



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

Final Rule Change Report The Relevant Demand calculation (RC_2019_01)

Standard Rule Change Process

9 November 2023

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

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The Relevant Demand calculation
(RC_2019_01)*

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1. The Rule Change Proposal, Process and Timeline

On 21 June 2019, Enel X submitted to the Rule Change Panel a Rule Change Proposal titled “The Relevant Demand calculation” (RC_2019_01) seeking to change the calculation of Relevant Demand for Demand Side Programmes (DSPs) because the current calculation method significantly under-calculates the contribution by loads.

Enel X suggested that the Wholesale Electricity Market (WEM) Rules should be amended to:

- include a clear definition of Relevant Demand and what the calculation seeks to achieve; and
- adopt a dynamic baseline methodology that balances accuracy, simplicity and integrity.

This proposal was processed using the Standard Rule Change Process, described in section 2.7 of the WEM Rules.

Extension Notices were previously granted for this Rule Change on:

- 26 August 2019;
- 22 June 2020;
- 2 December 2020;
- 25 June 2021;
- 31 December 2021;
- 31 December 2022; and
- 30 June 2023.

The Rule Change Proposal timeline was initially extended three times to allow the Rule Change Panel to hold workshops, manage priorities and prepare documentation, and to allow AEMO to give feedback on the Relevant Demand calculation.

Responsibility for administration of the WEM Rules was transferred from the Rule Change Panel to the Coordinator of Energy (Coordinator) on 1 July 2021 and the Coordinator granted further extensions to allow sufficient time to consider RC_2019_01.

The Coordinator has conducted the Reserve Capacity Mechanism (RCM) Review¹ and is currently conducting the Demand Side Response (DSR) Review,² which will address the matters raised by RC_2019_01 (among other things).

The RCM Review is now complete and draft WEM Amending Rules to implement the outcomes from the review have been published. The consultation period for the Amending Rules closed at

¹ Full information on the RCM Review is available at <https://www.wa.gov.au/government/document-collections/reserve-capacity-mechanism-review>, including the Scope of Work for the review, the *Reserve Capacity Mechanism Review Stage 1 Consultation Paper*, the *Reserve Capacity Mechanism Review: Information Paper (Stage 1)* and *Consultation Paper (Stage 2)*, the *Reserve Capacity Mechanism Review: Information Paper (Stage 2)* and all submissions to both consultation papers.

² Full information on the DSR Review is available at <https://www.wa.gov.au/government/document-collections/demand-side-response-review>, including the Scope of Work for the review and the *Review of the Participation of Demand Side Response in the Wholesale Electricity Market: Consultation Paper*.

5:00pm (AWST) on 19 October 2023.³ The Minister for Energy is expected to make the WEM Amending Rules to give effect to the outcomes of the RCM Review in late 2023.

Stages 1 and 2 of the DSR Review are complete and a Consultation Paper outlining initial proposals was published on 21 September 2023. The consultation period closed at 5:00pm (AWST) on 2 November 2023.

The key dates for progressing this Rule Change Proposal are:



This Final Rule Change Report is drafted under clause 2.7.7A(b) of the WEM Rules on the basis that the reader has read all the related documents, including the Rule Change Proposal, the first period submissions and the Draft Rule Change Report.

The Rule Change Notice and all other documents related to this Rule Change Proposal can be found on the Coordinator's website at [Rule Change RC 2019_01 \(www.wa.gov.au\)](http://www.wa.gov.au).

³ The WEM Amending Rules Exposure Draft is available at [Reserve Capacity Mechanism Review \(www.wa.gov.au\)](http://www.wa.gov.au)

2. The Coordinator's Decision

The Coordinator's final decision is to reject the Rule Change Proposal.

2.1 Reasons for the Coordinator's Decision

The Coordinator has made its final decision on the basis that the issues raised in this Rule Change Proposal were addressed by the RCM Review and the DSR Review.

The issues raised in RC_2019_01 were addressed in:

- the *Reserve Capacity Mechanism Review: Information Paper (Stage 1) and Consultation Paper (Stage 2)* – hereafter referred to as the 'RCM Stage 2 Consultation Paper';
- the *Reserve Capacity Mechanism Review: Information Paper (Stage 2)* – hereafter referred to as the 'RCM Stage 2 Information Paper';
- The Review of the Participation of *Demand Side Response in the Wholesale Electricity Market: Consultation Paper* – hereafter referred to as the 'DSR Consultation Paper'.

