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Dear Ms Guzeleva

Exposure Draft of Electricity System and Market Amending Rules – Tranche 8

The Australian Energy Market Operator (AEMO) appreciates the opportunity to provide a submission on the Exposure Draft of Electricity System and Market Amending Rules – Tranche 8 (Tranche 8 Exposure Draft).

AEMO has reviewed the Tranche 8 Exposure Draft and has provided detailed drafting comments and suggestions to better facilitate implementation of the rules in Attachments 1 and 2.

Schedule 1 – changes to the Availability Duration Gap

AEMO supports the intent of the proposed changes in Schedule 1 to implement a new method for calculating the Availability Duration Gap (ADG). As highlighted by EPWA in the Tranche 8 Exposure Draft, without changes to the existing methodology the Electric Storage Resource Obligation Duration (ESROD) would extend from the current 4 hours to 15.5 hours (which is longer than the 14-hour fuel requirement).

AEMO supported Energy Policy WA's investigation of the ADG changes, including by implementing the proposed methodologies to ensure the modelled outcomes align with the policy objectives. Preliminary results indicated that the ESROD could extend to 6.5 hours for the 2025 Reserve Capacity Cycle, which AEMO considers would more closely align with the future operational needs for Electric Storage Resources in the Wholesale Electricity Market (WEM). AEMO notes the final number will be dependent on the final amending rules and data from the 2025 WEM Electricity Statement of Opportunities (ESOO).

AEMO considers that the proposed changes to Part A and Part B of Appendix 11, which modify the determination of the ADG, can be implemented for the 2025 Reserve Capacity Cycle provided the drafting comments outlined in Attachment 1 are addressed.

Electric Storage Resource Duration Requirement Uplift

The changes to Part C of Appendix 11, which outline process steps for determining the Electric Storage Resource Duration Requirement Uplift, will need more substantial modification before being implemented. AEMO has made comments and proposed changes in Attachment 1 to address the key issues. Without addressing these issues, AEMO is not confident the rules can be implemented to achieve the intended policy outcomes.

An alternative option would be for Energy Policy WA to draft a transitional provision to give effect to the intended policy outcome for the 2025 Reserve Capacity Cycle. This would provide additional time to refine the process steps for the 2026 Reserve Capacity Cycle (in consultation with industry).

Capability Class Assessment changes

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AEMO supports the intent of the changes to clauses 4.5.12 and 4.5.12A, which propose a method for prioritising Capability Class 1 and 3 generation in the Network Access Quantity (NAQ) model if the capacity is required to address a shortfall.

AEMO has proposed additional amendments to clause 4.5.12(i) in Attachment 1 which would more closely align the drafting with the methodology that can be applied by AEMO in developing the WEM ESOO. These changes will improve market and operational efficiency by ensuring the assessment is only undertaken when a shortfall is identified for the anticipated fleet in assessing the second limb of the Planning Criterion, and that the contribution of anticipated Capability Class 2 Facilities are modelled as part of the assessment.

The proposed drafting of clause 4.5.12A results in a risk that existing Facilities may be displaced by new Capability Class 1 and 3 Facilities. AEMO notes that Energy Policy WA proposed a solution at the 10 April TDOWG meeting to revise the drafting to include the relevant Facilities in the priority order in Step 4 of Appendix 3 (instead of Step 3A). This would mitigate this risk but may mean that new Facilities are constrained by virtue of being lower in the NAQ priority order. AEMO is able to implement either approach for the 2025 Reserve Capacity Cycle.

Implementation Challenges

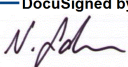
AEMO needs time to assess the impacts of changes to its systems and processes before committing to the proposed commencement dates, particularly if they will impact AEMO's implementation schedule within the next three years. For example, amendments to clause 4.10.1(f)(vi) in Schedule 3 change the requirements for the periods in which a Demand Side Programme may be dispatched. This will require major changes to multiple AEMO systems and processes, including those related to Certification of Reserve Capacity, the Relevant Level Method, Reserve Capacity Obligation Quantities and Reserve Capacity Testing.

The Tranche 8 Exposure Draft is also likely to require changes to a range of WEM Procedures. A complete assessment has not been possible within the consultation timeframe and further work will be required to determine timeframes and resourcing requirements for each Procedure change.

AEMO notes the new implementation assessment process proposed as part of the Major Projects Working Group, the Terms of Reference for which were endorsed by the Market Advisory Committee on 1 May 2025, will help to mitigate these implementation challenges in the future.

If you would like to discuss any of the matters raised in this submission, please contact Ben Davis, Manager WA Regulatory Affairs at ben.davis@aemo.com.au.

