

31 May 2024

Mr Ryan Buckland
Project Manager
ACIL Allen
Email: r.buckland@acilallen.com.au

Dear Mr Buckland,

Consultation paper for Stage 1 of the Procedure Change Process Review

The Australian Energy Market Operator (AEMO) appreciates the opportunity provide a submission on the consultation paper for Stage 1 of the Procedure Change Process Review (the Review).

AEMO is responsible for 61 Wholesale Electricity Market (WEM) Procedures (Procedures) under the WEM Rules, making AEMO the largest Procedure Administrator in the WEM. AEMO also Chairs the AEMO Procedure Change Working Group (APCWG) established by the Market Advisory Committee (MAC) in accordance with clause 2.3.17(a) of the WEM Rules, for the purpose of assisting the MAC in fulfilling its obligations under clause 2.3.1(b) of the WEM Rules.

Since 2022, AEMO has developed or amended Procedures on 59 occasions using both the standard Procedure Change Process and transitional arrangements. Due to the complexity of the new market and AEMO's growing functions under the WA Government's energy reform agenda, AEMO is experiencing a higher rate of Procedure changes, which we expect to continue into the foreseeable future.

While AEMO's submission to the Review supports many of the recommendations and observations, we hold significant concerns regarding the need for criteria to limit the scope of current and future Procedures, as well as the form and content of the proposed criteria.

Procedures have existed in the WEM since its inception in 2006 and AEMO is not aware of any strong concerns held by Rule Participants in relation to the scope of Procedures. Indeed, ACIL Allen's draft report (Table 2.1) states that stakeholder feedback on the level of guidance required for Procedures supported maintaining the "status quo" and advised that "Procedure Administrators should be given licence and ownership of the drafting of procedures to best meet the intent of the establishment and operation of the procedure according to the WEM Rules".

Importantly, each Procedure already has a defined scope, which is specified in the relevant clause that gives effect to the Procedure under the WEM Rules (the 'heads of power'). Public consultation is undertaken in the

development of these clauses¹, meaning that stakeholders have the opportunity to provide comment if they believe the heads of power are inappropriate.

Procedure Administrators are not provided with discretion to develop Procedures outside of the heads of power under each Procedure. Notwithstanding, the consultation processes under section 2.10 of the WEM Rules invites feedback from industry on the scope of Procedures, as well as consistency with the WEM Rules and Wholesale Market Objectives. Despite the large volume of changes progressed by AEMO progresses via the Procedure Change Process, we consistently receive no concerns on Procedure scope.

The range of Procedures under the WEM Rules covers all areas of market and system operation, across four Procedure Administrators, each with discrete functions under the WEM Rules. Developing criteria to apply to this full range would require a breadth that is likely to render the criteria less meaningful. By contrast, more tightly defined criteria would affect a large volume of Procedures, likely necessitating elevation of significant content from Procedures to the WEM Rules.

AEMO considers that implementation of the criteria proposed under section three of the Review would require fundamental changes to most of AEMO's existing Procedures, with significant content elevated to the WEM Rules. The Rule Change Process would then be required to amend this content, which takes a minimum period of 19-week.

This would have the effect of substantially slowing down the process of amending content, which would unnecessarily create:

- Potential risks to system and market operations.
- Market inefficiencies, with associated cost implications for Rule Participants.
- An increase in resourcing requirements to manage larger volumes of Rule Changes, both within Energy Policy WA and AEMO.
- The potential for larger volumes of market interventions while the Rule Change Process is in progress.

Introducing such a criteria, the rationale for which is not clear in the consultation paper, is inconsistent with the dynamic and fast-paced nature of the energy transition, where change needs to be accommodated quickly and efforts are being made across the board to ensure systems and process are suitably adaptable.

We also note that reviewing AEMO's 61 existing Procedures for compliance with the criteria would also be a substantial body of work that is likely to take many months, diverting resources away from other important reform initiatives and creating unnecessary costs that must ultimately be recovered from Market Participants.

The form of the proposed criteria under section three is intended to be used by the Coordinator of Energy in assessing new and existing Procedures. While AEMO does not support the development of criteria, we note that any criteria to be developed should be applied as WEM Rules to limit the heads of power that can be created in relation to Procedures. Further, where the criteria conflict with existing heads of power clauses, these should be amended prior to undertaking the Procedure Change Process. Without these prior steps, compliance issues are likely to result as Procedure Administrators are obliged to develop Procedures in accordance with the requirements of each relevant clause.

¹ Either through the Rule Change Process under section 2.7 of the WEM Rules, or more recently via consultation as part of the Minister for Energy's transitional rule making powers.