Specifically:

- the RCM Stage 2 Consultation Paper made seven proposals to address the matters raised in RC_2019_01 – see Proposals G, H, I, J, L, O and R;
- the RCM Stage 2 Information Paper included five Review Outcomes that address the matters raised in RC_2019_01 – see Review Outcomes 3 to 7; and
- the DSR Consultation Paper included one proposal that addresses the matters raised in RC_2019_01 – see Design Proposal 4.

The Coordinator considers that the RCM Review and DSR Review addressed the issues in RC_2019_01 and that the RCM Review and DSR Review took account of the Wholesale Market Objectives.

WEM Rules governing Relevant Demand are being amended as part of the RCM Review and the DSR Review. Therefore, it would be impractical to make further changes to Relevant Demand at this time as making further changes would come at a cost and will have no benefit.

The detailed analysis behind the Coordinator's decision is provided in section 6 of this report.

3. Proposed Amendments

3.1 The Rule Change Proposal

This section provides a summary of Rule Change Proposal RC_2019_01. The full Rule Change Proposal can be found on the Coordinator's website.

On 21 June 2019, Enel X submitted the Rule Change Proposal, which sought to change the way Relevant Demand for a DSP is calculated to avoid under-calculating the contribution of loads.

Enel X said that the objective of the Relevant Demand calculation should be to determine with reasonable accuracy the 'baseline' consumption of a DSP when it is dispatched.

Enel X stated that a major consequence of the current Relevant Demand calculation is that DSPs effectively commit to curtail a significant amount of load before reaching their Relevant Demand level and are not credited for this reduction. This makes participation in the RCM uneconomic, and even impossible, for certain participants.

Enel X said that DSP availability concerns were better addressed through the testing and compliance framework rather than restricting participation outright through the Relevant Demand calculation.

Enel X highlighted that under-calculating the Relevant Demand of a DSP means that the DSP would be certified for much less capacity than it could provide, and that this leads to outcomes that are inconsistent with the Wholesale Market Objectives.

Enel X also suggested amendments should be made to the WEM Rules to include a clear definition of Relevant Demand and what the calculation seeks to achieve. Enel X's proposed definition was: "An estimate of a demand side programme's counterfactual demand when it is dispatched".

Enel X recommended adopting a baseline that strikes an appropriate balance between accuracy, simplicity and integrity. Enel X suggested a dynamic baseline as an appropriate methodology to replace the current method and preferred an 'X of Y' methodology for the dynamic baseline.

As Enel X did not propose draft Amending Rules, Enel X asked the Rule Change Panel to develop the Amending Rules, and that additional consultation may be necessary to give stakeholders an opportunity to comment on the Rule Change Proposal.

3.2 The Rule Change Panel's Initial Assessment of the Proposal

The Rule Change Panel decided to progress this Rule Change Proposal on the basis that stakeholders should be given the opportunity to consider the proposal and make submissions through the Rule Change Process.

The timeline for assessment of this Rule Change Proposal was initially extended to 30 June 2020 to give the Rule Change Panel sufficient time to hold workshops and develop drafting for the proposal, prepare the Draft Rule Change Report, and to manage competing priorities.

Assessment of the Rule Change Proposal was further extended to 31 December 2020 to give AEMO additional time to provide support for the development of the Relevant Demand calculation and to allow time for further workshops. Assessment of the Rule Change Proposal was again extended to 30 June 2021 to allow the Rule Change Panel sufficient time to perform analysis and prepare the Draft Rule Change Report while managing competing priorities.

On 1 July 2021, responsibility for rule-making functions and the administration of the WEM Rules was transferred from the Rule Change Panel to the Coordinator. As a result, the Coordinator became responsible for progressing this Rule Change Proposal.

4. Consultation

A summary of the consultation undertaken by the Rule Change Panel on this Rule Change Proposal before publication of the Draft Rule Change Report is provided in section 5 of the Draft Rule Change Report.

The Coordinator has considered and taken into account each matter raised in making a decision on RC_2019_01.

