



**Energy Transformation
Implementation Unit**

Transformation Design and Operation Working Group Meeting 24

22 October 2020





Ground rules and virtual meeting protocols

- Please place your microphone on mute, unless you are asking a question or making a comment.
- Please keep questions relevant to the agenda item being discussed.
- If there is not a break in discussion and you would like to say something, you can 'raise your hand' by typing 'question' or 'comment' in the meeting chat. Questions and comments can also be emailed to TDOWG@energy.wa.gov.au after the meeting.
- The meeting will be recorded, but minutes will not be issued.
- Please state your name and organisation when you ask a question to assist with meeting minutes.
- If you are having connection/bandwidth issues, you may want to disable the incoming and/or outgoing video.



Foundation Regulatory Frameworks

Current consultations

- Tranche 1 Amending Rules (GPS, new FOS and related amendments, administrative amendments)
 - Final week of exposure closed on 19 October 2020
 - Gazettal
- Tranche 2 Amending Rules (revised rules for 24 July exposure draft, new draft rules for Monitoring & Compliance, Outages, PASA and Settlement)
 - Consultation open until 16 November 2020
 - Gazettal
- Draft WEM Procedures (Limit advice, constraint formulation)
 - Consultation open until 6 November 2020



How to provide feedback on Tranche-2 Amending Rules

- By email, written submission or face-to-face meetings
- Preference is to receive feedback on rule sections rather than entire package
- Please provide alternative drafting suggestions where possible
- Feedback is not being sought on 24 July Exposure Draft that was consulted on in August, except for interdependencies with new draft rules
- Consultation on the Tranche-2 closes 16 November 2020
- Final week of exposure will not be available due to time constraints
- ETIU will be available to meet individually with stakeholders



Agenda

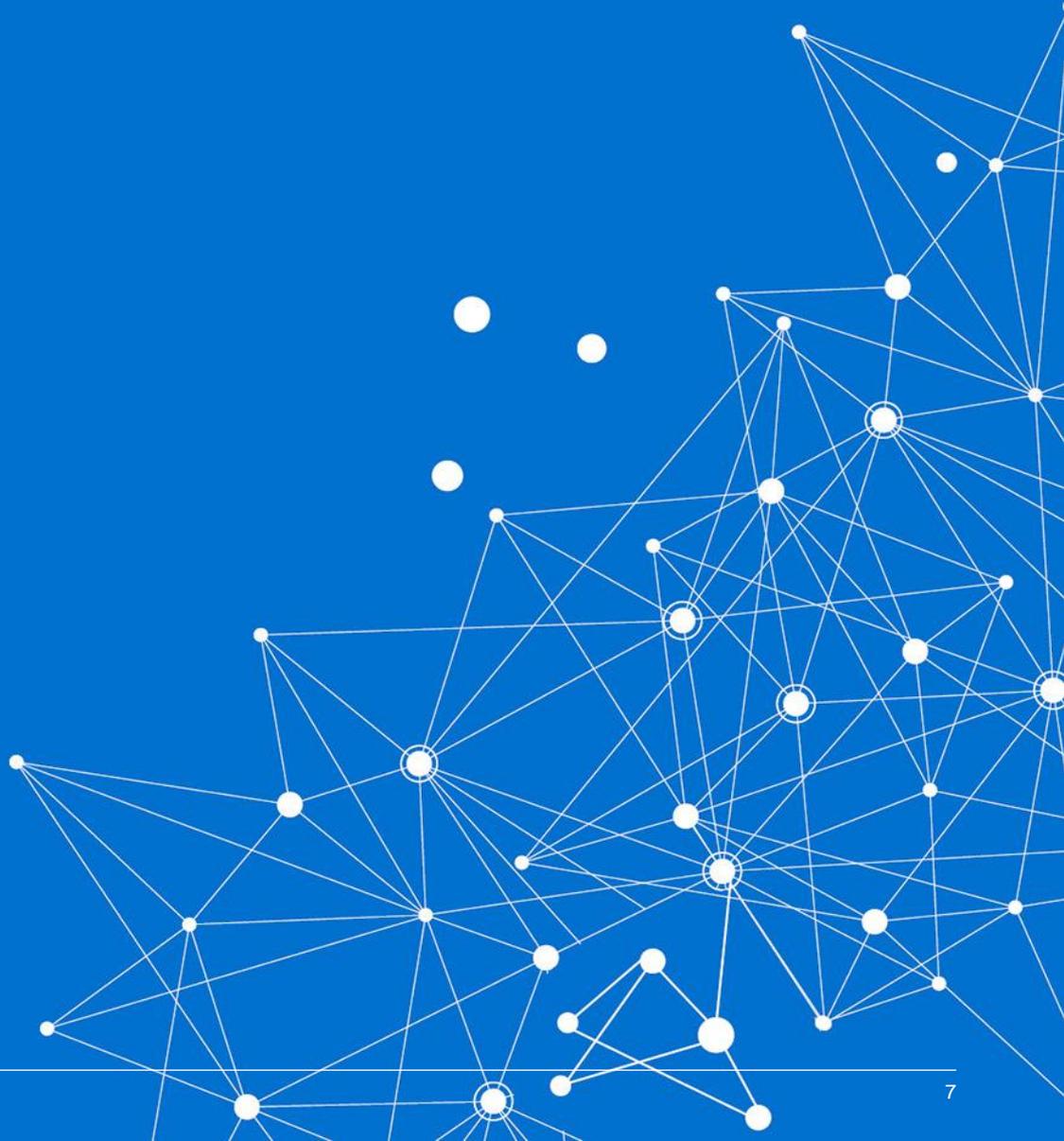
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- Summary of stakeholder feedback on 24 July Exposure Draft
 - Monitoring and Compliance framework (section 2.13 – 2.15)
 - Operational Planning and PASA (section 3.16 – 3.17)