AEMO notes that table 2.1 of the Review suggests that no changes are required in relation to Guidelines made under the WEM Rules. Unlike Procedures, those with responsibility for developing Guidelines may amend their Guidelines at any time, with no specified processes. AEMO believes this is inappropriate, noting that some Guidelines place significant obligations on Rule Participants, which can have financial and non-financial implications. AEMO considers that Guidelines placing direct obligations on Rule Participants should be elevated to Procedures so that Rule Participants affected have the opportunity to initiate and participate in the change process.

ACIL Allen has requested feedback on a series of initial observations, reform proposals and the proposed criteria. AEMO's detailed feedback on ACIL Allen's observations and reform proposals is provided in Appendix A, while feedback on proposed criteria is provided in Appendix B. AEMO has also provided feedback on the governance of Guidelines under Appendix C, and Appendix D provides a summary of all AEMO Procedures developed or amended since 2022.

AEMO looks forward to working with ACIL Allen and Energy Policy WA on the next stage of the Review. If you have any queries on this submission, please contact Mena Gilchrist, Manager WA Regulatory Affairs at mena.gilchrist@aemo.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'K Ryan', with a horizontal line extending to the right.

Kate Ryan

Executive General Manager – Western Australia & Strategy

Appendix A. Observations and Reform Proposals

Observation 1 – Interim overall finding

The Procedure Change Process is working as designed and intended, and in the interests of the market as a whole. Therefore, there are no fundamental changes to Procedure Change Process the WEM Rules required [sic]. Do you agree with this interim overall finding? Why or why not? If you do not agree, what evidence are you able to provide of adverse market outcomes in relation to the Procedure Change Process?

AEMO's Response:

AEMO agrees with this finding and believes the Procedure Change Process appropriately balances the rights of Rule Participants to be adequately consulted, with reduced administrative burden for Procedure Administrators.

AEMO receives strong engagement from industry through attendance at the APCWG and the WEM Reform Implementation Group (WRIG)². In 2023, AEMO held 18 WRIG Meetings where 33 Procedures were subject to consultation, along with three APCWG meetings consulting on four Procedures. So far in 2024, AEMO has held three APCWG meetings consulting on nine Procedures.

AEMO consistently receives feedback from Rule Participants through Procedure consultation and has not received negative feedback about the process itself. Submissions to AEMO's Procedure consultation can be found on the [WEM Website](#), while a list of AEMO Procedures developed or amended since 2022 is provided in Appendix D.

Observation 2: The case for greater formal oversight

ACIL Allen is aware of the trade-off implicit in the current Procedure Change Process practise, where the role of the MAC in the WEM Rules is delegated to an AEMO Procedure Change Working Group. This results in less oversight than may be typical in a regulatory framework. However, this results in a level of flexibility and adaptability which may be curtailed with greater formal oversight. Do you agree with this observation? Why or why not?

AEMO's Response:

AEMO does not consider the role of MAC was delegated to the APCWG. Rather, the APCWG was established to assist MAC in fulfilling its obligations under clause 2.3.1(b) of the WEM Rules. Clause 2.3.1(b) requires MAC to advise AEMO and other Procedure Administrators regarding Procedure Change Proposals. Importantly, the APCWG does not consider Procedure Change Proposals from other Procedure Administrators.

AEMO is required to notify all members of the MAC within one business day of the publication of a Procedure for consultation, and the Chair of the MAC is able to convene a meeting should MAC considers further advice

² WRIG was the consultation forum used for WEM Procedures undergoing the transitional process. The transitional process ended on 1 April 2024 and WRIG has since been retired.

is required.³ Importantly, this requirement does not allow for MAC to approve or decline a Procedure Change Proposal, although AEMO would strongly consider any advice provided by MAC.

As Chair of the APCWG, AEMO provides updates on Procedures under amendment at each MAC meeting. These updates include an overview of the rationale for each Procedure change, the status of the Procedure, and key dates in the process.

There are many ways in which MAC could advise AEMO in relation to its Procedures. However, if each were to be presented for discussion at MAC meetings, AEMO estimates MAC would be required to consider 29 Procedures⁴ in the 2024 calendar year, averaging four Procedures per MAC meeting. This would consume significant time at MAC meetings if delays to the Procedure Change Process are to be avoided.

AEMO disagrees that the creation of the APCWG results in less oversight. The distribution list for APCWG meetings is extensive, allowing for attendance by Market Participants who are not MAC members. As identified in the consultation paper, these meetings are well attended by industry, which AEMO considers provides greater oversight of the Procedure Change Process.