4.1 Pre-Rule Change Proposal

A summary of the consultation undertaken regarding this Rule Change Proposal prior to submission of the proposal to the Rule Change Panel is provided in section 5.1 of the Draft Rule Change Report.

4.2 The Market Advisory Committee

A summary of the consultation conducted with the MAC regarding this Rule Change Proposal prior to publication of the Draft Rule Change Report is provided in section 5.2 of the Draft Rule Change Report.

Clause 2.4.3(aA) requires the Coordinator to consider any advice from the MAC regarding the evolution or development of the WEM or the WEM Rules.

The MAC provided extensive advice regarding the development of the WEM and WEM Rules with respect to the issues raised in RC_2019_01. This advice was provided during the RCM Review and the DSR Review by the MAC and its working groups - the RCM Review Working Group (RCMRWG)⁴ and the DSR Review Working Group (DSRRWG).⁵

Clause 2.4.3(d) requires the Coordinator to consider any advice from the MAC regarding the Rule Change Proposal and clause 2.4.3(dA) requires the Coordinator to consider whether the MAC reached a consensus view, and if not, to consider any dissenting views.

The MAC did not reach consensus on the use of a dynamic baseline for the Relevant Demand calculation.

Most MAC members supported a dynamic baseline, but Mr Huxtable expressed a dissenting view at the MAC Workshop on 20 July 2020, and the RCMRWG meetings on 1 and 16 February 2023. Mr Huxtable stated that:

- capacity for all DSPs should be measured using a static baseline because this is more reliable than a dynamic measurement;⁶
- a DSP should not have to operate at its Relevant Demand outside of the Individual Reserve Capacity Requirement intervals, which are the basis for the DSP's payment for Capacity

⁴ The MAC established the RCMRWG to support the RCM Review. Further information on the RCMRWG is available at [Reserve Capacity Mechanism Review Working Group \(www.wa.gov.au\)](http://www.wa.gov.au), including the Terms of Reference for the working group and all working group meeting papers and minutes.

⁵ The MAC established the DSRRWG to support the DSR Review. Further information on the DSRRWG is available at [Demand Side Response Review Working Group \(www.wa.gov.au\)](http://www.wa.gov.au), including the Terms of Reference for the working group and all working group meeting papers and minutes.

⁶ See Section 5.2 of the Draft Rule Change Report. The MAC Workshop minutes are available at [RC 2019_01----MAC-Workshop-20-July-2020---Minutes.pdf \(www.wa.gov.au\)](http://www.wa.gov.au)

Credits because, when the DSP is operating below its Relevant Demand, it is de facto delivering a load reduction, even if by accident;⁷ and

- loads are paying for capacity based on their consumption during peak demand, so the reduction should be measured against the capacity loads are paying for.⁸

The Coordinator has considered these issues but determined there should be a dynamic baseline for the Relevant Demand calculation. The overwhelming majority of stakeholders in the MAC and RCMRWG were supportive of a dynamic baseline.

The Coordinator considers that a dynamic baseline provides a more accurate measurement of counterfactual consumption and takes account of load variability. Many of the concerns associated with adoption of a dynamic baseline can be considered when developing a specific baseline methodology. For example, a baseline methodology can be adopted that takes account of days with the highest load levels, and of other forms of curtailment by a load.

A detailed design for a dynamic baseline for the WEM is currently being considered in consultation with stakeholders as part of the DSR Review. More information on these developments can be found in Sections 6.1 of the Draft Rule Change Report.

4.3 The Coordinator's Response to the Market Advisory Committee

Section 5.3 and section 6 of the Draft Rule Change Report provides the Coordinator's response to the MAC's advice that was provided prior to publication of the Draft Rule Change Report regarding Rule Change Proposal RC_2019_01.

The MAC did not provide advice to the Coordinator regarding Rule Change Proposal RC_2019_01 subsequent to publication of the Draft Rule Change Report.

4.4 Submissions Received during the First Submission Period

The first submission period for this Rule Change Proposal was held between 28 June 2019 and 9 August 2019. The Rule Change Panel received submissions from:

- AEMO;
- the Australian Energy Council (AEC);
- Perth Energy;
- Synergy; and
- the Water Corporation.

A summary of these submissions is provided in section 5.4 of the Draft Rule Change Report.