Yours sincerely

DocuSigned by:

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Nicola Falcon

Interim Executive General Manager WA

Attachments:

Attachment 1 – Summary of AEMO drafting comments and suggestions

Attachment 2 – Additional drafting (clause 4.13.11A)

Attachment 1: Summary of AEMO drafting comments and suggestions

ESM Rules reference	AEMO comments
Schedule 1	
Clause 4.5.10(a)	<ul style="list-style-type: none"> AEMO suggests the full stop at the end of the subclause should be replaced with a semi-colon, to correct the typographical error.
Clause 4.15.12(i)	<ul style="list-style-type: none"> As noted in the above letter, AEMO proposes replacing the entirety of clause 4.15.12(i) with the following: <ul style="list-style-type: none"> <u>(i) if anticipated installed capacity does not satisfy clause 4.5.9(b) under the load scenario described in clause 4.5.10(a)(iv), the minimum additional capacity required to be provided by Capability Class 1 and Capability Class 3 capacity if clause 4.5.9(b) is to be satisfied, using an appropriate mix of Capability Class 1 and Capability Class 3 capacity; and</u> <p>...</p> <p>The suggested amendments would ensure the following:</p> <ul style="list-style-type: none"> The assessment is only undertaken in the event a shortfall is identified for the existing fleet in assessing the second limb of the Planning Criterion (Clause 4.5.10(b)(ii)). The assessment is performed using the unadjusted demand projection under clause 4.5.10(a)(iv), which is used in assessing the second limb of the Planning Criterion. The impact of anticipated Capability Class 2 Facilities is modelled as part of the assessment.
ESR Duration Requirement	<ul style="list-style-type: none"> AEMO recommends updating the definition to be aligned with the proposed changes to clause 4.5.12(d), by replacing “by AEMO under clause 4.5.12(d)” with “the ESRDR determined by AEMO under Appendix 11.”
Peak Electric Storage Resource Obligation Interval	<ul style="list-style-type: none"> AEMO notes the reference to clause 4.11.3A is incorrect and suggests correcting it to clause 6.3A.2. AEMO also notes there is a lack of clarity around what constitutes a Facility upgrade given this is undefined in the rules. It is particularly unclear for an Electric Storage Resource. AEMO suggests that EPWA provides further guidance, noting that participants at the 10 April 2025 TDOWG meeting also raised this issue in respect to replacement capacity.
Appendix 3	<ul style="list-style-type: none"> “NAQ Facility” – AEMO suggests amending “4.15.12A” to “4.5.12A” to correct the referencing error. AEMO also notes that Appendix Step 3A will also need to be updated, – to provide direction as to what to run the Facilities up to, similar to how this is done for new NCESS contracts (under Step 3A(a)(ii). For example:

	<p><u>(iv) for a NAQ Facility subject to clause 4.5.12A, that was not assigned a NAQ in the....."</u></p>
<p>Appendix 11 Part A</p>	<ul style="list-style-type: none"> • A.1 – AEMO recommends removing the “(CY)” after the “Capacity Year” as this is not a convention used under the rules. • A.2(a) – AEMO suggests amending “most recent Reserve Capacity” to “previous Reserve Capacity Cycle” for clarity. • A.2(b) and (c) – AEMO suggests amending “Capacity Credits” to “Peak Capacity Credits” in both instances. • A.2(d) – AEMO notes there is a key term missing from the definition and suggests it could be “Peak Electric Storage Resource Obligation Duration” and suggests amending “previous year” to “previous.” The definition should also include how Minimum ESROD is selected and whether it represents a number of trading intervals or set of adjacent trading intervals. • A.2(e) and (f) – AEMO recommends correcting “reference Day” to “Reference Day” in both instances. • A.2(g) – AEMO recommends correcting the cross-reference error from “B.1.7” to “B.1.8.” • A.2(h) – AEMO recommends clarifying whether “day” refers to Trading Day or calendar day, and removing the inadvertent comma. As the current definition can be interpreted three different ways, AEMO also recommends tightening the wording to align with what we understand to be the intent, for example to: <u>“Reference Day” of a Reference Year is the day, falling within the third Capacity Year 3 of the relevant Reserve Capacity Cycle, which contains the peak Trading Interval for that Capacity Year...</u> • A.2(h) – AEMO recommends clarifying whether “highest demand” is intended to refer to Operational Demand or Peak Demand and amending part of the text to align with clause 4.5.10(iv) i.e. <u>“one in ten year peak demand scenario assuming expected demand growth.”</u> • A.2(i) – AEMO suggests amending “for Reference Day” to “of a Reference Day,” “expected unserved energy” to “expected unserved energy shortfalls” and operational demand” to “Operational Demand Estimate,” if this is the intent. • A.2(j) – AEMO recommends deleting “the number of Trading Intervals in” as under Step B1.6 the ESROD is the contiguous set of Trading Intervals, not the number of Trading Intervals. The use of the term “iteration” should also be reconsidered. • A.2(k) – AEMO notes that “reference year” is used in the description for “Reference Year” and suggests further clarifying the definition. • A.2(l) – AEMO notes that this is a quantity, not a duration, and suggests amending “Smallest ESRDR” to “Lowest ESRDR.”