AEMO agrees that binding the process to the MAC would reduce flexibility and adaptability. AEMO also considers that it would result in less engagement by Market Participants. Some Market Participants choose to participate in APCWG rather than making a formal submission to the Procedure Change Process, which can be administratively burdensome for some smaller entities, particularly in the context of the present volume of energy reforms.

The Procedure Change Process ensures consistency with the WEM Rules and provides transparency to Rule Participants on Procedure changes, including:

- Requiring Procedures to be consistent with the Wholesale Market Objectives and the WEM Rules [**clause 2.9.3(a)**].
- Requiring that amendments to Procedures be made in accordance clause 2.10 of the WEM Rules, whereby the Procedure Administrator must:
 - Include the reason for any changes to Procedures via a Procedure Change Proposal.
 - Consult on Procedure Change Proposals with industry for a minimum of 20 Business Days.
 - Publish a summary of feedback received during consultation (including that received through the APCWG), alongside AEMO's response to this feedback.

The heads of power clauses relevant to each Procedure may also include additional requirements, having regard to the circumstances of the specific Procedure. For example, AEMO's DER Register Information Procedure [**clause 3.24.9**] requires AEMO to have regard to the reasonable costs imposed on the Network Operator compared to likely benefits when developing or amending the Procedure. Another example can be found under clause 3.11.5 of the WEM Rules in relation to AEMO's SESSM Trigger Procedure, whereby AEMO must have regard to the cost of ongoing directions to Market Participants.

³ Clause 2.10.9 of the WEM Rules and paragraph 2.5, *Procedure Administration Procedure*: <https://www.wa.gov.au/system/files/2021-06/WEM%20Procedure%20%20Procedure%20Administration%20v9%20-%20FINAL.pdf>

⁴ Since January 2024, AEMO has amended four Procedures in accordance with the Procedure Change Process with an additional three currently in progress. AEMO is scheduled to progress a further 22 Procedure changes through the Procedure Change Process throughout the 2024 calendar year.

Any changes that reduce flexibility or impose additional process are likely to slow the Procedure Change Process, leading to inefficiencies that increases costs. Additional risks to market and system operation are also likely to arise where urgent Procedure changes cannot be progressed in a timely manner.

AEMO is currently managing a backlog of Procedures which has grown since the New WEM Commencement Day. To-date AEMO has prioritised Procedures to ensure system operations are not impacted and other impacts on Rule Participants are minimal. Slowing down Procedure changes will likely expand this backlog, with potential implications for Rule Participants and AEMO.

In making its assessment, ACIL Allen has considered two proposals, which AEMO has addressed below.

Proposal 1: All Procedure changes to be approved by the MAC

AEMO does not support this proposal.

The Review states that implementing this proposal “would introduce (or re-introduce) formal oversight over the Procedure Change Process and mandate there to be input from a party besides the Procedure Administrator”.

Under the WEM Rules, MAC does not have responsibility for approving Procedures or vetoing the outcomes, and this has always been the case. While input from stakeholders is voluntary under the Procedure Change Process, there are numerous opportunities for external involvement through a variety of mediums, including through the APCWG, direct engagement (email and one-on-one conversations), written submissions, and the option for MAC to be convened under clause 2.10.9. AEMO considers these processes are satisfactory, noting strong industry engagement with no express concerns being raised by participants.

Should MAC approval be recommended, AEMO holds concerns beyond increasing the workload of the MAC and delaying the Procedure Change Process (discussed above). Many of AEMO’s Procedures are highly technical in nature, requiring expertise from experienced power system engineers operating within AEMO’s systems. AEMO expects that similar circumstances exist for other Procedure Administrators, such as Western Power and the Economic Regulation Authority (ERA). Finding sufficient MAC representation to cover the depth and breadth of technical detail would be challenging for a relatively small body. Further, each Procedure Administrator has defined functions under the WEM Rules, and where their Procedures are amended contrary to the view of the Procedure Administrator, challenges may be experienced in meeting their functions.

Finally, MAC approval may create conflicts of interest, with many MAC members standing to make commercial gains or losses from the outcome of a Procedure Change Process. This affects many AEMO Procedures, with an example being those relating to generator connections, including commissioning and monitoring. AEMO expects that conflicts of interest may be particularly relevant to ERA Procedures, which include matters such as compliance, market monitoring, and pricing outcomes (e.g. Benchmark Reserve Capacity Price, Monitoring Protocol, Triggering of SESSM).

Proposal 2: Enable escalation of Procedure Change Proposals to the MAC

It is unclear from this proposal whether the intention is for MAC or the Coordinator to direct that a Procedure change is managed under the Rule Change Process. In either case, AEMO believes this approach is unnecessary and would lead to similar concerns to those outlined under Proposal 1.