⁷ Minutes for the 1 February 2023 RCMRWG meeting are available at: [RCMRWG 2023_2_1 - Draft Minutes v1.0_0.pdf \(www.wa.gov.au\)](https://www.wa.gov.au/government/attachments/energy-and-mineral-resources/2023/02/16/rcmrwg-2023-02-16-draft-minutes-v1.0-0.pdf).

⁸ Minutes for the 16 February 2023 RCMRWG meeting are available at: [MAC 2023_03_16 - Agenda Item 6\(b\) - Attachment 3 - RCMRWG 2023_02_16 – Minutes of Meeting.pdf \(www.wa.gov.au\)](https://www.wa.gov.au/government/attachments/energy-and-mineral-resources/2023/02/16/mac-2023-03-16-agenda-item-6(b)-attachment-3-rcmrwg-2023-02-16-minutes-of-meeting.pdf).

4.5 The Coordinator's Response to Submissions Received during the First Submission Period

The Coordinator's assessment of the issues raised in the first period submissions is presented in sections 5.5 and 6 of the Draft Rule Change Report. Copies of the first period submissions are available in full on the Coordinator's website.

4.6 Submissions Received during the Second Submission Period

The second submission period for this Rule Change Proposal was held between 21 September 2023 and 20 October 2023. No submissions were received.

4.7 Advice on the WEM Technical Standards

The Coordinator did not consider that the Amending Rules will directly or indirectly affect the WEM Technical Standards and therefore did not seek advice from AEMO or a Network Operator.

4.8 Public Forums and Workshops

The Rule Change Panel held a MAC workshop on 20 July 2020 to discuss this Rule Change Proposal (see Section 5.2 of the Draft Rule Change Report). The Coordinator's assessment of the issues discussed in the MAC workshop is presented in section **Error! Reference source not found.** of the Draft Rule Change Report. The Coordinator did not hold a public forum or a workshop for this Rule Change Proposal.

5. The Coordinator's Draft Decision

The Coordinator's draft analysis of the Rule Change Proposal and its draft assessment of the proposal against clauses 2.4.2 and 2.4.3 of the WEM Rules is presented in section 6 of the Draft Rule Change Report, which is available on the Coordinator's website.

The Coordinator's draft decision was to reject the Rule Change Proposal. The reasons for the Coordinator's draft decision are set out in section 2.1 of the Draft Rule Change Report.

This Final Rule Change Report should be read together with the Coordinator's Draft Rule Change Report for the Coordinator's complete assessment of the Rule Change Proposal.

6. The Coordinator's Final Assessment

In preparing its Final Rule Change Report, the Coordinator must assess the Rule Change Proposal in accordance with clauses 2.4.2 and 2.4.3 of the WEM Rules.

Clause 2.4.2 states that:

The Coordinator must not make Amending Rules unless it is satisfied that the WEM Rules, as proposed to be amended or replaced, are consistent with the Wholesale Market Objectives.

Clause 2.4.3 sets out the matters that the Coordinator must have regard to in deciding whether to make Amending Rules, including:

- (a) any applicable statement of policy principles given to the Coordinator under clause 2.5.2;
- (aA) any advice provided by the MAC regarding the evolution or the development of the WEM or these WEM Rules;
- (b) the practicality and cost of implementing the Rule Change Proposal;
- (c) the views expressed in any submissions on the Rule Change Proposal;
- (d) any advice by the MAC where the MAC met to consider the Rule Change Proposal;
- (dA) whether the advice from the MAC provided under clause 2.4.3(d) reflects a consensus view or a majority view, and, if the latter, any dissenting views included in or accompanying the advice and how these views have been taken into account by the Coordinator;
- (e) any technical studies that the Coordinator considers are necessary to assist in assessing the Rule Change Proposal; and
- (f) any advice or information provided by AEMO or a Network Operator under clause 2.4.3C.