Highlights from stakeholder feedback

- SESSM – removal of ERA’s veto when AEMO triggers for shortfall reasons (clauses 3.15A.9 – 3.15A.12)
- SESSM – removal of ERA’s ability to adjust the Availability Payment or the Offer Cap to mitigate undue commercial risk to SESSM Award holders (clause 3.15A.37)
- STEM – changes to Net Offer Shortfall calculation (clause 4.26.2)
- STEM and RTM – good faith bidding obligations in STEM will be considered holistically in the market power mitigation workstream
- RTM Submissions – reasonable endeavours obligation to take into account information published in Market Schedules by AEMO, including estimates of cleared energy and FCESS quantities
- DSP Dispatch – DSPs to submit a withdrawal profile which AEMO will use to create bids, allowing for more accurate assessment of the actual response available from DSPs. Dispatch Inflexibility Profiles will no longer be used
- Gate Closure – RTM submission can be updated for quantities, not prices within gate closure
- Enablement Losses – AEMO must calculate Estimated Enablement Losses and provide that information to Market Participants to consider when preparing RTM Submissions. Use of enablement losses in RTM Submissions is not intended to bind the participant
- Price determination – Price for ESS shortfall is set to the difference between the Energy Offer Price Ceiling and Energy Offer Price Floor to signal scarcity. Energy price caps to be reviewed in market power mitigation

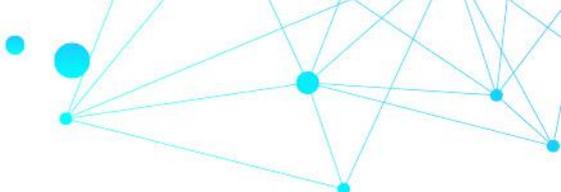
Monitoring and Compliance





ERA monitoring of compliance

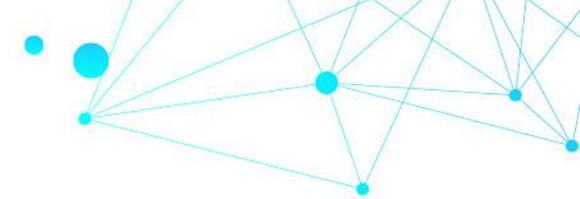
Clause 2.13.1 - 2.13.6

- The ERA remains the entity that must monitor Rule Participants' behaviour for compliance with WEM Rules, including for market power
 - AEMO and Network Operator required to co-operate with the ERA and facilitate any processes or systems needed to monitor Rule Participants' compliance.
 - The ERA must disclose the market related data, information or documents provided by AEMO to the ERA
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AEMO monitoring of compliance