Additionally, this would likely have resourcing impacts on the Procedure Administrator and Energy Policy WA as the Rule Change Process is considerably more onerous. This would have the effect of substantially slowing down the process of amending content, and would unnecessarily create potential risks to system and market

operations, as well as market inefficiencies (with associated cost to Rule Participants) and potentially larger volumes of market interventions while the Rule Change Process is in progress.

While the Review states that Proposal 2 is similar to the mechanism used by the Pilbara Network Rules, there are several reasons why the process may not be appropriate for the WEM. The Pilbara Network Rules has only 11 Procedures and three main operators of the North West Interconnected System, with governance controls for Procedure changes in place to manage conflicts of interest between these parties. The implications of delays to these Procedure changes would also impact a much smaller number of participants and end consumers in this market.

Observation 3: Adopting a justification template for Procedure Change Proposals. (Item 2.3.2 in Consultation Paper)

It has been suggested to ACIL Allen there is an opportunity to introduce criteria into the decision-making process for Procedure Change Proposals, in an effort to enhance the level of scrutiny over changes proposed by Procedure Administrators. ACIL Allen does not believe this intervention is warranted.

Do you agree with this observation? Why or why not? If you do believe specific criteria should be introduced, what should they be? What role would these criteria play compared to other governance mechanisms, both existing and proposed in this Consultation Paper?

AEMO's Response

AEMO agrees with ACIL Allen that the introduction of criteria into the decision-making process is not warranted on the basis that the Procedure Change Process sufficiently requires a Procedure Administrator to justify their decision on Procedure changes, and transparently opens the Procedure Administrator to scrutiny via consultation.

As discussed under Observation 2, the Procedure Change Process applies a multi-layered governance framework, which requires Procedure Administrators to undergo processes critical to ensure transparency.

AEMO believes that implementing a one-size-fits all approach to decision-making under the Procedure Change Process would be challenging. The range of Procedures under the WEM Rules covers all areas of market and system operation, across four Procedure Administrators, each with discrete functions under the WEM Rules. Developing criteria to apply to this full range would require a breadth that is likely to render the criteria less meaningful. By contrast, more tightly defined criteria would affect constrain Procedure Administrators and may not enable proper consideration of each Procedure, based on its specific purpose.

As has been noted in AEMO's response to Observation 2, the heads of power for individual Procedures can define specific criteria to be applied to that Procedure when undergoing review, which further reduces any perceived benefit of standard criteria.

Reform Proposal 1: Introducing a standard presentation of Procedure Change Proposals

ACIL Allen is likely to recommend the introduction, via the WEM Procedure: Procedure Administration, of a standardised covering sheet which sits on top of Procedure Change Proposal reports. This cover sheet would require Procedure Administrators to summarise three aspects of the Procedure Change Proposal, being:

- What is proposed to be changed.*

- Why the proposed change or changes are being made.
- What the anticipated outcomes and impact are, and how do these better achieve the WEM Objectives.

Do you agree with this proposal? Why or why not?

AEMO's Response

AEMO does not currently hold a strong view on this proposal.

In accordance with clause 2.10.6 of the WEM Rules, Procedure Change Proposals must include the proposed amendments and the reason for the proposed amendments. Clause 2.9.3 of the WEM Rules, further requires that Procedures must also be consistent with the Wholesale Market Objectives, the WEM Rules, the Electricity Industry Act, and Regulations.

While these requirements apply to all Procedure Administrators, each party currently uses their own templates and styling. To the extent that these different approaches create challenges for Rule Participants, AEMO is happy to support a standardised cover sheet.

Reform Proposal 2: Development of a Minor Amendments pathway for Procedure Change Proposals

ACIL Allen is likely to recommend the Coordinator develop a new class of Procedure Change Proposal, whereby a Procedure Administrator is able to make changes to a WEM procedure which address typographical errors, changes in terms or abbreviations, which correct or clarify drafting in response to identified issues, and other minor matters which do not require consideration of impact on market outcomes.

These Procedure Change Proposals would be able to be made at any time by a Procedure Administrator, with the same notification obligations as per the current Procedure Change Process. Rule Participants (or persons, if the above Reform Proposal is progressed) would then be able to request initiation of a standard Procedure Change Proposal process in the event changes were deemed to require this.

Do you agree with this proposal? Why or why not? Where do you suggest "the line" should be drawn on what is considered to be a Minor Amendment to a procedure?

AEMO's Response

AEMO agrees that an expediated process or an exemption (with notifications to Rule Participants) would be an appropriate way to manage Procedure changes of a minor nature. What is considered 'minor' could differ depending on whether an exemption or expediated process is used (discussed further below).

