Markets
Energy Policy WA
Email: energymarkets@demirs.wa.gov.au

Dear Ms Guzeleva,

Exposure Draft – Individual Reserve Capacity Requirement adjustment for Associated Loads

The Australian Energy Market Operator (AEMO) welcomes the opportunity to provide a submission on the Exposure Draft – Individual Reserve Capacity Requirement (IRCR) adjustment for Associated Loads.

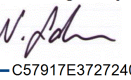
Normal load response to high IRCR charges is an important element of the market, helping to lower overall costs to the Reserve Capacity Mechanism (RCM). The proposed amendments reduce the potential for loads to benefit twice (as capacity providers and through reduced IRCR payments), thereby further reducing costs.

While supportive of the policy intent, AEMO notes that proposed changes may work to disincentivise the participation of some loads with Demand Side Programmes (DSP). As AEMO attributes average cost across the entire DSP, an oversubscribed DSP may lead to loads being impacted by higher charges. Furthermore, the lookback nature of IRCR calculations means that new owners of an Associated Load may receive higher IRCR charges that they are not able to control.

In determining a commencement date, AEMO requests that Energy Policy WA (EPWA) consider that the data required for use in clause 7.13.5B relies on provisions related to Peak Capacity Shortfall and Flexible Capacity Shortfall, which will not commence until October 2026. This means that the changes cannot commence until the following Capacity Year (i.e. October 2027).

AEMO has provided additional drafting comments in Attachment 1 for EPWA's consideration and looks forward to continuing to work with EPWA on finalising the RCM Reform Rules. If you would like to discuss any matters raised in this submission, please contact Mena Gilchrist at mena.gilchrist@aemo.com.au.

Yours sincerely,

DocuSigned by:

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Nicola Falcon

Executive General Manager (Interim) – Western Australia

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Attachment 1: Drafting comments – Exposure Draft ICRC adjustment for Associated Loads

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Attachment 1: Drafting comments – Exposure Draft ICRC adjustment for Associated Loads

WEM Rules Clause	AEMO comments and questions
General Comment	• The explanatory note and rule drafting shows the SOMS is calculated in MWh (for a 30 minute period), but the DIMW and PCS/FCS are in MW values. This mismatch in granularity should be reflected in the equation under clause 7.13.5B to prevent overallocation to the Associated Load, as indicated below in red. $$\boldsymbol{DR(l,t) = (0.5\ x\ \{DIMW(f,t) - Max[PCS(f,t), FCS(f,t)]\}) \times \frac{|SOMS(l,t^*)|}{\sum_{al \in f}|SOMS(al,t*)|}}$$ • For example, AEMO believes that when the correct calculation is applied to the example for AL1 in the 2:30-3:00pm interval, then AL1 should be allocated 5.68MWh to be offset against its IRCR contribution. • Furthermore, changes to Appendix 4 and 5 of the RCM Rules are required to correct unintentional errors. In the example provided, AL1 increased its consumption to 30MWh during the 5:00-5:30pm interval. AEMO believes the intended outcome under the RCM Rules should lead to an IRCR contribution of 35.68MWh consumption (5.68MWh plus 30MWh). • However, when determining the IRCR contribution for AL1, Appendix 5 point 11 of the RCM Rules incorrectly subtracts the SOMS offset rather than increasing the value to be used to determine the IRCR Contribution, as shown below. ○ **Appendix 5 point 11**: -1 * (5.68) + -1 * min(0, -30) = -1 * (5.68) + -1 * (-30) = -5.68 + 30 = +24.318 MWh

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General comment	• The IRCR calculation determines the contribution of the Association Load using its consumption during the interval, plus the value determined in clause 7.13.5B. • However, the example provided in the explanatory notes does not contemplate how the IRCR contribution of the Associated Load should be calculated when it is exporting during a peak or flexible IRCR Interval. • It is unclear whether an exporting load (during the IRCR interval) should be adjusted for the value determined under 7.13.5B, and if so, how this should be adjusted.
Clause 7.13.5A If AEMO ~~estimates a non-zero quantity for~~ has issued a Dispatch Instruction for a non-zero MW quantity to a Demand Side Programme for a Trading Interval under clause ~~7.13.1F(c)~~7.6.5A and that Trading Interval is a Peak or Flexible IRCR Interval, AEMO must ~~estimate~~ determine, for the purposes of clause 10 of Appendix 4 and clause 11 of Appendix 5, the Deemed DSP Dispatch Contribution for each Associated Load of that Demand Side Programme for that Trading Interval, in accordance with clause 7.13.5B ~~the quantity in MWh by which each Associated Load of each Demand Side Programme reduced its consumption in the Trading Interval~~.	• AEMO suggests EPWA consider also calculating DR(l,t) for the 4 Peak SWIS Trading Intervals and the 3 High-Ramp Trading Days, as these will be required for “new meters” in the IRCR.

