

MINUTES

MEETING: WEM AEMO Procedure Change Working Group
 DATE: Thursday, 21 February 2019
 TIME: 10:00am – 11:00am
 LOCATION: AEMO Perth, Ningaloo & Karijini Rooms, Level 45, 152 St Georges Tce, Perth

ATTENDEES:

NAME	COMPANY / DEPARTMENT
Erin Stone	Point
Dash Kaur	Kleenheat
Gerrymaine Amoc	Bluewaters Power
Greg Ruthven	AEMO (Chair)
Ignatius Chin	EMCa
Iulian Sirbu	Kleenheat
Jayesh Halai	Perth Energy
Kaye Anderson	AEMO
Mark Katsikandarakis	AEMO
Mike Hales	AEMO
Oscar Carlberg	Synergy
Paul Arias	Bluewaters Power
Scott Davis	Australian Energy Council
Stuart MacDougall	AEMO
Wendy Ng	ERM Power
Yen Lee	Kleenheat

APOLOGIES:

NAME	COMPANY / DEPARTMENT
Andrew Woodrooffe	Skyfarming
Jacinda Papps	Alinta Energy
Kristian Myhre	TransAlta Energy

Welcome and Introduction

Greg Ruthven (AEMO) thanked everyone for their attendance and outlined the purpose of the meeting to review proposed amendments to three Market Procedures resulting from Rule Change (RC_2017_06) which was approved late last year. This rule change addressed an issue identified within the current prudential regime that did not fully account for the Individual Reserve Capacity Requirement (IRCR) exposure for Market Customers.

Two of the procedures have been provided with track changes, while the changes to the Capacity Credit Allocation procedure are so comprehensive that only a clean copy has been provided.

Stuart MacDougall (AEMO) recapped the drivers for the rule change and the reason for the subsequent procedure changes.

Market Procedure: Individual Reserve Capacity Requirements

Stuart MacDougall referred attendees to the covering note on IRCR, which explained that the previous concepts of Initial IRCR and Updated IRCR were replaced by five IRCR calculations for each Trading Month due to RC_2017_06: an Indicative IRCR which has no settlement outcome, an Initial IRCR published with initial NSTEM settlement, and three Adjusted IRCRs for each of the three settlement adjustments.

Query: Will Market Customers be able to provide updated Non-Temperature Dependent Load (NTDL) applications before the Adjusted IRCR calculations?

Response: No. The WEM Rules only allow the provision of an NTDL application once for a Trading Month. It was also noted that a concurrent rule change RC_2015_03 was considering the process for NTDL applications.

The following issues were raised during the review of the proposed amendments:

- Section 1.4 – Wendy Ng (ERM Power) identified that the description of process number 8 did not make sense. AEMO to delete all words after word 'released'.

Market Procedure: Prudential Requirements

Stuart MacDougall explained that the main amendments proposed for this Market Procedure included changes to the language and substance around security deposits to reflect the current templates; and changes to the Outstanding Amount calculation to reflect 'live' Capacity Credit Allocations.

Mike Hales (AEMO) explained that further amendments to the Outstanding Amount calculation, to replace the linear forward projection of the current Outstanding Amount with a dynamic calculation based on real or estimated data for the exposed period, were to be proposed under the second phase of the Reduction of Prudential Exposure project. Mark Katsikandarakis (AEMO) explained that, in parallel with that work, AEMO intends to propose amendments to the credit limit methodology that will be discussed with Market Participants in future forums.

No issues were raised during a section-by-section review of the proposed amendments to the procedure.

Query: Wendy Ng requested clarification on whether the revised Outstanding Amount calculation had been applied to see how calculation might/could change.

Response: If participants maintain their Capacity Credit Allocations from month to month, and ensure their allocations are submitted prior to the Trading Month, there is no change. There will be a difference where the allocations change from month to month or when the allocations are not submitted prior to the Trading Month.

