



Department of Energy, Mines,
Industry Regulation and Safety
Energy Policy WA

Response to Stakeholder Submissions

Exposure Draft of WEM Amending Rules for the
Individual Reserve Capacity Requirement adjustment
for Associated Loads

January 2025

Working together for a **brighter** energy future.

An appropriate citation for this paper is: Response to Stakeholder Submissions: Exposure Draft of WEM Amending Rules for the IRCR adjustment for Associated Loads

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Overview

Electricity markets around the world are undergoing a major transition in the move to a net zero emissions energy sector. Significant network, renewable generation and Electric Storage Resource (ESR) investment will be required in the South West Interconnected System (SWIS) over the next decade to continue to deliver on the energy trilemma of reliable, affordable and environmentally responsible electricity supply.

To address the challenges of the energy transition, the Coordinator of Energy (Coordinator) has commenced a number of WEM reviews since the start of 2022, the most significant of which was the review of the Reserve Capacity Mechanism (RCM)¹.

Several policy decisions resulting from the RCM Review pertain to Demand Side Programmes (DSPs) and include:

- DSPs comprised of a single Associated Load will be allocated Certified Reserve Capacity (CRC) based on the Individual Reserve Capacity Requirement (IRCR) of the Associated Load less its minimum load requirement; and
- DSPs comprised of more than one Associated Load will be allocated CRC based on their nominated response and the adoption a dynamic baseline to measure their dispatch performance.

DSPs are scheduled and dispatched differently from generation facilities. Their nature as a last-resort Reserve Capacity supplier means that they are seldom dispatched. Their provision of load reduction means that their contribution must be measured against a counterfactual of what they would have consumed if they had not been dispatched. If a participant chooses to reduce consumption to reduce its IRCR exposure during a baseline period, its baseline for DSP dispatch would also be reduced from what it would have been had the participant not sought to manage its IRCR.

Re-sequencing of the WEM Amending Rules implementing the outcomes of the RCM Review

The WEM Amendment (Reserve Capacity Reform) Rules 2023 (the RCM Reform Rules) implementing the outcomes of the RCM review were made by the former Minister in early December 2023.

At that time, the Australian Energy Market Operator (AEMO) provided rationale for the sequencing of the RCM Reform Rules, and outlined how the implementation of different aspects of the reform package may impact on the normal RCM timeframes and therefore required staging.

Based on that AEMO's rationale, the RCM Reform Rules were laid out in four schedules assuming a certain order, in which they were to be sequenced/commenced, with only the first schedule commencing upon the gazettal of the RCM Reform Rules in December 2023.

AEMO subsequently revised the commencement timeline for implementing the RCM Reform Rules and identified a number of areas, in which it would not have the ability to implement the RCM Reform Rules as originally staged. This required changes to the remaining three schedules of the RCM Reform Rules, that were yet to be commenced, prior to their implementation.

Energy Policy WA (EPWA), in consultation with AEMO, made amendments to the three remaining schedules of the RCM Reform Rules to provide for AEMO's revised implementation sequence of these schedules and to address required drafting changes. The more substantial additional changes, which have undergone public consultation since the RCM Reform Rules were made, included changes to the determination of the IRCR of Associated Loads that are part of a DSP dispatched during an IRCR Interval.

¹ [Reserve Capacity Mechanism Review](#)

Exposure Draft of WEM Amending Rules for the IRCR adjustment for Associated Loads

During the re-sequencing of the RCM Reform Rules it was identified that changes to the determination of the IRCR of Associated Loads that are part of a DSP dispatched during an IRCR Interval required further consultation.

Amendments to the WEM Rules regarding the IRCR contribution of loads that are Associated Loads of DSPs were required to ensure that these loads do not benefit twice - once by receiving a capacity payment for curtailment as a DSP and again by avoiding capacity costs due to that curtailment.

EPWA developed an Exposure Draft which included proposed Amending Rules to specify how AEMO must estimate the contribution of each Associated Load to the change in Withdrawal of the relevant DSP, when the DSP was dispatched during one of the Peak or Flexible IRCR Intervals. Stakeholders were invited to provide written feedback by 8 October 2024 (the first Exposure Draft).

EPWA considered all stakeholder feedback received on the Exposure Draft and has provided a response to the feedback in the table below.

The Exposure Draft of the WEM Amending Rules for the IRCR adjustment for Associated Loads can be found on the EPWA's [website](#).

In response to stakeholder submissions received, the approach to the method specifying how AEMO must estimate the contribution of each Associated Load to the change in Withdrawal of the relevant DSP if the DSP was dispatched during one of the Peak or Flexible IRCR Intervals was amended, with EPWA developing an alternative method.

