



**Energy Transformation  
Taskforce**

# DER Roadmap Implementation WEM Rule Change

**Industry Consultation Summary Paper**

30 June 2020



## Purpose

This paper summarises submissions provided on the *DER Roadmap Implementation Rule Change* industry consultation paper<sup>1</sup>, released by the Energy Transformation Taskforce (the Taskforce) on 4 May 2020, and the incorporation of feedback into the final rules.

The *DER Roadmap Implementation Rule Change* industry consultation paper was produced as part of the implementation of the Distributed Energy Resources (DER) Roadmap, a key element of the State Government's Energy Transformation Strategy. The proposed rule change and consultation paper was released publicly following its presentation to the Transformation Design and Operation Working Group on 30 April 2020.

The consultation paper outlines an approach to ensure the Australian Energy Market Operator (AEMO) can undertake, and recover costs for, activities to implement the recommendations of the DER Roadmap. The approach included the amendment of the WEM Rules to confer the function of undertaking DER Roadmap implementation activities upon AEMO, and the addition of proposed WEM Rule 1.20.6, which allows AEMO to apply for an adjustment to its Allowable Revenue and Forecast Capital Expenditure 2019-20 to 2021-22 (AR5) for DER Roadmap implementation activities.

The paper also proposes an approach to establish a register of static DER device data in the South West Interconnected System (SWIS), with the intention of providing AEMO with necessary data to assist in its function of maintaining a secure and reliable power system. The approach adds proposed WEM Rule 3.24, outlining the role of AEMO to establish and maintain a DER Register, and the obligations placed upon Western Power to provide AEMO with the requisite data.

Feedback was requested from stakeholders on the proposed amendments and written submissions were provided by seven organisations.

## Submission Summary

A summary of key issues raised in stakeholder submissions is provided below.<sup>2</sup>

### WEM Rule amendments to DER Roadmap implementation by AEMO

#### Cost Allocation

Several stakeholder submissions included comment regarding the mechanism by which AEMO should recover costs for DER Roadmap implementation activities. In particular, submissions noted the proposed use of the existing Market Fees would require existing Market Participants to pay, and costs would not be allocated to customer DER generation on a fair or 'causer pays' basis. Instead, the use of the Market Fees process might disproportionately affect existing participants, and particularly large participants charged on a \$/MWh basis. One submission raised the possibility of levying additional charges on DER through tariffs charged on bi-directional metered customers.

The Taskforce recognises that small-scale customer DER owners are not typically Market Participants, and will not directly contribute to the costs of AEMO's DER Roadmap implementation activities through Market Fees. However, the intent of the DER Roadmap is to integrate DER into the power system. The Roadmap features a focus on mitigating near-term system security risks

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<sup>1</sup> Available at: <https://www.wa.gov.au/government/document-collections/taskforce-publications>

<sup>2</sup> Submissions are confidential and have been summarised by theme.

whilst also establishing the preconditions for market participation by DER. In future, and as a result of DER Roadmap implementation activities, it is anticipated that DER will contribute to system and market costs through relevant participation arrangements. It is also noted that capital expenditure costs will be borne by future Market Participants, including new participants – work is being undertaken by Energy Policy WA to develop appropriate regulatory and licensing arrangements for new business models, including to ensure Market Fees (and other obligations) are appropriately applied.<sup>3</sup> Existing Market Participants will also retain the ability to provide input on Market Fees to the Economic Regulation Authority (ERA).

As a result, the Taskforce's approach will retain the use of the existing Market Fee mechanism to ensure AEMO can recover the costs of DER Roadmap implementation activities.

### ERA Assessment of Costs

Stakeholders raised three key concerns regarding the ERA's assessment of an application to adjust AEMO's Allowable Revenue and Forecast Capital Expenditure for DER Roadmap implementation costs (in the AR5 period).

