

Rule Change Notice: Supplementary Reserve Capacity Amendments (RC_2025_01)

This Rule Change Notice is given under clause 2.5.7 of the Electricity System Market Rules.

Submitter: Bluewaters Power

Date submitted: 15 October 2025

The Rule Change Proposal

Supplementary capacity is provided by Eligible Services. Bluewaters Power (Bluewaters) proposes a change to the eligible sources of supplementary capacity that are Eligible Services under clause 4.24.3 of the Electricity System and Market Rules (ESM Rules).

Bluewaters Rule Change Proposal seeks to allow the production of electricity by Energy Producing Systems that are Registered Facilities, and for which the relevant Market Participant applied for certification in the current Reserve Capacity Cycle but were not awarded Capacity Credits, to participate in the supplementary capacity process in the Capacity Year for which they did not receive Capacity Credits.

Under the current ESM Rules, the production of electricity by Energy Producing Systems, that are Registered Facilities, is an Eligible Service only to the extent that the electricity is generated by capacity for which the relevant Market Participant has not held Peak Capacity Credits in the current Capacity Year or the immediately preceding Capacity Year.

This restriction is designed to minimise the potential for providers to withhold capacity from the Reserve Capacity Mechanism.

Bluewaters considers that this restriction limits competition and prevents AEMO from accessing available capacity during periods of tight supply.

The Rule Change Proposal, which is attached to this notice, provides information about:

- the relevant references to the ESM Rules and the proposed amendments to these; and
- Bluewater's views of how the proposal will better address the State Electricity Objective.

Background of the Proposal Development

Section 4.24 of the ESM Rules allows AEMO to seek to acquire supplementary capacity if, at any time after the day that is six months before the start of a Capacity Year, AEMO considers that there is a risk that adequate Peak Capacity may not be available in the South West Interconnected System to maintain Power System Security and Power System Reliability.

AEMO may call for tenders or negotiate directly with potential providers of supplementary capacity. The services can be provided by:

- load reduction (excluding a Demand Side Programme that failed to meet its Reserve Capacity Obligations in the current or previous Capacity Year); or
- Energy Producing Systems that are not Registered Facilities, or loads providing load reductions, that have not held Peak Capacity Credits in the current or immediately preceding Capacity Year.

Supplementary Capacity Contracts may have alternative pricing arrangements to the Reserve Capacity Price and are limited to the Hot Season – 1 December to 1 April.

The supplementary capacity process has been triggered five times in the Wholesale Electricity Market to cover short-term forecast shortfalls over the period from 2008-09 and then every year since 2022-23.

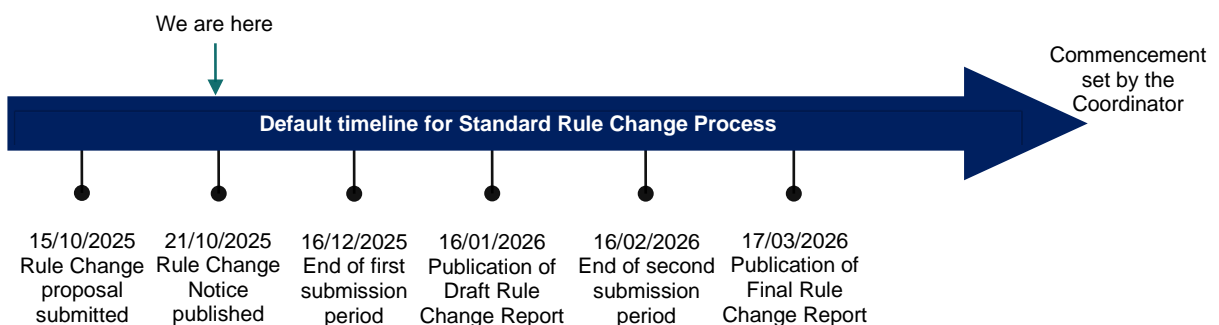
Decision to Progress the Rule Change Proposal

Based on a preliminary assessment of the Rule Change Proposal, the Coordinator has decided to progress it using the Standard Rule Change Process.

