

Wholesale Electricity Market Rule Change Proposal Submission

RC_2014_06

Removal of Resource Plans and Dispatchable Loads

Submitted by

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Submissions on Rule Change Proposals can be sent by:

Email to: rcp.secretariat@rcpwa.com.au

Post to: Rule Change Panel
Attn: Executive Officer
C/o Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

1. Please provide your views on the proposal, including any objections or suggested revisions.

The Australian Energy Market Operator (**AEMO**) appreciates the opportunity to provide this submission to the Rule Change Panel in response to the Draft Rule Change Report: Removal of Resource Plans and Dispatchable Loads (**RC_2014_06**).

AEMO supports the proposed changes in RC_2014_06 and considers that the proposal will:

- promote economic efficiency in the Wholesale Electricity Market (**WEM**);
- contribute to minimising the long-term cost of electricity; and
- facilitate the efficient entry of new competitors by reducing the burden of participation in the WEM.

2. Please provide an assessment whether the change will better facilitate the achievement of the Wholesale Market Objectives.

AEMO agrees with the Wholesale Market Objective assessment set out in in section 5.5 of the Draft Rule Change Report.

3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

AEMO has now completed its system impact and procedure analysis of the amending rules contained with the Draft Rule Change Report. AEMO confirms that the cost for implementing this rule change as currently drafted should not exceed \$320,000.

4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.

Should RC_2014_06 be approved in its current form, AEMO will be required to implement system and procedural changes to ensure it remains compliant with its obligations under the Wholesale Electricity Market Rules. To assess the feasibility of the proposed Commencement Date published in the Draft Rule Change Report, AEMO undertook the following activities:

- System impact analysis to understand the scope of system changes required;
- Procedure analysis to understand the extent to which procedures would need to be amended; and
- Assessment of AEMO's current project pipeline, associated resourcing profile and budget.

AEMO's system impact analysis identified the system changes required to support the removal of resource plans. Specifically, several of these changes will require significant end to end testing. To streamline this effort, avoid unnecessary retesting and reduce delivery costs, AEMO intends to perform a single end to end testing cycle on completion of the relevant changes relating to STEM, Resource Plans and Settlements. This will likely result in a single software release.

An initial assessment on the Market Procedures identified those which may require updating as a result of RC_2014_06. As the Market Procedure changes are mostly minor in nature, AEMO intends to commence drafting the necessary changes early and present all Market Procedure changes in a single package to the AEMO Procedure Change Working Group. Changes to the Power System Operating Procedures are not required at commencement of this rule change.

AEMO's workplan for 2018-19 is challenging as it looks to support rule change assessment and implementation; deliver key system management IT projects; and support the government's WEM Reform program. In totality this plan is placing pressure on both SME and Technology teams and AEMO is currently recruiting and/or procuring additional resources to support.

In reviewing AEMO's project pipeline, there are a number of key resource that are currently allocated to delivering changes required by the rule change RC_2017_06 - Reduction of the prudential exposure in the Reserve Capacity Mechanism. AEMO anticipates that these resources will become available in the middle of Q1 2019 to commence work on the system implementation to support RC_2014_06.

Considering the resourcing challenges identified above, AEMO requests that the commencement of the rule change be extended by two (2) months to 1 July 2019.

AEMO notes that its ability to implement within these timeframes is dependent on the Economic Regulation Authority's (**ERA**) determination in respect to AEMO's supplementary Allowable Revenue submission covering the 2018/19 financial year. In AEMO's submission, it did not include a specific allowance for delivery of RC_2014_06. However, AEMO is confident that there will be sufficient budget within the allowed variation from the Forecast Capital Expenditure approved by the ERA to enable AEMO to implement this rule change. AEMO notes that the ERA's determination is not expected until November 2018 and a review of the implementation date for RC_2014_06 may be required following this decision.