Firstly, submissions noted the proposed WEM Rule amendments limited the information to be considered by the ERA (previously proposed Rule 1.20.6(e)(ii)). Stakeholders proposed that the ERA should not be limited in this way, and instead be allowed to have regard for all relevant information in its assessment.

The Taskforce agrees and considers that this proposed change is suitable to ensure appropriate regulation of AEMO's costs, and has subsequently amended the proposed WEM Rule 1.20A.7(c) to expand the information the ERA may use to assess AEMO's application.

Secondly, stakeholders noted that under the proposed amendments (previously proposed Rule 1.20.6(e)(iii)) the ERA assessment would consider only the incremental costs in AEMO's application, preventing consideration of previously approved expenditure. The ERA submitted that the reconsideration of previously approved expenditure can be used to ensure Market Participants only pay for the efficient costs incurred by AEMO.

The Taskforce recognises that the reconsideration of previously approved expenditure may ensure greater certainty in determining the efficient costs incurred by AEMO in meeting its required functions. Such reconsideration, however, is viewed as unsuitable for the purposes of DER Roadmap implementation activities, due to the added time and resourcing effort for the proposed incremental application. Effort will be required from AEMO in both the preparation and response to the application – this will likely require reallocation from existing workstreams and add time and cost across AEMO's existing reform program. Additional time and resourcing will also be required of the ERA for assessing a much broader application.

The Taskforce also notes that the estimated expenditure for the remainder of the AR5 period relates to implementation work with time-sensitive system and market implications, and significant anticipated expenditure in future (such as that relating to a Distribution Market Operator) will be assessed fully by the ERA as part of the next Allowable Revenue and Forecast Capital Expenditure assessment (AR6).

Lastly, submissions noted the proposed application of a time limit of 30 business days, and the time restrictions for a single additional information request, was inadequate based on uncertainty

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<sup>3</sup> More information is available at <https://www.wa.gov.au/organisation/energy-policy-wa/draft-code-of-practice-behind-the-meter-generation-and-storage-services>

regarding the complexity of any application, and much lengthier timeframes for previous in-period application determinations.

The Taskforce notes that the intent of the proposed arrangement is to provide certainty on the time-frames required for the in-period review, and has incorporated this feedback into the final draft WEM Rule amendments. The time provided to the ERA for the review has been extended to 45 business days, not inclusive of any time taken by AEMO to respond to *two* possible information requests. This is seen as adequate to ensure timely and thorough assessment of the efficient costs in an in-period application.

## DER Register

### Customer Confidentiality

The Taskforce acknowledges submission comments that sufficient customer protections are built into DER Register confidentiality requirements – effort has been made to ensure AEMO remains bound by applicable privacy laws, and confidentiality requirements otherwise outlined in the WEM Rules, Electricity Industry (Wholesale Electricity Market) Regulations 2004, or the *Electricity Industry Act 2004*.

### Distribution System Operator requirements

A submission raised concerns that if Western Power took on a Distribution System Operator role – while also providing, owning or operating DER – appropriate commercial ringfencing would be required to isolate data available as a result of being Network Operator, including through the DER Register.

The Taskforce recognises these are important design issues for consideration in the ongoing development of the Distribution System Operator role, and will be subject to future consultation over the implementation period of the DER Roadmap. However, such arrangements are not seen as necessary for the specific development of the DER Register.

### Cost recovery

One submission proposed that costs of the DER Register be borne by Western Power. This proposal was not considered suitable, as Western Power already receives all relevant DER information – the primary purpose of the DER Register is to enhance AEMO's visibility of DER to improve decision making in its system management and market operation functions for the benefit of the overall market.

## Next steps

The Taskforce will incorporate the stakeholder feedback provided in line with the positions outlined above. A final draft amending WEM Rules be provided to the Minister for Energy, for approval under his powers in Regulation 7 of the Electricity Industry (Wholesale Electricity Market) Regulations 2004.

The proposed amending WEM Rules are available on the Rule Change Panel's website.