	<ul style="list-style-type: none"> • A.2(m) and (n) – AEMO suggests changing “Electric Storage Resource Duration Requirement” to “ESRDR.” AEMO also notes “ESR MWh Capacity” is not a defined term. • A.4 – AEMO suggests amending “ESR Obligation Duration Uplift” to “ESR Duration Requirement Uplift.”
Part B	<ul style="list-style-type: none"> • B.1.3 – AEMO suggests adding the following defined term for “Derated ESR Capacity” to capture the possibility of ESR Facilities in the future with different ESRDR: <u>Calculate the Derated ESR Capacity, which is the sum of Derated ESR MW Capacity for ESR facilities, and Derated ESR MW Capacity for each ESR facility is calculated by adjusting the ESR MW Capacity proportionally to last the Minimum ESROD, as:</u> <u>Derated ESR MW Capacity = ESR MW Capacity X (ESRDR of the unit / Minimum ESROD).</u> ESR Capacity should then be replaced with Derated ESR Capacity for all subsequent steps within Part B (but not Part C). • B.1.4 – As drafted the outworking of B.1.5 repeats B.1.4. but only compares Residual Demand against the highest adjacent Trading Interval. AEMO suggests setting the Reference ESROD under B.1.3 as Minimum ESROD, then proceeding to the calculation under B.1.5 and removing B.1.4 altogether. • AEMO suggests retaining the definition of Peak Electric Storage Resource Obligation Duration to MPESROI, but adding a new step before B.1.5 to determine the initial position of the Reference ESROD to be whatever position includes Peak Trading Interval Demand and ultimately results in the lowest Reference ADG for that particular Reference Day. This would reflect the policy intent and resolve the issue of not including the position of the contiguous Trading Intervals in the reference ESROD in this appendix. • B.1.5 – AEMO notes that the numerator should be ‘Minimum_ESROD_QTY’ to convert from a set of Trading Intervals to a numerical value. AEMO also suggests adding the final sentence to “Where Minimum_ESROD_QTY is the number of Trading Intervals in the Minimum ESROD.” • B.1.6 – AEMO suggests clarifying the wording to “Select the Trading Interval with the higher Operational Demand Estimate from the two Trading Intervals adjacent to the Reference ESROD.” • B.1.7(a) – AEMO suggests changing “greater or” to “greater than or.” B.1.7 also states the opposite to B.1.4, which supports AEMO’s recommendation to remove B.1.4 altogether. • B.1.7(b) – AEMO suggests amending to “...increase the Reference ESROD by the Trading Interval identified in step B.1.6...” for clarity. • B.1.8 – AEMO recommends changing “Current_ESROD_QTY” to Minimum_ESROD_QTY.”