Clause 2.13.7 - 2.13.15

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- AEMO must monitor Rule Participants' behaviour for compliance with:
 - WEM Rules listed in clause 2.13.7(a)
 - WEM Procedures listed in clause 2.13.7(b)
 - If requested by the ERA, AEMO must provide analysis or information to assist to monitor a Rule Participants' compliance with the WEM Rules or Procedures
 - AEMO must record and report any alleged breaches from its monitoring activities
 - Clause 2.13.12 sets bounds to AEMO's requirement to report alleged breaches:
 - Section 3.21 (forced outages) where the alleged breach is limited to a single Trading Interval
 - Section 7.10 (dispatch non-compliance) where the alleged breach does not exceed 6 consecutive dispatch intervals unless it is material or security and reliability is impacted.
 - Clause 2.13.14 clarifies that Rule Participants must fully comply with rules and procedures regardless of AEMO's reporting requirement
 - AEMO is not required to notify ERA where ERA may already be aware
 - AEMO is not required to monitor a Network Operators behaviour for compliance with the Network Operators' WEM Procedure

ERA and AEMO monitoring of compliance

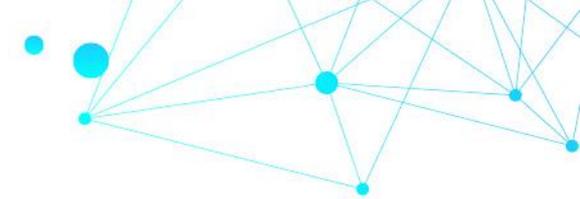
Clause 2.13.1 - 2.13.15

	Current framework	New framework
Monitoring	<p>ERA must monitor other Rule Participants' behaviour for compliance with the WEM Rules and Procedure.</p> <p>The Economic Regulation Authority must disclose the market related data, information or documents provided by AEMO to the Economic Regulation Authority as part of the systems and processes the Economic Regulation Authority must have in place.</p> <p>AEMO must monitor Rule Participants' behaviour for compliance with the provisions in 2.13.9 and the Power System Operation Procedures.</p> <p>AEMO must support the ERA's function of monitoring Rule Participants' behaviour for compliance with the provisions of the WEM Rules and Procedures.</p> <p>AEMO must notify ERA of alleged breach.</p>	<p>No change</p> <p>No change</p> <p>Similar provisions however Rule 2.13.7 will list the WEM Rules and Procedures to be monitored by AEMO.</p> <p>No change</p> <p>AEMO must notify the ERA of alleged breach, unless the ERA is already aware (as specified in the AEMO WEM Procedure).</p> <p>This does not apply to PSSR matters which must still be notified.</p>



Tolerance Ranges

Clause 2.13.11, 2.13.16 – 2.13.24

- Clause 2.13.11 clarifies performance within the Tolerance Range is not considered a breach
 - AEMO may determine Tolerance Range for all Facilities, or a Facility Tolerance Range to apply to a specific Facility (cl. 2.13.16 and 2.13.17)
 - AEMO must review Tolerance Ranges every calendar year, and must document the processes in a WEM Procedure
 - CI 2.13.21 allows Market Participants to request the ERA to reassess a decision by AEMO to set or not set a Tolerance Range
 - CI 2.13.23 allows ERA to request AEMO to review Tolerance Ranges if it reasonably considers that a Facility's Tolerance Range should be tighter based on its historical operation
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Breach reporting and investigation

Clause 2.13.25 - 2.13.29

- Breaches relating to Chapter 3A will follow processes in Chapter 3A.
- Rule Participant must notify the ERA if it considers it has breached or has reasonable cause to suspect it has breached the WEM Rules or Procedures
- A Rule Participant may inform the ERA in writing if it considers that another Rule Participant has breached the WEM Rules or Procedures
 - Rule Participant must provide evidence
 - ERA must inform the Rule participant that notified the ERA if it has determined a breach has not taken place
- Where ERA becomes aware of an alleged breach: (cl 2.13.29):
 - It must record the alleged breach
 - It must assign a risk rating for the purposes of investigation
 - It may investigate the breach regardless of the risk rating, if it reasonably considers this is required
 - It must determine whether a breach has occurred
 - It must record the results of the investigation



Breach reporting and investigation

Clause 2.13.30 - 2.13.37

- Similar to the existing framework (CPP will be retained):
 - ERA may meet with the Rule Participant, require information or conduct an inspection
 - ERA may appoint a person to investigate the matter if the Rule Participant doesn't comply
 - Rule Participant must cooperate with an investigation
 - Rule Participant must not engage in conduct that is false or misleading
- ERA may suspend or close an investigation where the breach is self-reported and corrective action has been agreed, or in circumstances specified in the WEM Procedure