Under this method, there is no adjustment to the Associated Load's metered consumption during a Peak/Flex IRCR Interval. Instead, the metered consumption during the IRCR interval is substituted with the load's Unadjusted Baseline Energy for the relevant Trading Interval (which will be the average of the load's consumption in the 10 previous days).

This alternative method was consulted on in the [Exposure Draft of WEM Investment Certainty and RCM Review Amending Rules](#) (the Second Exposure Draft). Stakeholders were invited to provide written feedback by 9 December 2024. Stakeholder submissions and EPWA's response to the feedback received is available on the EPWA [website](#).

EPWA finalised the WEM Amending Rules for the IRCR adjustment for Associated Loads and these have been incorporated into the [WEM Amendment \(RCM Reviews Sequencing\) Rules 2025](#) and were approved by the Minister for Energy on 9 January 2025 and published in the Government Gazette on 14 January 2025.

Responses to stakeholder submissions on the First Exposure Draft of WEM Amending Rules for the IRCR adjustment for Associated Loads

Stakeholder	Stakeholder Feedback	Energy Policy WA Responses
<p>The following stakeholders indicated that they ‘support’ or generally support the proposal:</p> <ul style="list-style-type: none"> Chamber of Minerals and Energy Change Energy 		
<p>AEMO</p>	<p>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 Individual Reserve Capacity Requirement (IRCR) calculations means that new owners of an Associated Load may receive higher IRCR charges that they are not able to control.</p> <p>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 (PCS) and Flexible Capacity Shortfall (FCS), which will not commence until October 2026. This means that the changes cannot commence until the following Capacity Year (i.e. October 2027).</p> <p>The explanatory note and rule drafting shows the Sent out Metered Schedule (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.</p> $DR(L,t) = (0.5 \times \{ DIMW(f,t) - \text{Max}[PCS(f,t), FCS(f,t)] \}) \times \frac{ SOMS(L,t^*) }{\sum_{a \in \{f\}} SOMS(a,t^*) }$ <p>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.</p> <p>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).</p>	<p>The proposed method, as consulted on in the first Exposure Draft, involved adjusting the metered consumption of the load during Peak/Flex IRCR Intervals by adding on an estimated reduction for each load. Each Associated Load’s contribution was estimated by allocating the total DSP reduction during an IRCR interval (given by the DSP’s Relevant Demand less its DSPLMW (from meter schedules) in proportion to each Associated Load’s consumption at the end of the Adjustment Window for the Event Day.</p> <p>Stakeholders raised issues with this approach, as it can result in disproportionate allocations in which a load’s IRCR contribution may end up being more than it would have been. In response to stakeholder feedback EPWA developed an alternative method.</p> <p>Under this method, there is no adjustment to the Associated Load’s metered consumption during a Peak/Flex IRCR Interval. Instead, the metered consumption during the IRCR interval would be substituted with the load’s Unadjusted Baseline Energy for the relevant Trading Interval (which will be the average of the load’s consumption in the 10 previous days).</p> <p>The DSP reduction or estimate of the load’s reduction is not used. Its metered consumption is just replaced with its Unadjusted Baseline Energy. This is then used in the IRCR calculations.</p> <p>This approach will require AEMO to calculate the Unadjusted Baseline Energy of each Associated Load as well (the Relevant Demand calculation remains at the aggregate DSP level).</p>

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	<p>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.</p> <p>Appendix 5 point 11: $-1 * (5.68) + -1 * \min(0, -30)$</p> $= -1 * (5.68) + -1 * (-30)$ $= -5.68 + 30$ $= +24.318 \text{ MWh}$ <p>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.</p>	<p>Under this approach no disproportionate adjustment can occur as the DSP reduction to the Associated Loads is no longer allocated. Instead, the Unadjusted Baseline Energy of each load is relied upon to estimate the DSP consumption during the IRCR interval. This approach was consulted on in the Exposure Draft of WEM Investment Certainty and RCM Review Amending Rules.</p>
AEMO	<p>7.13.5B - FCS 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.</p> <p>Formula comments:</p> <ul style="list-style-type: none"> ○ 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. ○ 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*. <p>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</p>	<p>As noted above, the approach for accounting for the dispatch of DSPs when determining the IRCR has changed. AEMO’s concerns are not relevant to the new approach.</p>