	<ul style="list-style-type: none"> • B.1.2 – AEMO suggests clarifying that this is “rounded <u>up</u> to the nearest...” as this would have a material difference to the result.
Part C	<ul style="list-style-type: none"> • C.1.1 – AEMO suggests amending “Determine” to “Identify” and “year 3” to “the third Capacity Year” for consistency with the rules. • C.1.2 – AEMO suggests amending “shortest to longest” to “lowest to highest,” as ESRDR is a numerical value. • C.1.3 – AEMO suggests amending “less” to “fewer or equal to.” AEMO also questions whether the second part of the sentence is necessary, if the ESROD is only expected to increase. • C.2.1 – AEMO suggests amending “Reference Day” to “Reference Day d.” • C.2.2 – as currently drafted the purpose of this step is not clear and further clarification is needed. AEMO notes this may need to be changed to an overall provision rather than being in relation to each Reference Day. If Reference Day is retained, then the following amendments should be made: <ul style="list-style-type: none"> (a) the <u>Reference</u> Availability Duration Gap determined under Part B is equal to zero; and (b) the smallest ESRD is equal to or greater than the Reference_ESROD_QTY used in step B.1.8, set the <u>Reference</u> ESR Obligation Duration Uplift to zero and do not continue with the rest of this Part C, otherwise, move to step C.2.3. • C.2.3(a) and (b) – AEMO notes that “Derating Floor,” “Starting ESROD” have not been properly defined in the same way as the terms under Step B. Starting ESROD is also identified but then not used in subsequent steps. • C.2.3(a) – AEMO notes that “number of Trading Intervals in” is redundant as Reference_ESROD_QTY is already the number of Trading Intervals in Reference ESROD. • C.2.3(b)(ii) – AEMO suggests amending the phrasing to “is equal to the Smallest ESRD.” • C.2.3(iii) – AEMO suggests replacing with the following wording “spans the consecutive Trading Intervals which have the highest average Operational Demand Estimates.” • C.2.4 – AEMO suggests clarifying the ambiguous wording by changing to “in order from the smallest to the largest ‘r’ value.” AEMO also notes that “Derating Tranche” and “Derating Tranche Depth” have also not been defined in a consistent manner. • C.2.5 – As Derating Tranche is referred to in C.2.4 as a number of Trading Intervals, the wording here suggests the Trading Intervals numbers should be added together, which does not work. AEMO also notes that “Accumulated Used ESR MWh Capacity” has been used before it has been defined. • AEMO suggests inserting new subclause before C.2.5(a):

	<p><u>"for the first Derating Tranche of the smallest ESRDR r, use the number of Trading Intervals in the Starting ESROD"</u></p> <ul style="list-style-type: none"> • C.2.5(a) – AEMO suggests amending to “the first Derating Tranche of subsequent ESRDR r is the lesser of the Derating Floor and the greater of:” • C.2.5(a)(ii) – AEMO suggests amending to “the last Derating Tranche.” • C.2.5(b) – AEMO suggests amending “smaller” to “lesser.” • C.2.6(a) – AEMO suggests amending the first part of the calculation to "(Total ESR MWh Capacity (r) – Accumulated Used ESR MWh Capacity (r)) / (0.5 * Derating Tranche)." • C.2.6(b)(i) – AEMO notes “interval” should be capitalised. AEMO also notes that this calculation is circular, as it should be calculating Derating Tranche Depth, but Derating Tranche Depth is required as an input (instead of being an output). • C.2.6(b)(ii) – As the Derating Tranche Depth needs to be in MW, AEMO suggests amending to “(Total Group ESR MWh Capacity (r) – Accumulated Used ESR MWh Capacity (r)) / (0.5 * Derating Tranche).” AEMO notes there is an “;and” missing between the two numbers in this step. • C.2.7 – AEMO suggests amending the calculation to "min(0, ESR MW Capacity – Total Accumulated Depth)."
Schedule 2	
Clause 1.65.4 Clause 1.65.5	<ul style="list-style-type: none"> • AEMO notes that “Original” is not a defined term and suggests either defining or amending to lower case in these two clauses.
Transitional Section 1.68	<ul style="list-style-type: none"> • AEMO notes that new clause 1.68.1 gives the Economic Regulation Authority until 15 March 2026 to publish the Benchmark Reserve Capacity Price (BRCP). • As AEMO is required to publish the BRCP in the Request for Expression of Interest REOI) under clause 4.3.1(f) by 1 January, this will not be possible for the 2026 Reserve Capacity Cycle. • AEMO therefore suggests EPWA introduces a transitional provision to remove the requirement for AEMO to publish the BRCP in the 2026 REOI.
Clause 1.68.1	<ul style="list-style-type: none"> • AEMO suggests aligning this wording with clause 4.16.1 – and amending “by 15 March 2026 to “prior to 16 March 2026.”
Clause 2.29.5AK	<ul style="list-style-type: none"> • AEMO suggests amending for clarity to: <u>“If a Non-Dispatchable Load is associated with a non-contestable customer, as defined in the Metering Code, Synergy is the only Market Participant that may apply to AEMO to associate that Non-Dispatchable Load with a Demand Side Programme or an Interruptible Load under clause 2.29.5B.”</u>

