



Energy and Governance Legislation (Project Eagle) Stakeholder Forum

06 December 2022

Energy and Governance Legislation Reforms ('Project Eagle')

Public Forum – 5 December 2022 - Stakeholder questions

Q: Will cost recovery arrangements change, for the matters being brought into the WEM Rules? The regulatory framework currently provides for entities including Western Power and the AEMO to recover the costs of their functions. Will the cost recovery arrangements for the instruments being brought into the WEM Rules (e.g. Access Code and Metering Code matters) change, or will these retain their existing funding arrangements?

While subordinate instruments will be brought under the WEM Rules, specific features of those instruments, like mechanisms for cost recovery for specific entities, are likely to be retained.

The way costs are recovered may be considered in future as part of the review of individual instruments, prior to content being included in the WEM Rules. Energy Policy WA is currently considering market fee allocation more generally within the scope of existing market operations.

Q: Is any consideration being given to prioritising reforms relevant to Western Power's access arrangement before work must start in earnest on its sixth access arrangement (AA6)?

Energy Policy WA is mindful regarding the timing of reforms in the context of regulatory processes related to revenue recovery. Energy Policy WA consulted with Western Power and AEMO on the high level timing of the reforms outlined in the presentation.

It is not possible to perfectly align the timing for the reforms either with either AEMO's Allowable Revenue (AR) or Western Power's Access Arrangement (AA) processes and the periods over which proposals for revenue are being developed by AEMO or Western Power, respectively. There is the likelihood of at least one in-period submission will need to be made to the Economic Regulation Authority for funding because of unavoidable misalignment in timing.

Energy Policy WA will work with Western Power and AEMO around how reforms under ETS Stage 2 can be tranching and scheduled to best align with AA and AR processes.

Q: Will removal of electricity generation licensing be progressed as part of the amendments to the *Electricity Industry Act 2004*?

The removal of electricity generation licensing will not be progressed as part of the proposed amendments under Project Eagle.

Q: Could the reforms potentially be stalled if the amendments to the legislation is delayed or doesn't pass through Parliament?

The previous Energy Transformation Taskforce and its Implementation Unit operated under the assumption that primary legislation would not be amended to progress reforms.

Things have changed over the last 18 months and there is there and opportunity via Project Eagle to amend primary legislation and expand the scope of reforms possible under ETS Stage 2. Most of the reforms presented at the information forum and the planned approach to Project Eagle is contingent upon the legislation passing through Parliament in 2023.

If legislation were to be materially delayed or not to pass through Parliament, then alternative pathways for the implementation of reforms would have to be developed. These would look quite different from the current proposal because of the limited scope and heads of power within existing instruments. While there is always some level of uncertainty regarding the timing for introduction to Parliament, a high priority has been assigned to drafting of the amending bill, which is scheduled to be introduced to Parliament in 2023.

Q: Is the problem of management of solar PV and future compliance with AS4777.2:2020 (the Australian Standard relating to solar PV inverters) being covered in Project Eagle?

Yes. The need for effective compliance and monitoring of Distributed Energy Resources (DER) with regards to performance and standards is one of the core reasons why Project Eagle and the planned legislative amendments are required. Standards that relate to rooftop solar and the other devices that are connected to the lower voltage distribution grid are specified in Western Power's Technical Rules – however, the Technical Rules are limited in their ability to enable effective visibility, monitoring, compliance, and enforcement of DER and the lower-voltage network.

The need to develop frameworks for DER integration in the context of Western Australia's particular circumstances is critical. This issue was discussed in the Energy Policy WA [DER orchestration roles and responsibilities paper](#) released in June 2022 and available on our website.

Q: What will the program look like in terms of consultation and how do stakeholders become part of that process? What specific things will Energy Policy WA be consulting on with regard to the reliability framework.

It is critical that stakeholders be involved not just in the development of the regulatory instruments, but also in the development of the detailed policy that underpins them.

In the case of the power system security and reliability framework, the [information paper](#) that was released by the Energy Transformation Taskforce in May 2021 will be used as a starting point for policy settings. Formal consultation and stakeholder engagement will be used to build detail around these policy settings.

As was the case for reforms under the Energy Transformation Taskforce, consultation will involve online forums and workshops, with information and consultation papers being released over time. The draft instruments to put those policies into practice will also be subject to formal public consultation.

Q: What will the change management process be like when subsidiary instruments are brought under the WEM Rules?

The staged approach to bringing elements of instruments into the expanded WEM Rules will mean that the policy development around those changes will also be staged. Rather than a simple 'lift and shift' approach, changes to instruments will be considered with respect to preserving linkages within and between instruments. There will be a necessary back-to-back process that considers policy

development, the creation of new WEM Rules addressing matters, and then Ministerial changes to subsidiary regulation.

We note that the Technical Rules is different to most other instruments under the Energy Industry Act 2004 in that it is approved by the Economic Regulation Authority. However, the Minister for Energy may make changes to the Electricity Network Access Code 2004 that limit the scope of the Technical Rules.

Some of the instruments being moved have compulsory consultation requirements as well which would be followed for individual WEM Rule change processes.

Q: Once the changes are made, will they be administered by the Coordinator for Energy?

Yes, the WEM Rules is administered by the Coordinator of Energy.

As is currently the case, protected provisions will exist whereby a change to some rules cannot be made as part of a regular WEM Rule change process, would need to be approved by the Minister for Energy. Provisions related to the network access regime hinges would likely be protected provisions under the expanded WEM Rules.