Stuart MacDougall explained the example calculation. Wendy Ng (ERM Power) indicated that equation appeared to generally make sense, however would need to test it to fully understand.

Query: Paul Arias (Bluewaters) – Regarding capacity allocations what level of granularity can you go to?

Response: Allocations will continue to be for a Trading Month.

Market Procedure: Capacity Credit Allocation

Stuart MacDougall introduced the procedure, explaining that the new Capacity Credit Allocation process allows Market Generators to make multiple Capacity Credit Allocations in a Trading Month, where each allocation is to a single Market Customer. Previously a Market Generator made a single Capacity Credit Allocation to multiple Market Customers. The role of Market Customers has also changed – previously the Market Customer was only involved in the process if it was allocated more Capacity Credit Allocations than its IRCR, whereas the new process requires Market Customers to accept allocations before these are effective. In order to reverse the allocation once accepted, both parties need to agree to the reversal, and AEMO must perform a Trading Margin check on the Market Customer.

Query: Wendy Ng requested clarification on time-frames for Capacity Credit Allocations.

Response: Stuart MacDougall explained the timeframes and indicated that there is one window for Capacity Credit Allocations and all actions (submission, acceptance, rejection, reversal) need to be completed within that window. Notifications to participants will occur via email to the main contact email plus any user associated with that Capacity Credit Allocation.

Query: Wendy Ng (ERM Power) noted that it may be useful to have the notification go to a generic address (e.g. trading team email address) in order to ensure notification is actioned regardless of specific people being on leave.

Response: AEMO agreed to consider this request once it knows the cost and time to implement.

Query: Paul Arias (Bluewaters) noted that only the Market Customer is notified if AEMO rejects the reversal of a Capacity Credit Allocation. Although it is recognised that AEMO could not disclose the reason for the rejection, it may be useful for the Generator to know that the rejection has occurred.

Response: Stuart MacDougall explained that the decision was made not to inform the Market Generator to provide the Market Customer an opportunity to address the issue, noting that the only reason for AEMO to reject would be a negative Trading Margin. Also, the Market Generator is not required to take any action; it is purely up to the Market Customer to rectify its Trading Margin, after which it can click to accept the Capacity Credit Allocation reversal.

Query: Paul Arias asked whether step 6.3 suggests that a reversal needs to be requested by the Generator again, if AEMO previously could not process the reversal due to the Market Customer's Trading Margin.

Response: Stuart MacDougall explained that, in this scenario, there is no need for the Market Generator to re-request the reversal. The Market Customer can rectify its Trading Margin and accept the reversal request, at which point AEMO will assess the Market Customer's Trading Margin again.

Mike Hales noted that Market Trials for this functionality would commence on in April, with the new prudential displays scheduled to be open during the second week of April. Stuart MacDougall agreed that during the trial, AEMO would be willing to include test scenarios for different Trading Margins, reversal of Capacity Credit Allocations and amendments to allocations following the termination of Capacity Credits.

The following issues were raised during the review of the proposed amendments:

- Figure 1 – Some confusion was expressed around the process flow, the status of requests, and the reversal processes.

- Section 7 – Query raised around the timeframe for the notification to the Market Customer if Capacity Credit Allocations were affected by a Capacity Credit reduction, and how long it would have to act if its allocation was reduced and this led to a Trading Margin issue restricting its activities. Stuart MacDougall explained that this was outside the scope of this procedure, however in such a situation AEMO may issue a margin call. If a margin call is issued, the Market Customer has approximately one day to rectify (if before midday, response required by next business day, if after midday, response required the day after the next business day).

Closure and Next Steps

Greg Ruthven thanked attendees for their interest and feedback. Following minor changes as discussed at the meeting, it was anticipated that the proposed amendments to the three Market Procedures would be submitted into the formal Procedure Change Process in approximately two to four weeks, providing stakeholders the opportunity to provide further feedback through the formal consultation process.

Currently no date or agenda has been set for the next meeting.