Exemptions

AEMO notes that a precedent for an expediated process already exists for AEMO's DER Register Information Procedure [**clause 3.24.10**], whereby AEMO is not required to comply with the Procedure Change Process when making minor administrative amendments.

AEMO considers a definition of 'minor' for exemptions should speak to outcomes, with the exemption process used for changes that do not substantively affect outcomes for any Rule Participant.

The correction of errors or omissions, or changes arising from amendments to the WEM Rules, are examples provided but may not be useful as a form of words to give effect to the intention. For example, in applying the above test, it could be that the correction of an omission creates obligations on a Rule Participant compared to

the status quo. If this were the case, AEMO considers that the expediated or standard Procedure Change Process should be used.

An outcome-based assessment also allows for additional flexibility, noting that specifying all potential situations of a 'minor' nature is problematic. For example, AEMO considers that an exemption process would be appropriate for changes that provide additional options for Rule Participants without limiting existing options (such as submitting information through a new medium, without removing existing options).

In communicating the intention to use an exemption process, AEMO believes a full Procedure Change Proposal may not be required. Rather, Procedure Administrators could use a form of the cover sheet referred to in Proposal 1 to communicate the changes, the expected outcomes, and the rationale for using the exemption process. Similarly, AEMO considers that a Procedure Change Report would be unnecessary for such minor changes, with only a notice that the Procedure has commenced being provided.

AEMO agrees that Rule Participants should be provided with the option to veto proposed exemptions, allowing for Rule Participants to disagree with the assessment that the change is of a minor nature.

To ensure Rule Participants have the option to veto a change through an exemption process without creating unnecessary delays, Rule Participants could be provided with a set period (e.g. of 5 business days) to notify the Procedure Administrator if they prefer the full Procedure Change Process is used, with rationale for their preference.

Expediated process

AEMO agrees the expediated process may be helpful for changes that are less straightforward than those captured under the exemption process but are otherwise unlikely to be of significance.

This could include situations where the impact on Rule Participants is likely to be minor, or where the Procedure change results from amendments to the WEM Rules where the Procedure Administrator has no discretion over the type or extent of the outcome on Rule Participants. In this context, examples of 'minor' could include:

- Requiring the submission of information in a different format.
- Changing how a Procedure Administrator communicates information.
- Changing the frequency of communication or information requirements.
- Changes to formulas and other content to reflect WEM Rule amendments, where the change itself does not have implications for Rule Participants beyond those in the amended WEM Rules.

AEMO considers that an expediated process could shorten the consultation period, potentially from 20 business days to 10 business days. AEMO expects that all other requirements would remain unchanged, including the requirement to produce a Procedure Change Proposals and Procedure Change Report.

If the above parameters are adopted, AEMO believes a veto process would be unnecessary for an expediated process, since providing an additional period of time to allow for vetoing would add to the overall timeframe, minimising the benefits of this option.

Reform Proposal 3: Uplifting Procedure Change Proposals in the MAC agenda

ACIL Allen is likely to recommend the Chair of the MAC make a change to the standing agenda item regarding WEM procedures to make it a standalone item in the agenda, rather than a sub-item as part of an update on Working Groups. The purpose of this change is to uplift the MAC's consideration of Procedure Changes a level in the standing agenda. Do you agree with this proposal? Why or why not?

AEMO Comments:

While AEMO believes that the Procedure Change Process provides many opportunities for comment on Procedures, including at MAC, AEMO has no objection to the inclusion of a standalone agenda item on Procedure changes.

AEMO believes this should also be expanded to include Procedures from other Procedure Administrators, particularly in the context of reforms underway to implement the Distributed Energy Resources (DER) Bill, where other Procedure Administrators are likely to have responsibility for a larger volume of Procedures.

However, AEMO firmly believes that public consultation should not be delayed until MAC has discussed the Procedure Change Proposal. AEMO notes that the 20 business day requirement for consultation, as well as the requirement to advise MAC within one business day of commencing the consultation process, will allow MAC members visibility over the Procedure change in timeframes that allow for meaningful input, without creating unnecessary delays.

Reform Proposal 4: Changing who can initiate Procedure Change Proposals

ACIL Allen is likely to recommend a change to the WEM Rules which will expand the class of entity which can initiate a Procedure Change Proposal from Rule Participant to "person". This will align the Procedure Change Process with the Rule Change Process and correct what ACIL Allen believes is an oversight in the current WEM Rules. Do you agree with this proposal? Why or why not?

AEMO's Response:

AEMO supports this proposal.

Currently, only Rule Participants can formally request a Procedure change, which may be due to the application of Procedures being limited to Rule Participants. In practice, AEMO would always consider a request to amend or replace a Procedure by a consumer representative or any other interested person. As such, AEMO supports the formalisation of this under the WEM Rules.

