

# IMPLEMENTATION OF A SECURITY- CONSTRAINED MARKET MODEL

November 2017

PRESENTED BY AEMO AND PUBLIC UTILITIES OFFICE



# PLANNING FOR FUTURE MARKET REFORMS - AEMO



- AEMO is working closely with the Public Utilities Office to confirm scope for the next phase of market reform
- Initial focus is on providing looking at approach, dependencies as well as the engagement model for consultation
- Due to potential shift, AEMO will review proposed systems over the next several months
- Market Reform delivery structure will be reviewed and potentially setup in a different manner that will support the proposed approach for legislative / rule change processes, IT solutions deployment and market participant readiness

# APPROACH TO FUTURE MARKET REFORMS – PUBLIC UTILITIES OFFICE



- Public Utilities Office is finalising scope and timing for future electricity market reforms within SWIS – focus on adoption of a constrained network access model using WA regulation with new network regulation arrangements by mid-2020.
- Legislative amendments to facilitate network reforms expected to be introduced into Parliament by mid-2018 following stakeholder consultation on the policy framework.
- Work on required changes to existing regulatory framework to commence from mid-2018, including:
  - regulatory instruments such as Electricity Networks Access Code and Wholesale Electricity Market Rules; and
  - technical and operational documents such as Western Power’s Technical Rules and Applications & Queuing Policy.

# SECURITY-CONSTRAINED MARKET MODEL – PUBLIC UTILITIES OFFICE



- Energy and ancillary service market reforms being revisited – with the objective of implementation of a security constrained market model (using WA regulatory framework).
- Public Utilities Office is working with AEMO to formulate schedule for design finalisation, drafting of Market Rule Changes, IT/systems development and testing – for stakeholder input.
- Other initial work to early 2018 includes consolidation of reforms where initial design work finalised (for checking back with stakeholders).

# SECURITY-CONSTRAINED MARKET MODEL – PUBLIC UTILITIES OFFICE



- The majority of the scoping principles remain consistent with those outlined in the Final Report: Design Recommendations for Wholesale Energy and Ancillary Service Market Reforms (released as part of the former Electricity Market Review process).
- The scope has been narrowed to efficiently deliver the current objective in a timeframe consistent with the desired commencement of the constrained network access model.
- This means the following matters are now out of scope:
  - Extensive harmonisation with the National Electricity Rules;
  - Alignment of Participant and Facility Classes – a limited subset of changes will be progressed as required for the Wholesale Electricity Market on a case-by-case basis (only); and
  - Changes to the Retail Market Operator arrangements and existence/treatment of the Notional Wholesale Meter.

# SECURITY-CONSTRAINED MARKET MODEL – PUBLIC UTILITIES OFFICE



- The following matters remain in scope:
  - Security-constrained dispatch;
  - Facility bidding for all market participants;
  - Introduction of co-optimised frequency control ancillary services;
  - Common gate closure for all market participants, to occur between 5 and 30 minutes prior to the start of the trading interval;
  - Single reference node with a single spot price for energy and a single spot price for each frequency control ancillary service;
  - Ex-ante prices determined for each 5-minute dispatch interval; and
  - Self-commitment for all generators.
- This results in many flow-on effects to the Market Rules and Procedures, culminating in the requirement to progress an omnibus Rule Change.

# SECURITY-CONSTRAINED MARKET MODEL – PUBLIC UTILITIES OFFICE



- Analysis leading to new policy positions is occurring now for:
  - ancillary services requirements and the structure of services;
  - implementation approach and timeline for facility bidding requirements;
  - location of reference node; and
  - gate closure changes.
- The Public Utilities Office and AEMO are conscious that Market Participants will have requirements to plan for and resource responses to consultations and for business readiness for the new market commencement.
- Once the Public Utilities Office and AEMO have finalised the scope, industry will be advised, at which time discussions can occur with regard to the timing for future industry engagement in the development of the Rule Changes, timing of the various work packages and considerations for implementation and commencement.

# SECURITY-CONSTRAINED MARKET MODEL – PUBLIC UTILITIES OFFICE



- Communication with industry will occur primarily through the Market Advisory Committee to assist the scoping and development of required Rule Changes.
- Given the complexity of some of the matters considered, the Market Advisory Committee may wish to refer matters to particular working groups to provide detailed input.
- The WA Electricity Consultative Forum will also be provided with regular updates.
- Engagement will occur on specific matters with regard to work packages and Concept Papers, and more generally with regard to progress and the forward calendar of events.