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	<p>terms that relate to injection or withdrawal and more clearly relates to the term Dispatch Instruction.</p> <p>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.</p> <p>7.13.5B(d) - As noted in above, the drafting needs to consider rule commencement dates for PCS and FCS. 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.</p>	
AEMO	7.13.5A - AEMO suggests EPWA consider also calculating DR(I,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.	EPWA acknowledges AEMO’s suggestion to also replace meter data for the purpose of IRCR calculation for Associated Loads of DSPs dispatched during the 4 Peak SWIS Trading Intervals and the 3 High Ramp Trading Days and will consider this and any potential changes at a future opportunity.
AEMO	<p>Glossary Definition: DSP Energy Level</p> <p>AEMO suggests EPWA consider whether clause 7.13.5 should also be amended to use this new defined term.</p>	Noted and updated.
Enel X	<p>Enel X does not support this proposed rule change and do not feel this is sufficiently well thought-out and has a significant risk of unintended consequences that prevent participation in RCM. The rule change as proposed creates:</p> <ol style="list-style-type: none"> 1. issues with fairness, 2. issues with placing risks on consumers that are not well-placed to manage them and 3. it risks dramatically chilling the level of demand-side participation in RCM. 	<p>The provisions that Loads associated with a DSP are not allowed to participate in an IRCR reduction scheme implement the current policy position that consumers should not pay twice for the same reduction. This is also reflected in the current regime under which the Relevant Demand of a DSP cannot exceed its IRCR.</p> <p>As outlined in the first row of this table, EPWA has changed the approach for accounting for the dispatch of DSPs when determining the IRCR after this exposure draft to address Enel X’s concerns about the fairness and risk.</p>
Enel X	<p>Fairness issues</p> <p>Enel X consider that this rule change would allocate the adjustment to the SOMS in two ways that is inequitable:</p> <ul style="list-style-type: none"> • The first is it penalises larger consumers / exporters, regardless of the amount of demand reduction they can or did provide (see submission) 	See response above.

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	<ul style="list-style-type: none"> The second is that the level of demand reduction provided during dispatch is not factored into the adjustment (see submission) <p>In an aggregated portfolio across multiple TNIs, like Enel X has, there will certainly be several situations like this occurring. And as such, some Associated Loads will suffer such inequitable results. Enel X note it is infeasible for an aggregator like Enel X to avoid such situations arising. Given the need to disaggregate DSPs to only being within a single TNI, it becomes economically infeasible to disaggregate further to only situate like-sized customers with like-sized levels of flexibility in a given DSP.</p> <p>The concept of 'user pays' has been a guiding principle for other proposed changes to the IRCR mechanism, such as the removal of the discount for Non Temperature Dependent Loads. This rule change is antithetical to the concept of 'user pays' in two ways:</p> <ol style="list-style-type: none"> Under this rule, users who have no consumption at the time of a Peak IRCR or Flexible IRCR Interval will still be required to pay capacity charges despite not making any contribution to peak intervals. The allocation of load reduction is not done at an individual level. In the interest of fairness IRCR has always been calculated purely on an individual basis and this is a departure from that standard. 	
Enel X	<p>Placing risk on consumers that are not well-placed to manage them</p> <p>Enel X consider the inequitable impacts highlighted in their submission will be borne by the end-user who agrees to participate in a DSP, not by the Market Participant who manages and puts together the DSP aggregations.</p> <p>Enel X consider that these end-users are not well-placed to manage these risks. For one, they are not necessarily energy experts who can calculate the likelihood of overlap between RCM dispatches and IRCR intervals and the corresponding impacts. More critically, they have no say over who they are aggregated with in a DSP and therefore no ability to control whether they are subjected to such inequitable impacts as highlighted.</p>	See response above.
Enel X	<p>Chilling the level of demand-side participation in RCM</p> <p>Enel X consider that the combined impact of the points raised above is that a significant number of end-users will avoid participating in RCM due to risks that are difficult to quantify both in terms of likelihood and magnitude. This will also reduce the incentive of Market Participants investing in providing reserve capacity</p>	See response above.

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	<p>through DSPs because of increased difficulty—and therefore cost—in recruiting customers.</p> <p>While Enel X understand the intent behind the proposed rule change, we believe it may be unnecessary and could lead to unintended consequences. The best way to avoid paying for over-compensating demand-side capacity is through the baselining process.</p> <p>Enel X would like to point out to EPWA that the current method of baselining (10-of-10) already greatly reduces the ability to enrol end-users who actively manage their IRCR charge in programs such as RCM (or NCESS or Supplementary Capacity). This is because load reduction in days leading up to, or on the day of, an RCM dispatch, results in an eroded baseline and therefore penalises the RCM performance. And such negative impacts on RCM performance are already accounted for by aggregators such as Enel X when nominating the capacity of DSPs. This is a better solution for several reasons:</p> <ol style="list-style-type: none"> 1. It does not penalise end-users in unpredictable and inequitable ways. 2. It puts the risk on the Market Participant (the aggregator) who is better placed to assess and manage it. 	

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