AEMO also notes that there is no restriction under clause 2.10.7 of the WEM Rules regarding who may make a submission relating to a Procedure Change Proposal, and APCWG meetings are not restricted to Rule Participants. In AEMO's experience, consumer representation at APCWG meetings is common and welcome.

Reform Proposal 5: Changing who can initiate Procedure Change Proposals

ACIL Allen is likely to recommend a change to the WEM Rules which would introduce a time limit on when a Procedure Administrator would be required to act upon an affirmative confirmation of a Procedure Change

Proposal initiated by a third party, under clause 2.10.2 of the WEM Rules. This time limit would be set based on feedback provided by Procedure Administrators.

Do you agree with this proposal? Why or why not? If you are a Procedure Administrator, what do you believe to be an appropriate time limit to act upon a third party Procedure Change Proposal which is supported for adoption?

AEMO's Response:

While AEMO acknowledges the need to provide a timely response, we do not support the imposition of a time limit on actioning a Procedure change under clause 2.10.2 of the WEM Rules.

AEMO frequently manages multiple Procedure Change Processes concurrently. Procedures are currently prioritised based on the impact of the Procedure on AEMO's functions and Rule Participants. It is important that AEMO can continue to prioritise its Procedure changes in a way that delivers the best overall outcome.

AEMO is concerned that placing an obligation to complete a recommended Procedure change will result in these Procedures being prioritised ahead of those with a material impact on Rule Participants or on the management of power system security and reliability.

AEMO recommends that an alternative approach may be to expand clause 2.10.2A of the WEM Rules to require the Procedure Administrator to advise an estimated timeframe for progressing the Procedure Change Proposal, which must be reasonable. The term "which must be reasonable" is used throughout the WEM Rules and allows for consideration of the organisational context, balanced against the needs of the other parties.

Reform Proposal 6: Standardising publishing of Procedures

ACIL Allen is likely to recommend a change to the WEM Rules which would extend the procedure publishing requirements imposed on AEMO under clause 2.9.2D of the WEM Rules to all Procedure Administrators. Do you agree with this proposal? Why or why not?

AEMO's Response:

AEMO does not object to the conditions under clause 2.9.2D of the WEM Rules applying to all Procedure Administrators and suggests there may also be benefit in similarly expanding the obligation under clause 2.9.2E in relation to maintaining this list.

Appendix B. Procedure Criteria

B.1 AEMO's feedback on proposed criteria:

AEMO does not support the establishment of criteria to constrain the scope of Procedures that can be developed under the WEM Rules and has provided its general comments in the cover letter supporting this submission. AEMO is not clear on the need or rationale for the introduction of criteria and is unaware of any stakeholder concerns that may support it.

The remainder of this section focusses on comments against the proposed criteria.

Criteria 1: WEM Procedures should facilitate implementation within the market framework

A WEM Procedure should not place obligations on a Rule Participant to take action which is outside of the scope of the WEM Rule it is addressing, which would imply the material should be a WEM Rule instead.

Criteria 2: WEM Procedures should provide clarity on Rule implementation to ensure compliance and consistency

Actions required or determined by a WEM Procedure should always be subservient to the WEM Rules, and should not contradict, overlap with, or circumvent the actions required or determined by WEM Rule.

AEMO's Response:

AEMO considers that the content of Criteria 1 and 2 are sufficiently captured under existing clauses of the WEM Rules.

As discussed in detail in other parts of this submission, each Procedure must be made within the scope of the heads of power under the relevant clause of the WEM Rules.

In accordance with clause 2.9.3(a)(iii) of the WEM Rules, Procedures must also be consistent with the WEM Rules. Further, clauses 1.5.2(d) and 1.5.3, specify that Procedures are subservient to the WEM Rules and in the event of conflict, the WEM Rules prevail to the extent of the inconsistency. Finally, clause 2.9.3(b) of the WEM Rules requires Procedure Administrators to update Procedures arising from amendments to the WEM Rules.

Criteria 3: WEM Procedures should be primarily “administrative” in nature

WEM Procedures should be primarily “administrative” in nature, in that it provides scope for the entity assigned to make use of information provided to it to make clearly documented decisions. Other material or direction should be part of the WEM Rules.

AEMO's Response:

AEMO does not support this criterion.

The subject matter of Procedures varies greatly, reflecting the complexities of the WEM and the responsible governance entities. Most Procedures necessarily place active obligations on Rule Participants, including AEMO, as specified in the relevant heads of power for each Procedure.