Enforcement action

Clause 2.13.38 - 2.13.49

- ERA will continue to have existing enforcement action: education, voluntary compliance program, warnings etc
- ERA will have additional powers to (pending amendments to WEM Regulations):
 - issue infringements [20% of the maximum civil penalty amount for the respective category]
 - issue civil penalties on category B and C civil penalty provisions
 - make orders relating to ceasing an action, taking action to remedy a contravention, and implement a compliance program (ERA cannot suspend, cancel or disconnect a participant's registration)
- ERA may bring proceedings to the ERB on orders relating to the suspension, cancellation or disconnection of a participant's registration.
 - ERB will continue to have powers to issue all orders as preserved in the WEM Regulations.
- ERA must have regard to all relevant matters in issuing an infringement, civil penalty notice or makes an order as per clause 2.13.44
- ERA will continue to release a report summarising the preceding six months with additional information to be provided clause 2.13.47



Enforcement action - continued

Clause 2.13.38 - 2.13.49

- In case of an infringement, civil penalty or order made by the ERA, Rule Participants have the ability to seek a review of that decision by the ERB.
- ERA will continue to release a report at least every six months summarising the preceding six months with:
 - Investigations completed by the ERA
 - Notifications of alleged breaches
 - Warnings
 - Proceedings brought before the ERB
 - Findings by the ERB
 - Orders made by the ERB
 - Infringements, civil penalties and orders made by the ERA, if the ERB didn't set them aside.
- ERA may also release any other reports on enforcement actions ERA can take



Public Register

Clause 2.13.50 - 2.13.52

- Head of power for the ERA to keep a public register.
 - Information on all Rule Participants that have been issued a Financial Penalty will be published on the public breaches register.
 - The ERA may publish other breaches on the register where the ERA reasonably considers that disclosure would benefit the market or given the nature and impact of the breach, the RA would expect to disclose information about the breach.
- Information to be published:
 - the name of the Rule Participant that committed the breach;
 - each provision of the WEM Rules or WEM Procedure that was breached;
 - all relevant information relating to the time the breach occurred and duration of the breach, including impacted Trading Days and Dispatch Intervals as relevant;
 - a description of any action taken by the Rule Participant to remedy the breach, or to prevent a recurrence of the breach; and
 - the action taken by the Economic Regulation Authority as a result of the breach.
- Information must not be included if the information would contravene a law that suppresses or prohibits that information from being released, or a confidential status has been given under Ch-10.



Market Audit and Compliance Reports

Section 2.14

- AEMO will continue to have existing processes in relation to a market audit and the ERA will continue to prepare a compliance report on the AEMO and provide it to the Minister.
- The ERA has a new requirement to prepare a compliance report on the Network Operator's compliance with the WEM Rules.
 - The report will contain the Network Operators self-reported breaches and any investigations carried out.
 - Similar to the AEMO report, this report will be provided to the Minister.
- The ERA will continue to prepare a report on its own compliance for the Minister.
- In all cases the compliance report must be published by the ERA on their website.



Monitoring and Compliance Procedures

Section 2.15

- ERA will continue to own a monitoring protocol. The contents will be expanded to include:
 - Process to report breaches (self-reported or alleged), including information that must be provided
 - Process for assigning risk ratings, investigating breaches (including suspending) and issuing warnings, financial penalties or making orders.
 - Process for keeping a public register, among other things.
- AEMO will continue to own a WEM procedure in relation to monitoring and compliance. The contents will include:
 - How AEMO will carry out its obligations,
 - Notification and reporting process,
 - Situations where AEMO will not need to notify ERA of a breach, among other things
- The ERA will no longer be required to approve of AEMO's WEM Procedure dealing with monitoring and compliance.



Items yet to be completed

- Market Power monitoring functions
 - MSDC and related provisions
 - Civil penalty provisions, reviewable decisions, protected provisions
 - WEM Effectiveness reviews
 - WEM Regulation changes
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Operational Planning





Operational Planning Framework – Section Summary

- There are numerous duplication of clauses under section 3.16 and 3.17 of the current WEM Rules where similar obligations exist on participants over the MT PASA and ST PASA timeframes.
- The draft Amending Rules consolidate much of the duplication in sections 3.16 and 3.17 of the current WEM Rules.
- New section 3.16 sets out the obligations with respect to the PASA covering both MT PASA and ST PASA.
- New replacement section 3.17 sets out the obligations with respect to Low Reserve Conditions and AEMO's ability to declare a Low Reserve Condition.