Clause 2.29.5AL	<ul style="list-style-type: none"> AEMO recommends amending “meter” to “metering installation” as per the Metering Code, to ensure the meter is not a deemed accumulation meter under the Metering Code.
Clause 3.19.8	<ul style="list-style-type: none"> AEMO notes its support for the proposed removal of clause 3.19.8, adding that it will avoid unnecessary costs to the market by minimising duplication and reducing the requirement for additional notifications.
Clause 4.5B.6	<ul style="list-style-type: none"> AEMO recommends amending “Market Information” to “information” as the definition can be interpreted narrowly, which may incidentally exclude information that may be relevant.
Clause 4.10.1	<ul style="list-style-type: none"> AEMO recommends adding “or, where relevant,” before “each component of the Facility” for clarity and to avoid a potential interpretation of the clause as requiring either the minimum stable loading OR each component of the Facility.
Clause 4.13.11A	<ul style="list-style-type: none"> AEMO appreciates EPWA including this amendment and supports the proposed change. In considering how to implement this change, AEMO has identified further changes that will be required to make this possible from a settlement perspective. The relevant changes will also need to be made to the equivalent DSP Reserve Capacity Security provisions. These changes have been outlined in Attachment 2 below.
Clause 4.24.7	<ul style="list-style-type: none"> AEMO suggests amending this to “which must be the same price for each Trading Day” to avoid the potential to read this as applying only to situations where it’s the same price (as opposed to specifying that it must be). As currently drafted, it could be read as the values potentially being different, but only requiring documentation of those that are the same. Clause 4.24.7(e)(iv)(2) – AEMO requests clarification on whether the intent is to allow a contract to have a different price for different hours throughout the day, and if this could also vary based on week or month? If so, AEMO recommends restricting this to avoid administrative overhead.
Clause 4.24.10	<ul style="list-style-type: none"> Clause 4.24.10(c)(iv) – AEMO suggests amending “availability price” to “proposed availability price” and harmonising with the following from clause 4.24.7(e)(iv) “the same price for each Trading Day during the term of the Supplementary Capacity Contract” to ensure consistency. AEMO also notes this clause is only applicable to an Availability-and-Activation contract – not an Activation-Only contract. Clause 4.24.10(c)(v) – AEMO suggests amending “activation price” to “proposed activation price.”
Clause 4.24.11B	<ul style="list-style-type: none"> Clause 4.24.11B(b) – AEMO suggests amending “intended quantity contracted” to “maximum quantity contracted.” The standard-form contracts specify a maximum service quantity (Initial MSQ), which may be reduced initially through the verification test process, and subsequently increased (provided the service provider demonstrates the additional quantity) up to but not exceeding the Initial MSQ.

	<ul style="list-style-type: none"> • Clause 4.24.11B(dA) – AEMO suggests amending “intended commencement date” to “commencement date”. The publication of contract information should be factually correct as per the contract. • Clause 4.24.11B(e)(ii) – AEMO suggest amending “will be available” to “must be available, unless otherwise provide for in the Supplementary Capacity Contract. The contract allows the service provider to notify AEMO of unavailability periods (and availability payments aren’t paid during those periods), and the current phrasing would be challenging to implement.
Clause 7.10.6B	<ul style="list-style-type: none"> • AEMO notes during the TDOWG EPWA indicated an intent to revise this clause so that it only applies to Scheduled, Semi-Scheduled and Non-Scheduled Facilities. However, AEMO still requires clarification on the intent of this change as both drafting options may: <ul style="list-style-type: none"> ○ be detrimental to Non-Scheduled Facilities, which do not receive Dispatch Instructions, and could be deemed as any output of the generation system being considered non-compliant; and ○ not be required for Scheduled or Semi-Scheduled Facilities, which must follow their dispatch instruction or be in breach of 7.10.
Electricity System and Market Rules	<ul style="list-style-type: none"> • AEMO notes that “<i>Electricity Industry Act 2004</i>” can be amended to “Electricity Industry Act” as it is a defined term under the ESM Rules.
Interval Meter	<ul style="list-style-type: none"> • AEMO notes that as this is now a defined term the references to “interval meter” should be changed to “Interval Meter” throughout the rules where appropriate (noting in some cases retaining the non-defined term may be necessary).
Metering Code	<ul style="list-style-type: none"> • AEMO notes there are two instances of “Electricity Industry (Metering) Code 2012” in the ESM Rules that can now be updated to “Metering Code” for consistency.
Notional Wholesale Meter	<ul style="list-style-type: none"> • AEMO notes this could be interpreted as Non-Dispatchable Loads that are not served by Synergy. If this is not the intent, AEMO recommends mending to “A notional Interval Meter representing Non-Dispatchable Loads that are served by Synergy that are deemed to not have Interval Meters.”
Schedule 3	
Clause 2.29.5E(b)	<ul style="list-style-type: none"> • AEMO notes that the reference to clause 3.16 is too broad as it also covers the current definition of non-contestable metering, which is not sufficient to enable AEMO to receive interval data. • AEMO therefore recommends amending to “not equipped with an Interval Meter,” to ensure the meter is not a deemed accumulation meter under the Metering Code.
Clause 2.29.5EA	<ul style="list-style-type: none"> • As this is not specified in the clause, AEMO notes that AEMO and Western Power will need to agree on a process that will enable the confirmation of the Transmission Node Identifiers.