Timeline

This Rule Change Proposal will be progressed under the Standard Rule Change Process described in section 2.7 of the ESM Rules. The first submission period has been extended to provide stakeholders additional time to consider the proposal and extend the timeframe for publication of the Draft Rule Change Report to account for the Christmas period under clause 2.5.10 of the ESM Rules.

The projected timeline for processing this proposal is:



Call for Submissions

The Coordinator invites interested stakeholders to make submissions on this Rule Change Proposal.

The submission period is 40 Business Days from the Rule Change Notice publication date. Submissions must be received by the Coordinator by **5:00 pm (AWST) on 16 December 2025**.

The submission form is available at [Rule Change Process \(www.wa.gov.au\)](http://www.wa.gov.au)

Completed submissions forms should be send to energymarkets@deed.wa.gov.au.



ESM Rule Change Proposal Form

Rule Change Proposal ID: RC_2025_01

Date received: 15 October 2025

Change requested by:

Name:	Bobby Ditric
Phone:	(08) 9261 2840
Email:	Bobby.ditric@bluewatersps.com.au
Organisation:	Bluewaters Power
Address:	Level 8, 225 St Georges Tce Perth, WA 6000
Date Submitted:	
Proposed urgency:	Standard Rule Change Proposal
Rule Change Proposal Title:	Supplementary Reserve Capacity Amendments
ESM Rule(s) affected	4.24.3

Introduction

Clause 2.5.1 of the Electricity System and Market Rules (**ESM Rules**) provides that any person may make a Rule Change Proposal by completing a Rule Change Proposal form and submitting it to the Coordinator of Energy (**Coordinator**).

This Rule Change Proposal can be sent by:

Email to: energymarkets@deed.wa.gov.au

Post to: Energy Policy WA
Attn: Director, Wholesale Markets
Level 1, 66 St Georges Terrace Perth, WA, 6000
Locked Bag 100
East Perth WA 6892

The Coordinator will assess the proposal and will notify you within 5 Business Days of receiving this form whether the Rule Change Proposal will be further progressed.

All of the fields below must be completed for the proposal to be progressed, and the proposal must:

- provide any proposed specific changes to particular ESM Rules; and
- describe how the proposed rule change would allow the ESM Rules to better address the State Electricity Objective.

The State Electricity Objective is to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity in relation to:

- (a) the quality, safety, security and reliability of supply of electricity; and
- (b) the price of electricity; and
- (c) the environment, including reducing greenhouse gas emissions.

Details of the Proposed Rule Change

1. Describe the concern with the existing ESM Rules that is to be addressed by the proposed rule change:

Supplementary Reserve Capacity (SRC) is a process that “AEMO triggers when six months before the start of a Capacity Year, it considers that inadequate Peak Capacity will be available in the SWIS to maintain Power System Security and Power System Reliability”¹. SRC is a backstop measure to procure available but not accredited capacity in time for the summer demand period.

AEMO first triggered the SRC in 2022-23 and then has continually required SRC for each subsequent year. SRC is expected to be required into the future as new capacity entry is not keeping pace with capacity retirements and demand growth.

The current SRC process prevents Energy Producing Facilities from participating in the SRC if they have “held Peak Capacity Credits in the current Capacity Year or the immediately preceding Capacity Year”². This essentially means that energy producing capacity that has held Capacity Credits is excluded from the SRC process for two years after no longer holding capacity credits, before it’s eligible to participate in the SRC.

Capacity required to be procured by the SRC is expected to increase in the coming years. This rule change is intended to increase eligible supply by allowing Energy Producing Facilities with uncredited capacity to participate and compete in the SRC without the two year waiting period. However, to prevent gaming the Reserve Capacity Mechanism (RCM) against the SRC, only capacity that applied for capacity certification but was not certified should be eligible to skip the waiting period.

