



Government of Western Australia
Department of Mines, Industry Regulation and Safety
Energy Policy WA

Market Suspension WEM Amending Rules

Consultation Summary Report
19 September 2023

Working together for a **brighter** energy future.

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WEM Amending Rules*

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Overview

This Consultation Summary Report outlines industry feedback received on the exposure draft for the *Wholesale Electricity Market Amendment (Market Suspension) Rules 2023 (Amending Rules)* and the Energy Policy WA responses to that feedback.

The Amending Rules were gazetted on 19 September 2023.

The Amending Rules include amendments to the WEM Rules to support the dispatch of Registered Facilities and enable settlement in the event AEMO suspends the Real-Time Market or fails to successfully use the Dispatch Algorithm for the Central Dispatch Process.

Consultation

The exposure draft for the Amending Rules was released for public consultation on 2 August 2023. The consultation period closed on 16 August 2023.

Written public submissions were received from:

- Alinta Energy
- Perth Energy
- Synergy

The exposure draft was also discussed with stakeholders at the 15 August 2023 meeting of the WEM Reform Implementation Group (WRIG).

The table at the end of this report outlines the issues raised in submissions and Energy Policy WA's responses.

Further Amendments to the Amending Rules

Several changes have been made to the Amending Rules following the consultation period to:

- address implementation issues raised by AEMO;
- address other issues identified by Market Participants during the 15 August 2023 WRIG meeting and in submissions received on the exposure draft; and
- improve the clarity and consistency of the Amending Rules.

A summary of the further amendments to the Amending Rules is provided below.

Directions and Dispatch Instructions

During the consultation period, stakeholders raised several concerns about the interaction between directions and Dispatch Instructions for Registered Facilities, and AEMO's powers and obligations relating to directions.

To address these concerns, the Amending Rules have been updated to:

- rationalise and clarify the relationship between directions and Dispatch Instructions; and
- strengthen AEMO's reporting obligations for directions, including Dispatch Instructions that are not issued by the Dispatch Algorithm.

AEMO has provided the following explanation of the relationship between directions and Dispatch Instructions:

AEMO directs Rule Participants to do various things to maintain Power System Security and Power System Reliability and generally meet its obligations under the WEM Rules.

Some examples include:

- *directions to Network Operators to operate things in real time (e.g. voltage, network open points);*
- *directions to Market Participants for the purpose of real-time dispatch (e.g. to vary Injection/Withdrawal in a Dispatch Interval, adjust reactive power output, change an operating mode);*
- *directions to prepare for real-time dispatch (e.g. scheduling commitment of an Energy Producing System and offering of capacity as In-Service);*
- *directions to return equipment to service or refrain from taking it out of service (e.g. Outage cancellation/recall); and*
- *directions to provide information (e.g. investigations or operational coordination).*

All directions must be complied with, unless compliance would be unsafe, cause damage to equipment or breach an applicable law. AEMO must record the details of each direction.

Some of these directions are specifically for the purpose of supporting the Central Dispatch Process and are used to support settlement, and therefore have specific data and compliance monitoring requirements associated with them. As specified in clause 7.6.5, these directions are Dispatch Instructions. Dispatch Instructions have specific data associated with them that must be recorded by AEMO.

AEMO generally issues Dispatch Instruction directions electronically, but may also issue them verbally from time to time, e.g. during different system failure scenarios.

Market Participants must respond to these Dispatch Instruction directions, whether issued electronically or verbally, in accordance with the details of the Dispatch Instruction (e.g. Dispatch Target, ramp rate, relevant Dispatch Interval, etc). Market Participants may respond automatically to electronically issued Dispatch Instructions where the Market Participant has commissioned the necessary systems with AEMO (e.g. Automatic Generation Control).

Where AEMO issues a Dispatch Instruction verbally that must be complied with immediately, the Market Participant must respond to the Dispatch Instruction and AEMO must subsequently record the details of the Dispatch Instruction to support settlement and compliance monitoring.

During an extended Dispatch Algorithm failure or a Real-Time Market suspension where the Dispatch Algorithm is unable to be used, AEMO would typically issue Dispatch Instructions verbally and then retrospectively record the details of the Dispatch Instructions to support settlement and compliance monitoring.

Clauses 4.26.1J, 7.6.1, 7.6.5, 7.6.8, 7.6.12, 7.6.14, 7.6.21, 7.7.1, 7.7.8, 7.7.9, 7.10.4, 7.10.6, 7.13.1B and 7.13.1E have been amended, new clauses 7.6.22A and 7.10.6A inserted, and proposed clauses 7.7.8A and 7.10.1B deleted to ensure alignment with these concepts and to ensure details of Dispatch Instructions that are not issued by the Dispatch Algorithm are recorded and made available to Market Participants and other stakeholders.