Clause 2.33.3	<ul style="list-style-type: none"> AEMO notes that applying a single fee for a Market Participant to register as many Small Aggregations as they want would not be cost reflective. AEMO invests considerable effort and incurs costs to register and connect each facility, and the fee charged is reflective of that effort. The implication of this change is that cost to register each additional Small Aggregation would ultimately be subsidised by all Market Participants in Market Fees.
Clause 4.10.1(f)(vi)(2)	<ul style="list-style-type: none"> AEMO notes that the changes to clause 4.10.1(f)(vi) fundamentally alter the Trading Day concept, and that there may be flow on effects to other sections of the ESM Rules that rely on the relevant obligation period to be within a Trading Day. The changes to clause 4.10.1(f)(vi)(2) may also have cost implications that should be considered.
Fixed Price Component	<ul style="list-style-type: none"> AEMO notes this definition should commence on Gazettal and therefore recommends moving to Schedule 2.
Appendix 3	<ul style="list-style-type: none"> AEMO strongly supports commencing the changes to Appendix 3 – Determination of Network Access Quantities on Gazettal and therefore recommends moving them to Schedule 2. There are no system changes required to implement the changes.
Appendix 7 Step 1 (e) and (f)	<ul style="list-style-type: none"> AEMO recommends updating the definitions for SC_Reduction and NCESS_Reduction to be aligned with the definitions under Appendix 9 (Step 7) for consistency.
Schedule 4	
Clause 2.13.7	<ul style="list-style-type: none"> AEMO notes that due to the changes to clause 2.13.7(b), both clause 7.10.6C (in Schedule 3 of the RCM Reviews Sequencing Rules) and 2.15.4(a) will provide a head of power for AEMO to outline the process for monitoring compliance with clause 7.10.7B in a WEM Procedure. AEMO suggests deleting clause 7.10.6C to avoid this duplication.
Clause 2.29.13(e)	<ul style="list-style-type: none"> If the suggestion above is accepted, AEMO suggests updating the reference to “clause 7.10.6C” to “clause 2.13.7.”
Schedule 5	
Clause 4.13A.16	<ul style="list-style-type: none"> AEMO recommends that this clause is updated to align with AEMO’s proposed amendments to clause 4.13.11A in Attachment 2.
Clause 4.25.2A	<ul style="list-style-type: none"> AEMO suggests removing the second reference to “clause” to correct the typographical error.
Clause 4.25.2AB	<ul style="list-style-type: none"> AEMO notes that the explanatory note suggests this clause is meant to be deleted, yet the clause is not in red strikethrough. AEMO recommends this is rectified before Gazettal so that it is deleted.

Clause 7.8A.1.	<ul style="list-style-type: none"> AEMO has interpreted the intent of clause 7.8A.1(b) to be the use Reserve Capacity Obligation Quantity as an estimated quantity, and that it should use either (i) or (ii), not both. AEMO therefore recommends amending to drafting to include “information available to AEMO of <u>the greater of.</u>”
Appendix 5 Step 11	<ul style="list-style-type: none"> AEMO suggests consideration of whether “connection point” in Step 11(c) and (d) should be changed to defined term “Connection Point.”
Schedule 7	
Clause 7.7.8B	<ul style="list-style-type: none"> AEMO suggests amending to “facilitate Dispatch Instructions that will allow the Registered Facility to comply with a direction” to align with the wording used in clause 7.7.8.
Clause 9.10.3T(b)	<ul style="list-style-type: none"> AEMO suggests amending “SemiScheduled” to “Semi-Scheduled” to correct the typographical error.
RCS Uplift Payment	<ul style="list-style-type: none"> AEMO notes that “compensation” has a specific meaning in the context of being exempt from GST, and suggests its use in definitions is revisited. This definition could amended to follow a similar format as Energy Uplift Payment, for example: <u>RCS Uplift Payment: Is the RCS Uplift Payment in respect of a Facility and, in relation to a:</u> <ul style="list-style-type: none"> <u>(a) Trading Interval, as calculated under clause 9.10.3R; and</u> <u>(b) Dispatch Interval, as calculated under clause 9.10.3S.</u>
Additional Clauses (not in Exposure Draft)	
Clause 2.1A.7	<ul style="list-style-type: none"> Under clause 2.1A.7, a Delegate is a "market governance participant" for the purposes of section 126 of the Electricity Industry Act, to the extent that it performs a function conferred on it under clause 2.1A.3. As the term “market governance participant” has been changed to “governance participant” in s.126 of the Electricity Industry Act, AEMO recommends this is amended to “governance participant” in clause 2.1A.7. This would ensure that the limited liability in s.126 of the Electricity Industry Act can apply to Delegates of AEMO (and officers and employees of a Delegate of AEMO).
Clause 4.29.1	<ul style="list-style-type: none"> In implementing new clause 4.29.1 for calculating the Flexible Reserve Capacity Price (FRCP), AEMO identified that the formula can result in the FRCP dropping under the floor in some circumstances. To resolve the issue, AEMO recommends making the following amendments to the formula: <div style="text-align: center;"> ii The Flexible Reserve Capacity Price is: FRCP </div> $= \begin{cases} \text{if Ratio} \leq 0.85 & \text{FBRCP} \times 1.6 \\ \text{if } 0.85 < \text{Ratio} < 1 & \text{FBRCP} \times (1 + (1 - \text{Ratio}) \times \text{FBRCPslopeslope1}) \\ \text{if Ratio} = 1 & \text{FBRCP} \\ \text{if } 1 < \text{Ratio} < 1.15 & \text{FBRCP} \times (1 + (1 - \text{Ratio}) \times \text{FBRCPslopeslope2}) \\ \text{if Ratio} \geq 1.15 & \text{FBRCP} \times 0.5 \end{cases}$

