

30 June 2024

Ms Dora Guzeleva
Director, Wholesale Markets
Energy Policy WA
Lodged by email to energymarkets@dmirs.wa.gov.au

Dear Ms Guzeleva

Exposure Draft of the Miscellaneous Amendments No.3 WEM Amending Rules

Change Energy welcomes the opportunity to support the proposed changes to the Wholesale Electricity Market (WEM) Rules. We consider each of the proposed changes will be beneficial to the market, and should deliver improved market outcomes overall.

Our comments are as follows:

The proposed amending rules seek to allocate costs more in line with the causer-pays principle, and ultimately improve incentives to reduce the need for these services, and reduce market costs.

- The proposed change to allocate the cost of Non-Cooptimised Essential System Services (NCESS) for peak capacity on the basis of the Individual Reserve Capacity Requirement (IRCR) rather than consumption, aligns the method of recovering these costs with the type of service it provides. Previously these costs were allocated based on consumption share, which did not provide Market Customers the incentive to reduce peak energy periods, and therefore reduce the need for NCESS. We consider this change is critical to reduce the need for peak capacity and the associated cost to the market. We also strongly recommend a similar causer pays approach is applied to low load NCESS costs as soon as possible for the same reasons.
- The proposed change to the cost allocation method for Contingency Reserve Raise and Rate of Change of Frequency (RoCoF) better reflects the actual risk posed by the failure of a facility. by reference to the impact on system frequency. We support the proposed separation of the runway component and non-runway component as it is expected to more accurately apply the causer-pays principle to facilities increasing the need for ESS, thereby resulting in a more efficient market.

The proposed amending rules provide greater flexibility for energy production and storage.

- The proposed change from defining a facility by reference to its metering point should provide greater flexibility for energy production and storage solutions to participate in the market to the full extent possible. In theory this should increase competition and result in the lowest cost outcome for the market. However, it is unclear how this will work in more complex scenarios. We understand the Reserve Capacity Mechanism Review Working Group (RCMRWG) worked through many of these scenarios and discretion has been provided to the Australian Energy Market Operator (AEMO) to consider these applications on a case-by-case basis, however, we recommend EPWA closely monitors the operation and market impact of such arrangements.
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- The proposed changes to allow Demand Side Programmes (DSP) to select one of two methods to determine Relevant Demand, and also act as a net exporter, appear practical. However, information on how this will work in practice and the impact of these arrangements on the network and market outcomes is not clear. We appreciate EPWA has sought to introduce complementary arrangements such as DSP refunds where a facility is unable to meet its obligations, however, close monitoring is required to ensure the increased flexibility in DSP participation delivers the expected outcomes.

The proposed amending rules provide a practical transition to a potential new Market Fee determination process.

- We note AEMO has found it difficult to accurately forecast costs associated with the implementation of the new WEM, and the associated new baseline operational costs. The strict application of the current framework and the resulting demand for accuracy has resulted in two in-period submissions to the Economic Regulation Authority (ERA) and subsequent, significant changes to revenue, and Market Fees. These changes to fees affect Market Participants' ability to set budgets and identify what costs they should reasonably pass on to consumers. For this reason, we support an extension of time for AEMO to consider its budget for the next three years, and improve the framework used to determine market costs and fees. Change Energy looks forward to participating in this process.

The proposed amending rules seek to provide clarity of existing arrangements and obligations.

- The proposed changes to require AEMO to report issues that are likely to impede market effectiveness provides a level of formality around what industry expects would otherwise occur informally. As the obligations do not seem unduly prescriptive or administratively burdensome, we support this inclusion.
- The proposed changes to require AEMO to investigate and report on significant incidents appears to be the formalisation of what it already does. We find incident reports as part of the Quarterly Energy Dynamics Report, and verbal briefings at forums such as the Market Advisory Committee and WA Electricity Consultative Forum to be particularly valuable, and therefore support the formal inclusion of this process.
- The proposed change to the definition of Estimated Frequency Cooptimised Essential System Services (FCESS) Uplift Payment will ensure the definition is consistent with the calculation of FCESS in clause 9.10.3 of the WEM Rules.

The proposed amending rules improve timeliness and transparency of market information.

- The proposed changes to require more granular information about the pricing of and payment for NCESS, should improve confidence in the need for a value to the market of these services. It may also increase competition in terms of price and service for future contracts.
- The proposed changes to reduce the timeframe for reporting forced outages from 15 to seven days is long overdue. The increased timeliness of information on the reason for, and expected timeframe for return to service, is critical information on the availability of supply of energy in the market, and provides additional time for participants to find alternative supply. We do however, note that most outages are reported well in advance of the 15-day deadline.

As with all changes to market arrangements, issues may arise through implementation. We expect that EPWA has engaged with AEMO, as well as industry, in the development of the policy positions and drafting of these exposure WEM Rules. In particular we expect EPWA has requested AEMO to place particular focus on quality assurance and validation of calculations that ultimately affect settlements. We expect EPWA will continue this consultative approach, and will make any necessary changes to concepts and drafting to deliver effective market outcomes at the lowest practical cost.

Thank you again for the invitation to comment on this exposure draft of proposed miscellaneous amendments to the WEM Rules. If you have any questions, or would like to arrange a meeting to discuss any aspect of this submission, please contact me on 0401 903 210 or at Geoff.Gaston@changeenergy.com.au.

Regards

Geoff Gaston

CEO, Change Energy