Further, new clause 7.2.2A has been inserted to clarify that AEMO should still use reasonable endeavours to operate the market efficiently during a Real-Time Market suspension. The clause imposes a requirement on AEMO that is like the requirement placed on AEMO at other times under clause 7.2.2 (to use reasonable endeavours to maximise the value of Real-Time Market trading). However, the clause 7.2.2A requirement accounts for the likely limitations on AEMO's ability to meet such a requirement during a suspension period, when Real-Time Market Submissions and/or the Dispatch Algorithm may not be available.

Determination of replacement Market Clearing Prices and other settlement inputs

Additional changes have been made to the rules for determining Market Clearing Prices and other settlement inputs in sections 7.11B and 7.11C.

Revised clause 7.11B.1A requires AEMO to determine replacements both for Market Clearing Prices and the information normally provided under clauses 7.13.1B, 7.13.1D and 7.13.1EA from the Reference Scenario for the Dispatch Interval in a Market Schedule identified in accordance with revised clause 7.11B.1B.

Revised clause 7.11B.1B specifies how AEMO determines which Market Schedule will provide the substitute values. The new clause is used both when the Dispatch Algorithm fails to run and when AEMO determines that a Dispatch Interval is an Affected Dispatch Interval. The clause anticipates that the suitable replacement Market Schedule will be the most recent, previous Market Schedule identified by AEMO as not containing suspect data. AEMO will:

- start with Dispatch Schedules; and
- if nothing is suitable move to Pre-Dispatch Schedules; and
- if nothing is suitable default to the last Dispatch Schedule or Pre-Dispatch Schedule that was originally determined.

Section 7.11C is amended to:

- remove the automatic identification of Affected Dispatch Intervals, because AEMO has advised that the actual effort required to analyse this will take some time and may involve a mix of automated and manually run analysis tools;
- clarify that AEMO will not identify Affected Dispatch Intervals or Intervention Event Intervals when the Real-Time Market is suspended;
- extend the deadline for identification of an Affected Dispatch Interval to noon on the first Business Day following the end of the relevant Trading Day;
- require the replacement of the information normally provided under clauses 7.13.1B, 7.13.1D and 7.13.1EA as well as the replacement of Market Clearing Prices for an Affected Dispatch Interval; and
- use the same process to determine the source of the replacement information as will be used when AEMO fails to run the Dispatch Algorithm for the purposes of the Central Dispatch Process (as specified in clause 7.11B.1B).

Clauses 7.13.1B, 7.13.1C, 7.13.1CA, 7.13.1CB, 7.13.1DA, 7.13.1EA, 7.13.1I, 7.13.1J, 7.13.1K, 9.10.6, 9.10.10, 9.10.14, 9.10.16, 9.10.22 and 9.10.23 have been amended, and new clauses 7.13.1BA, 7.13.1CC, 7.13.1CD inserted, to reflect the changes to sections 7.11B and 7.11C and ensure that the replacement information is provided to Market Participants and used in settlement.

Changes to settlement calculations

Several additional changes have been made to improve the clarity and practicality of settlement calculations that are used when the Real-Time Market is suspended or AEMO uses a replacement Market Schedule for settlement under clauses 7.11B.1A or 7.11C.2:

- Section 7.13A has been amended to set Not In-Service Capacity values to zero if AEMO uses a replacement Market Schedule for settlement under clauses 7.11B.1A or 7.11C.2. The reason for this change is that the Market Schedule identified under clause 7.11B.1B may not reflect the latest Real-Time Market Submissions from Market Participants and could inadvertently result in capacity refunds for Market Participants. Setting the values to zero will ensure that Not In-Service Capacity refunds cannot be incurred if AEMO has had to settle using a replacement Market Schedule.

- Further refinements have been made to the calculations used to allocate Contingency Reserve Raise and Additional RoCoF Control Requirement costs for Dispatch Intervals when the Real-Time Market has been suspended, to address AEMO implementation concerns with the originally proposed calculations. The additional changes affect clauses 9.10.30 – 9.10.30D and 9.10.43.
- To improve clarity, the flag indicating whether the Real-Time Market is suspended for a Dispatch Interval has been made a defined term ('RTM Suspension Flag'). Under new clause 7.11D.6, AEMO is explicitly required to determine the value of the RTM Suspension Flag for each Dispatch Interval. The Reserve Capacity and settlement calculations in clauses 4.26.1D, 4.26.1F, 4.26.1H, 9.10.30 and 9.10.43 and Appendix 2C have been updated to use the defined term.
- The proposed changes to prevent the application of SESSM Refunds during periods when the Real-Time Market is suspended have been relocated from clauses 9.10.6, 9.10.10, 9.10.14, 9.10.22 and 9.10.23 to Appendix 2C.