	<p>where:</p> <ol style="list-style-type: none"> 1. FRatio is $\frac{FCC}{FRCR}$ 2. FCC is the total number of Flexible Capacity Credits assigned by AEMO in accordance with clause 4.20.5A for the Reserve Capacity Cycle; 3. FRCR is the Flexible Reserve Capacity Requirement for the Reserve Capacity Cycle; 4. FBRCP is the Flexible Benchmark Reserve Capacity Price determined in accordance with section 4.16; and 5. FRCPSlope1 is $\frac{1.6-1}{1-0.85}$ 6. FRCPSlope2 is $\frac{1-0.5}{1.15-1}$
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Attachment 2: Additional drafting (clause 4.13.11A)

4.13. Reserve Capacity Security

~~4.13.11A The payment obligation under clause 4.13.11 may be satisfied by AEMO drawing upon the Reserve Capacity Security for the Facility, and applying the amount claimed (after meeting AEMO's costs associated with doing so) so as to:~~

- ~~(a) firstly, offset the cost of funding Supplementary Capacity Contracts for any capacity shortage stemming entirely or in part from the Facility not being available; and~~
- ~~(b) secondly, once all costs to which clause 4.13.11A(a) refers are covered, make a rebate payment to Market Participants in proportion to their Individual Reserve Capacity Requirements during the relevant Trading Day in accordance with Chapter 9.~~

4.13.11A. The payment obligation under clause 4.13.11 may be satisfied by AEMO drawing upon the Reserve Capacity Security for the Facility.

4.13.11B AEMO must pay the amount claimed under clause 4.13.11 or 4.13.11A, as compensation, to Market Participants in proportion to their Individual Reserve Capacity Requirements during the relevant Trading Day in accordance with Chapter 9.

...

~~4.13A.16. The payment obligation under clause 4.13A.15 may be satisfied by AEMO drawing upon the DSP Reserve Capacity Security for the Demand Side Programme, and applying the amount claimed (after meeting AEMO's costs associated with doing so) so as to:~~

- ~~(a) firstly, offset the cost of funding Supplementary Capacity Contracts for any capacity shortage stemming entirely or in part from the Demand Side Programme not being available; and~~
- ~~(b) secondly, once all costs to which clause 4.13A.16(a) refers are covered, make a rebate payment to Market Participants in proportion to their Individual Reserve Capacity Requirements during the relevant Trading Day in accordance with Chapter 9.~~

4.13A.16. The payment obligation under clause 4.13A.15 may be satisfied by AEMO drawing upon the DSP Reserve Capacity Security for the Demand Side Programme.

4.13A.17 AEMO must pay the amount claimed under clause 4.13A.15 or 4.13A.16, as compensation, to Market Participants in proportion to their Individual Reserve Capacity Requirements during the relevant Trading Day in accordance with Chapter 9.