Limiting Procedures to administrative matters that “*provide scope for the entity assigned to make use of information provided to it to make clearly documented decisions*”, with “*Other material or direction should be part of the WEM Rules*” would have serious impacts, with the majority of AEMO's Procedures affected, delegating substantial quantities of content to the WEM Rules.

The heads of power for existing Procedures can allow for flexibility appropriate to the subject matter. For example, clause 2.29.15 and 4.8A.7 allow AEMO to include “any other matters AEMO considers relevant”. Providing the option for policy makers to include such flexibility is crucial in ensuring Procedures can include all necessary information, irrespective of the level of certainty at the time of drafting the relevant WEM Rules. It allows Procedure Administrators to make appropriately informed decisions with the information available at the time, while providing for a simplified approach to amending this content as more information becomes available.

As noted prior, AEMO has responsibility for development of 61 Procedures, and at any given time can be amending several of these. Content delegated to the WEM Rules would be subject to the Rule Change Process, with a minimum duration of 19 weeks, having the effect of substantially slowing down the ability to make changes to the content, creating:

- Potential risks to Power System Security and Power System Reliability.
- Potential for inefficient market outcomes.
- Increasing resourcing requirements to manage larger volumes of Rule Changes, within Energy Policy WA and AEMO, as well as stakeholders more broadly.
- The potential for larger volumes of market interventions while the Rule Change Process is in progress.

Lastly, limiting Procedure content to “administrative” matters will not only have consequences for the current environment, but will serve to limit options under future energy reform initiatives. For example, the WA Government is currently undertaking a body of work to consolidate multiple regulatory instruments into a single Electricity System and Market Rules (ESMR) that will replace the current WEM Rules. Without flexibility to make Procedures that place obligations on Rule Participants, considerably more content will be included in the new ESMR that may otherwise be needed.

Criteria 4: WEM Procedures should be used where minor matters involving instructions or other aspects of the governance or decision-making imposed are changed regularly.

This is to ensure that market governance remains adaptable, while maintaining the stability of the WEM Rules.

AEMO’s Response:

While AEMO agrees that content subject to frequent changes is best delegated to a Procedure, this should not be limited to matters that are minor, involving instructions or other aspects of governance. Procedures currently include content that could not reasonably be considered to be ‘minor’, and go beyond governance matters. This is by design, recognising that the best party to manage the content is often a Procedure Administrator with the relevant functions under the WEM Rules.

Should Procedures be limited to matters of a minor nature involving instructions or other aspects of governance, substantial content would be required to be elevated to the WEM Rules, even content subject to frequent change. AEMO has discussed the impacts elevating content to the WEM Rules in our response to criteria 3.

Criteria 5: WEM Procedures should not have a material impact on WEM operation, beyond what is necessary for efficient and effective market administration.

‘Material’ impacts could include introducing changes to market behaviour, having a cost or price impact, and impacts to reliability and security.

AEMO's Response

As noted in AEMO's response to Criteria 4, Procedures include content that has a material impact and would not be considered "market administration". Several of AEMO's Procedures, as well as the Procedures of other Procedure Administrators, include content that has an impact on market behaviour, or impacts on costs, as well as Power System Security and Power System Reliability. As described in our response to Criteria 4, this is by design, with the relevant heads of power dictating the scope of the Procedure.

For example, AEMO administers multiple Procedures related to the Reserve Capacity Mechanism, as well as dispatch, forecasting, Outages, Generator Monitoring Plans, Power System Security and Power System Reliability, and stop-gap mechanisms such as the Supplementary Capacity scheme. These Procedures are directly related to AEMO's functions under clause 2.1A of the WEM Rules and, as such, it would not appear logical to remove this content from AEMO's Procedures.

Elevating this content to the WEM Rules would remove AEMO's ability to amend this content to respond to matters of urgency, with additional risks and cost impacts to AEMO and other Rule Participants, as described in AEMO's response to Criteria 3.

It may also have a material impact on the ability of other Procedure Administrators to perform their functions under the WEM Rules, noting that Procedures created by Western Power, Energy Policy WA, and the Economic Regulation Authority also cover matters associated with their functions, that would be considered "material" under this criterion. A recent example includes the amendment of the Benchmark Reserve Capacity Price (BRCP) Procedure, which is used to determine the BRCP annually, a price which has a material impact on revenues gained by Market Participants under the Reserve Capacity Mechanism.

Appendix C. Other Considerations - Guidelines

Table 2.1 – Addressing the Specific Questions in the Scope of Works

AEMO's Response:

ACIL Allen notes that its scope of works includes considering the need for a formal governance process for Guidelines produced under the WEM Rules. The Review considers that this may not be necessary, citing limited industry feedback on this matter.