Projected Assessment of System Adequacy (PASA)





Section 3.16 - PASA

Clauses 3.16.1 – 3.16.2

- AEMO will be required to conduct periodic PASA assessments and publish a rolling MT PASA and ST PASA as set out in clause 3.16.1.
 - Modified PASA Definition – An assessment undertaken by AEMO to assess future risks to Power System Security and Power System Reliability.
 - Modified ST PASA horizon – from 3 weeks ahead to one week ahead.
 - The detailed requirements in respect of both MT PASA and ST PASA will be largely contained in the WEM procedure referred to in clause 3.16.10.
 - Clause 3.16.2 set out the new PASA Objective linking it to Power System Security and Power System Reliability framework.
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Section 3.16 - PASA

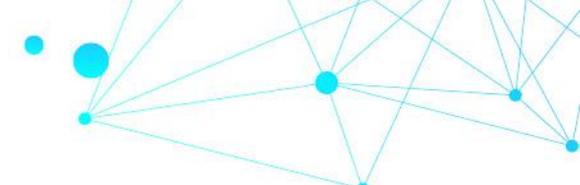
Clauses 3.16.3 – 3.16.6

- AEMO will require information from Rule Participants to conduct and prepare MT PASA and ST PASA.
 - Clauses 3.16.3 to 3.16.5 set out the obligation on Rule Participants to provide that information, including providing additional information or clarifications when requested and resubmitting the information where the information provided has materially changed.
 - Details of the information required will be set out in the WEM Procedure.
 - In conducting a PASA study, AEMO may use any information developed by AEMO or any other information known to AEMO in place of the information provided by Rule Participants.
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Section 3.16 - PASA

Clauses 3.16.7 – 3.16.10

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- Clause 3.16.7 deals with forecasting, specifically the 36-month forecast as the week ahead forecast is covered in the SCED rules under section 7.3 (Forecast Operational Demand).
 - Clause 3.16.8 sets out the core requirements of the MT and ST PASA report which are linked to the objectives set out in clause 3.16.2.
 - Most of the detail as to what a MT PASA and ST PASA is required to contain will be specified in the WEM Procedure.
 - Clause 3.16.9 enables AEMO to issue an updated MT PASA or ST PASA where there has been a material change.
 - Clause 3.16.10 provides head of power for AEMO to develop WEM Procedure which contains the details in respect of the PASA framework.
 - Intention is to replace some of the existing details which were hard-coded into the WEM Rules to provide for flexibility in the PASA framework.

Low Reserve Conditions (LRC)





Section 3.17 - Low Reserve Conditions

Clauses 3.17.1 – 3.17.4

- Clause 3.17.1 deals with Low Reserve Conditions and AEMO's ability to declare a Low Reserve Condition.
 - **Low Reserve Condition:** Means each of the conditions of the power system described in clause 3.17.1(a) to 3.17.1(c) which may result in a Low Reserve Condition Declaration.
- Clauses 3.17.2 to 3.17.4 refers to AEMO's obligation to report on Low Reserve Condition declarations by AEMO.
 - These are expected to be infrequent so a 6 month reporting period is provided.
 - Where AEMO has not declared a Low Reserve Condition in the preceding 6 months then it will not be required to file a report.



Section 3.17 - Low Reserve Conditions

Clauses 3.17.5 – 3.17.12

- Clauses 3.17.5 to 3.17.7 set out the requirements for AEMO's Low Reserve Condition Declarations including where AEMO may cancel or amend the Low Reserve Condition Declaration.
- Clause 3.17.8 to 3.17.10 set out the requirements for AEMO to implement an AEMO Intervention Event if required.
 - **AEMO Intervention Event:** An event where AEMO intervenes in the Real-Time Market by issuing a direction in accordance with clause 3.4.6, clause 3.4.7, clause 7.7.4(b), or clause 7.7.5.
- Clauses 3.17.11 and 3.17.2 provides a head of power for AEMO to develop a WEM Procedure which contains the details in respect of the Low Reserve Condition framework.



Meeting close

Questions or feedback can be emailed to TDOWG@energy.wa.gov.au