4.28. Funding Reserve Capacity Purchased by AEMO

4.28.4. For each Trading Day, AEMO must calculate a Shared Reserve Capacity Cost being the sum of:

- (a) the cost defined under clause 4.28.1(b); and
- (aA) the sum of the costs determined under clause 4.28.4A for that Trading Day; and

- (b) the net payments to be made by AEMO under all Supplementary Capacity Contracts ~~less any amount drawn under a Reserve Capacity Security or a DSP Reserve Capacity Security by AEMO and distributed in accordance with clauses 4.13.11A(a) or 4.13A.16(a)~~ for that Trading Day; less
- (c) the sum of all Intermittent Load Refunds, calculated under clause 4.28A.1, paid by all Market Participants for that Trading Day; less
- (cA) the sum of all Capacity Cost Refunds, calculated under clause 4.26.2E, paid by all Market Participants for that Trading Day, ~~less~~
- ~~(d) any amount drawn under a Reserve Capacity Security or a DSP Reserve Capacity Security by AEMO and distributed in accordance with clauses 4.13.11A(b) or 4.13A.16(b) for that Trading Day,~~

and AEMO must allocate this total cost to Market Participants in proportion to each Market Participant's Individual Reserve Capacity Requirement.

...

4.28.4B For each Trading Day, AEMO must calculate a Reserve Capacity Security Compensation Amount being the sum of:

- (a) any amounts paid under clause 4.13.11; and
- (b) any amounts paid under clause 4.13A.15.

and AEMO must allocate this total amount to Market Participants in proportion to each Market Participant's Individual Reserve Capacity Requirement.

4.29. Settlement Data

4.29.3. AEMO must determine the following information in time for settlement of each Trading Day d:

- (a) the Facility Monthly Peak Reserve Capacity Price for each Facility applying during that Trading Month;
- (aA) the Facility Daily Peak Reserve Capacity Price for each Facility applying during that Trading Day;
- (b) the Targeted Reserve Capacity Cost for that Trading Day as defined in clause 4.28.3;
- (c) the Shared Reserve Capacity Cost for that Trading Day as defined in clause 4.28.4;
- (cA) the Reserve Capacity Security Compensation Amount for that Trading Day as defined in clause 4.28.4B;
- (d) for each Market Participant p and for Trading Day d:
 - i. the quantity of Capacity Credits (including Capacity Credits from Facilities subject to NCESS Contracts) for each Facility acquired by AEMO;

- ii. the quantity of Capacity Credits for each Demand Side Programme for Trading Day d;
 - iii. [Blank]
 - iv. the quantity of Capacity Credits for each Facility traded bilaterally in accordance with section 4.30;
 - v. the Individual Reserve Capacity Requirement for each Market Participant for that Trading Month in which Trading Day d falls; and
 - vi. the total Capacity Cost Refund to be paid by the Market Participant to AEMO for all Trading Intervals in Trading Day d;
- (dA) for each Market Participant, the sum over all of Market Participant p's Intermittent Loads, deemed to be Intermittent Loads under clause 1.48.2, of the Intermittent Load Refund payable to AEMO by Market Participant p in respect of each of its Intermittent Loads for Trading Day d; and
- (e) for each Supplementary Capacity Contract:
- i. the net payment to be made by AEMO under that contract for the Trading Day d; and
 - ii. to whom the payment is to be made.

9.8. Settlement Calculations - Reserve Capacity

9.8.2. The Reserve Capacity settlement amount for Market Participant p for Trading Day d is:

$$\text{RC_SA}(p, d) = \text{Capacity_Provider_Payment}(p, d) - \text{Capacity_Purchaser_Payment}(p, d)$$

$$\text{RC_SA}(p, d) = \text{Capacity_Provider_Payment}(p, d) - \text{Capacity_Purchaser_Payment}(p, d) + \text{Capacity_Security_Compensation}(p, d)$$

where:

- (a) Capacity_Provider_Payment(p,d) is calculated in accordance with clause 9.8.3; and
- (b) Capacity_Purchaser_Payment(p,d) is calculated in accordance with clause 9.8.4.; and
- (c) Capacity_Security_Compensation(p,d) is calculated in accordance with clause 9.8.4A.

...

9.8.4A For the purposes of clause 9.8.2, Capacity_Security_Compensation(p,d) for Market Participant p for Trading Day d is:

$$\text{Capacity_Security_Compensation}(p, d) = \text{Capacity_Security_Compensation}(d) \times \text{Capacity_Share}(p, d)$$

where:

(a) Capacity Security Compensation(d) is the total Reserve Capacity Security Compensation Amount to be shared amongst all Market Participants for Trading Day d, where this amount is specified under clause 4.29.3(cA); and

(b) Capacity Share(p,d) is the Individual Reserve Capacity Requirement share for Market Participant p for Trading Day d, where this amount is specified under clause 9.8.4(f).

11. Glossary

Reserve Capacity Security Compensation Amount: The amount determined in accordance with clause 4.28.4B.