In making its draft decision, the Coordinator has had regard to each of the matters identified in clauses 2.4.2 and 2.4.3 of the WEM Rules as follows:

- the Coordinator's overall assessment of the Rule Change Proposal is presented in section 6.1;
- the Coordinator's assessment of the Rule Change Proposal against the Wholesale Market Objectives can be found in section 6.3;
- the Minister has not provided a statement of policy principles to the Coordinator in respect of this Rule Change Proposal;
- the Coordinator's assessment of the practicality and cost of implementing the Rule Change Proposal can be found in section 6.8;
- a summary of the views expressed by the MAC is in section 4.2 of this Final Rule Change Report and section 5.2 of the Draft Rule Change Report;
- the Coordinator's responses to the views of the MAC are provided in section 4.3, section 6.1 and Appendix A of this Final Rule Change Report; and in sections 5.3 and 6.1 of the Draft Rule Change Report;
- a summary of the first period submissions is provided in section 4.4 of this Final Rule Change Report and section 5.4 of the Draft Rule Change Report;

- the Coordinator's responses to the first period submissions are provided in section 4.5 and 6.1 of this Final Rule Change Report, and in sections 5.5 and 6.1 of the Draft Rule Change Report;
- a summary of the second period submissions is provided in section 4.6 this Final Rule Change Report;
- the Coordinator did not consider that a technical study in respect of this Rule Change Proposal is required and therefore has not commissioned one; and
- the Coordinator did not consider that the Amending Rules will directly or indirectly affect a WEM Technical Standard and therefore did not seek advice from AEMO or a Western Power on the WEM Technical Standards.

6.1 Assessment of the Proposed Changes

The Coordinator reconfirms the assessment outlined in section 6 of the Draft Rule Change Report as its final assessment.

6.2 Additional Amendments to the Proposed Amending Rules

Enel X did not propose any Amending Rules. The Coordinator did not propose any Amending Rules following the first submission period.

The RCM Review is now complete and draft WEM Amending Rules to implement the outcomes from the review have been published. The consultation period for the Amending Rules closed at 5:00pm (AWST) on 19 October 2023.⁹ The Minister for Energy is expected to make the WEM Amending Rules to give effect to the outcomes of the RCM Review in late 2023.

Following consideration of stakeholder feedback on the Consultation Paper published as part of the DSR Review, Energy Policy WA will draft WEM Amending Rules to reflect the outcomes from that review and will consult on the draft. It is planned for the Minister to make the WEM Amending Rules resulting from the DSR Review in early 2024.

The WEM Amending Rules implementing the outcomes of the RCM Review and DSR Review will address the matters raised in RC_2019_01.

6.3 Wholesale Market Objectives

The Coordinator considers that the RCM Review and DSR Review address the issues in RC_2019_01, that the Review Outcomes from these reviews have taken account of the Wholesale Market Objectives, and that there would be no benefit from making further changes to the Relevant Demand calculation methodology at this stage.

6.4 Protected Provisions

The Coordinator has rejected the Rule Change Proposal, so this proposal will not impact any Protected Provisions.

⁹ The WEM Amending Rules Exposure Draft is available at [Reserve Capacity Mechanism Review \(www.wa.gov.au\)](http://www.wa.gov.au)

6.5 Civil Penalty Provisions

The Coordinator has rejected the Rule Change Proposal, so this proposal will not impact any Civil Penalty Provisions.

6.6 Reviewable Decisions

The Coordinator has rejected the Rule Change Proposal, so this proposal will not impact any Reviewable Decisions.

6.7 Cost and Practicality of Implementation

The estimated costs for AEMO and Market Participants to implement the proposed Amending Rules are provided in section 6.7 of the Draft Rule Change Report. No updates to these cost estimates have been provided to the Coordinator.

Section 6.7 of the Draft Rule Change Report indicates the advice provided by AEMO and Market Participants regarding the practicality of implementing the Amending Rules, including the time required to develop and implement changes to IT systems/processes or internal procedures. No updates regarding these practicality matters have been provided to the Coordinator.

6.8 Assessment

The Coordinator has made a final decision to reject RC_2019_01 because the issues raised in this Rule Change Proposal are being addressed by the RCM Review and DSR Review, including by the development and implementation of a dynamic baseline for the Relevant Demand.

The Coordinator considers that the RCM Review and DSR Review address the issues in RC_2019_01, and that the RCM Review and DSR Review took account of the Wholesale Market Objectives.

The WEM Rules governing Relevant Demand will be amended under the RCM Review and the DSR Review. Therefore, it would be impractical and inefficient to make further changes to Relevant Demand at this time as making further changes would come at a cost and will have no benefit.

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