	Submitter	Clause or Topic	Issue	Energy Policy WA's Response
1	Perth Energy	Clause 7.1.1	This clause could be redrafted as "AEMO must establish and, subject to clause 7.11D.5, operate the Real Time Market". As currently drafted the clause implies that establishing the Real-Time Market is subject to clause 7.11D.5, whereas the obligation to establish the market is not subject to this rule.	Change made to address the issue.
2	Synergy	Clause 7.6.8	It is unclear as to why the requirement to record the information relating to a Dispatch Instruction as outlined in clause 7.6.8 should not be required in a market suspension event. Synergy suggests the drafting for this clause is revised to the original draft, or alternatively a new clause is added that outlines the record keeping obligations that will be applied in a market suspension event.	Clause 7.6.8 has been further amended to remove the proposed exemption, so that the clause will continue to apply to all Dispatch Instructions. The concept of issuing 'retrospective Dispatch Instructions' for directions has been removed. However, AEMO will not be required to record Dispatch Forecasts or as-generated Dispatch Targets/Caps for Dispatch Instructions not issued by the Dispatch Algorithm, because the information may not be available for manually issued Dispatch Instructions. Please refer to the section 'Directions and Dispatch Instructions' above for further details.
3	Synergy	Clause 7.7.1	Synergy notes that the original drafting was limited to variations in the reactive power output, however the proposed amendments are much broader. Synergy seeks clarity as to the requirement for the proposed amendments and notes that it may represent a change in AEMO's heads of power. Synergy suggests that the clause be restored to its original drafting.	Clause 7.7.1 has been further amended to remove the references to providing a "service" and Chapter 7, as AEMO's powers to issue Dispatch Instructions are covered elsewhere in the WEM Rules. However, AEMO has advised that its directions to Market Participants to "operate a Registered Facility in a particular way" are not limited to variations of reactive power, e.g. requiring operation at a fixed ramp rate. We also note that under revised clause 7.7.9, a Dispatch Instruction issued by AEMO in accordance with a direction under clauses 3.4.4, 3.4.5, 3.5.5 or 7.11D.2A must be

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				consistent with the Registered Facility's data held by AEMO, including Standing Data.
4	Synergy	Clause 7.10.1B	<p>This clause appears to require that, where AEMO issue a Dispatch Instruction retrospectively in relation to a direction, that the retrospective Dispatch Instruction will not supersede Dispatch Instructions for later intervals that were issued earlier than the direction was made. Since directions can go beyond the scope of a Dispatch Instruction, this raises the possibility that the later Dispatch Instruction may not be achievable given the direction.</p> <p>Synergy suggests that the drafting of this clause be amended either:</p> <ul style="list-style-type: none"> (a) to place an obligation on AEMO to ensure consistency between directions and any subsequent Dispatch Instructions; or (b) to relieve Market Participants of the obligation to comply with a Dispatch Instruction where a prior direction makes it impossible to do so. 	<p>Proposed clause 7.10.1B and the concept of issuing Dispatch Instructions 'retrospectively' have been removed from the Amending Rules.</p> <p>Please refer to the section 'Directions and Dispatch Instructions' above for further details.</p>
5	Perth Energy	Clause 7.11B.3	The word "and" should be added to the end of paragraph (a) to show that the actions in paragraphs (a) and (b) must both be undertaken and are not alternatives.	Change made to address the issue.
6	Perth Energy	Clause 7.11D.1	The word "or" should be added to the end of paragraph (a) to show that the actions in paragraphs (a) and (b) are alternatives.	The standard approach used in the WEM Rules is to only include an "or" at the end of the second last entry in a list of mutually exclusive alternatives (in this case the end of clause 7.11D.1(b)).
7	Alinta Energy	Market Suspension Compensation	Alinta Energy supports the proposed changes to the calculation of Energy Uplift Payments during periods when the Real-Time Market is suspended. However, we note that the calculation of such a payment relies on a participant being able to continue to submit offers under all three WEMDE failure states (intermittent, temporary and extended) as presented at the 15 August 2023 WRIG meeting.	To address Alinta Energy's concerns, the final <i>Wholesale Electricity Market Amendment (Tranche 7 Amendments) Rules 2023</i> have been extended to include rules relating to Real-Time Market suspension compensation arrangements.

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			<p>Noting this, we strongly recommend that the Amending Rules should be further amended to:</p> <ul style="list-style-type: none"> include a mechanism to ensure that FCESS providers are also kept whole, particularly given the margin values would likely under-estimate the cost of provision of contingency ESS and FCESS is likely to be used more during a suspension; and include a back-up compensation process that allows Market Participants to seek compensation where the difference between the default payments made under the proposed market suspension arrangements and the true economic cost exceeds a certain threshold. Given the limited time available to develop rules and systems, this could be via an off-market process whereby applications for compensation are assessed by an independent body, such as the Economic Regulation Authority (ERA), who then advises AEMO the amount to settle. <p>Alinta Energy suggests that the back-up compensation process be modelled off the AEMC's Administered Price Cap/Floor Price Compensation Framework.</p>	<p>New section 7.12 is introduced to allow Market Participants to claim compensation for lost revenues in the event AEMO suspends the Real-Time Market. This enables a Market Participant to apply to the ERA if it considers that its net settlement revenues did not compensate it for all the variable costs it had incurred in providing Market Services during a Real-Time Market suspension event.</p> <p>Changes to the settlement rules (section 9.6 and new section 9.11A) are also introduced to enable the payment of the compensation amounts, if approved by the ERA.</p>



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