Clause 7.13.5B
 	
The Deemed DSP Dispatch Contribution for an Associated Load *l* of a Demand Side Programme *f* in a Trading Interval *t* is the quantity in MWh by which the Associated Load is deemed to have reduced its consumption in the Trading Interval, calculated as follows:
 	
$$\boldsymbol{DR(l,t) = \{DIMW(f,t) - Max[PCS(f,t), FCS(f,t)]\} \times \frac{|SOMS(l,t^*)|}{\sum_{al \in f}|SOMS(al,t^*)|}}$$
 	
Where
	• Flexible Capacity Shortfall is only calculated for Trading Intervals outside the Hot Season. AEMO requests clarification on whether it should use FCS(l,t)=0 when DR(l,t) is calculated for a Peak IRCR Interval or a Flexible IRCR Interval within a Hot Season.
	• Formula comments:
	  ○ There may be an error in the use of “DR” in the formula as the description of this calculation is Deemed DSP Dispatch Contribution (i.e. contains no words beginning with R).
	  ○ AEMO recommends changing “al” to “l” so that the formula references the same Associated Load in each variable. Using two different scopes means they are two different loads. Clause 7.13.5B(f) should then be updated to match.

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(a) DR(l,t) is the Deemed DSP Dispatch Contribution for Associated Load l in Trading interval t; (b) DIMW(f,t) is the quantity by which the Demand Side Programme f was instructed by AEMO to restrict its DSP Energy Level in Trading Interval t as specified by AEMO in accordance with clause 7.13.5 (c) PCS(f,t) is the Peak Capacity Shortfall for Demand Side Programme f in Trading Interval t as calculated in clause 4.26.2D; (d) FCS(f,t) is the Flexible Capacity Shortfall for Demand Side Programme f in Trading Interval t as calculated in clause 4.26.14; (e) $\lvert \boldsymbol{SOMS}(\boldsymbol{l},\boldsymbol{t}) \rvert$ is absolute value of the Sent Out Metered Schedule for Associated Load l in Trading Interval t*; (f) $\lvert \boldsymbol{SOMS}(\boldsymbol{al},\boldsymbol{t}) \rvert$ is the absolute value of the Sent Out Metered Schedule for Associated Load al in Trading Interval t*; (g) t* denotes the last Trading Interval in the Adjustment Window (as defined in Step 3.1 of Appendix 10) for Demand Side Programme f on the Trading Day that contains Trading Interval t; and (h) $\boldsymbol{al} \in \boldsymbol{DSP}$ refers to all Associated Loads of Demand Side Programme f of which Associated Load l is a part.	○ DIMW(f,t), PCS(f,t), and FCS(f,t) are currently MW values that should be converted to MWh to be used as inputs to Appendix 4 and Appendix 5. ○ Changes are required to the calculation to prevent outcomes that require dividing by zero in the scenario where the sum of SOMS for the DSP is zero MWh in t*. • 7.13.5B(b) AEMO suggests replacing 7.13.5B(b) with "*DIMW(f,t) is the MW quantity issued in the Dispatch Instruction for Demand Side Programme f in Trading Interval t as calculated in clause 7.13.5*". This avoids the need to use terms that relate to injection or withdrawal and more clearly relates to the term Dispatch Instruction. • 7.13.5B(c) This is a value determined from the settlement system for the Facility. The owner of this DSP Facility (DSP Aggregator) is most likely to be a different Market Participant. To allow the interval meter owner (FRMP) to verify the IRCR calculation, AEMO would need to provide the DSP Facility settlement values. AEMO notes this would be a confidentiality breach. • 7.13.5B(d) As noted in AEMO's covering letter, the drafting needs to consider rule commencement dates for Peak Capacity Shortfall and Flexible Capacity Shortfall. These values will only be available the year after the rules commence. AEMO intends to calculate PCS from October 2026, which means it cannot be used until the Peak IRCR for October 2027.
Definition: DSP Energy Level	• AEMO suggests EPWA consider whether clause 7.13.5 should also be amended to use this new defined term.