There are numerous reasons why capacity may not have been awarded Peak Capacity Credits but is able to provide SRC, such as:

- Network Access Quantity, or network connection for the facility prevented it receiving Peak Capacity Credits, but may not be binding under the SRC;
- Insufficient fuel availability for the entire capacity year but would be sufficient for SRC;
- Unable to comply with capacity offer requirements but can under the SRC;

There are many more reasons why energy producing capacity may not have been awarded capacity credits which would not be a limiting factor under the SRC due to its shorter duration and more targeted nature. And since the SRC is a price competitive process (unlike the RCM) the more capacity offering and competing in the SRC the higher likelihood it is to result in more efficient outcomes.

2. Explain the reason for the degree of urgency:

AEMO have already commenced the SRC process for this year, in time for the summer demand period. A standard rule change proposal allow EPWA and AEMO sufficient time to finalise and implement the

¹ <https://www.aemo.com.au/energy-systems/electricity/wholesale-electricity-market-wem/wa-reserve-capacity-mechanism/supplementary-capacity>

² ESM Rules clause 4.24.3.(c)

rule change prior to the commencement of next year's SRC process.

3. Provide any proposed specific changes to particular ESM Rules: *(for clarity, please use the current wording of the rules and place a ~~strike through~~ where words are deleted and underline words added)*

4.24.3. The only eligible sources of supplementary capacity are the following services ("**Eligible Services**"):

- (a) load reduction, that is measures to reduce a consumer's consumption of electricity supplied through the SWIS from that which the consumer would have otherwise consumed, but excluding reductions provided by a Market Participant with a Demand Side Programme that does not satisfy its Reserve Capacity Obligations during the current Capacity Year or did not satisfy its Reserve Capacity Obligations during the immediately preceding Capacity Year;
- (b) the production of electricity by Energy Producing Systems that are not Registered Facilities; and
- (c) the production of electricity by Energy Producing Systems that are Registered Facilities, or load reductions provided by loads, but only to the extent that the electricity is generated, or the load reduction is provided, by capacity for which the relevant Market Participant:
 - i. does not hold Peak Capacity Credits in the current Capacity Year or has not held Peak Capacity Credits in the current Capacity Year or the immediately preceding Capacity Year except where 4.23.3(b)(ii) is applicable; or
 - ii. does not hold Peak Capacity Credits in the current Capacity Year and had applied for Certification of Reserve Capacity in year 1 of the current Reserve Capacity Cycle if the Energy Producing System was a Registered Facility in that year; or
 - iii. provides evidence satisfactory to AEMO, prior to a Supplementary Capacity Contract taking effect, that:
 - 1. costs have been incurred to enable the provision of the capacity through the installation of physical equipment; and
 - 2. the capacity is in addition to the sent out capacity of the Energy Producing Systems, or the maximum amount of load that can be curtailed, that existed prior to the installation of the physical equipment.

4. Describe how the proposed rule change would allow the ESM Rules to better address the State Electricity Objective:

The proposed rule change allows the ESM Rules to better address the SEO in the following manner:

- (a) the quality, safety, security and reliability of supply of electricity; and

By increasing the volume of eligible capacity from Energy Producing Facilities participating in the SRC will aid AEMO in procuring the required capacity shortfall ensuring security and reliability of supply of electricity

(b) the price of electricity; and

By increasing the volume of eligible capacity from Energy Producing Facilities participating in the SRC will promote efficient competition and pricing for procured supplementary capacity.

(c) the environment, including reducing greenhouse gas emissions.

Provides for targeted procurement of energy producing capacity to firm up intermittent renewable supply.

5. Provide any identifiable costs and benefits of the change:

No identifiable costs at this stage.

Benefits are increased opportunity for capacity to participate in the SRC and assist in efficient price discovery.