While Guidelines can apply solely to the developing party, there are Guidelines that place significant obligations on Rule Participants, with financial and non-financial consequences.

AEMO is of the opinion that Guidelines placing obligations on Rule Participants should be elevated to Procedures, allowing for Rule Participants to initiate or engage with the Procedure Change Process on matters affecting them.

Should a decision be made to proceed with the implementation of the above criteria, AEMO notes that failure to elevate Guidelines affecting Rule Participants to Procedures would result in a perverse outcome, whereby Guidelines can contain more onerous content than Procedures, despite being lower in the hierarchy of instruments under the WEM Rules.

Appendix D. Procedures developed or amended by AEMO since 2022

This appendix provides a list of all WEM Procedures developed or amended by AEMO, as a Procedure Administrator, since 2022. The list also indicates if the Procedure was amended accordance with the standard Procedure Change Process or the Minister for Energy's transitional rule making powers.

	WEM Procedure	Consultation closed	Publication	Standard/ Transitional
1.	Declaration of Bilateral Trades for the 2021 Reserve Capacity Cycle	10/02/2022	01/03/2022	Transitional
2.	Indicative Facility Class and Reserve Capacity Mechanism (RCM) Facility Class Assessment	10/02/2022	01/03/2022	Transitional
3.	Certification of Reserve Capacity for the 2022 and 2023 Reserve Capacity Cycles	18/02/2022	01/03/2022	Transitional
4.	Transitional RCM Limit Advice Requirements	15/02/2022	14/03/2022	Transitional
5.	System Restart	19/05/2022	1/06/2022	Transitional
6.	Declaration of Bilateral Trades	04/07/2022	01/09/2022	Transitional
7.	Undertaking the Long Term PASA	03/06/2022	20/09/2022	Transitional
8.	Certification of Reserve Capacity for the 2022 and 2023 Reserve Capacity Cycle	09/12/2022	15/12/2022	Standard
9.	Assignment of Network Access Quantity Model	06/02/2023	01/03/2023	Transitional
10.	Distributed Energy Resource Register Information	24/01/2023	24/04/2023	Standard
11.	Transitional Registration Processes	26/05/2023	01/06/2023	Transitional
12.	Supplementary Capacity	22/06/2023	01/07/2023	Standard
13.	Certification of Reserve Capacity for the 2022 and 2023 Reserve Capacity Cycle	19/05/2023	11/07/2023	Transitional
14.	Electric Storage Resource Obligation Intervals (Second Revision)	19/05/2023	11/07/2023	Transitional
15.	Reserve Capacity Security v6.0	18/08/2023	18/08/2023	Standard
16.	Adjustment of Real-Time Inputs	30/03/2023	01/10/2023	Transitional
17.	Capacity Credit Allocations	04/03/2022	01/10/2023	Transitional
18.	Commissioning Tests	13/09/2023	01/10/2023	Transitional
19.	Congestion Information Resource	09/06/2023	01/10/2023	Transitional
20.	Constraint Formulation	15/09/2023	01/10/2023	Transitional
21.	Consumption Deviation Applications	08/09/2023	01/10/2023	Transitional
22.	Determination of Market Schedules	25/08/2023	01/10/2023	Transitional
23.	Dispatch Algorithm Formulation	30/03/2023	01/10/2023	Transitional
24.	Dispatch Settlement and Monitoring Data	15/09/2023	01/10/2023	Transitional
25.	Essential System Service Quantities	25/08/2023	01/10/2023	Transitional
26.	Facility Dispatch Process	01/09/2023	01/10/2023	Transitional
27.	Frequency Co-Optimised Essential System Services Accreditation	11/03/2023	01/10/2023	Transitional
28.	GPS Compliance Tests and Generator Monitoring Plans (Second Revision of GMP)	06/06/2023	01/10/2023	Transitional
29.	Identification of Affected Dispatch Intervals	25/08/2023	01/10/2023	Transitional

	WEM Procedure	Consultation closed	Publication	Standard/ Transitional
30.	Individual Reserve Capacity Requirements	09/03/2023	01/10/2023	Transitional
31.	Limit Advice Requirements	01/09/2023	01/10/2023	Transitional
32.	Meter Data Submission	18/07/2023	01/10/2023	Transitional
33.	Monitoring and Reporting Protocol	01/09/2023	01/10/2023	Transitional
34.	Notices and Communications	01/05/2023	01/10/2023	Transitional
35.	Outages	09/08/2023	01/10/2023	Transitional
36.	Power System Security	01/05/2023	01/10/2023	Transitional
37.	Prudential Requirements	20/09/2023	01/10/2023	Transitional
38.	Real Time Market Timetable	21/02/2023	01/10/2023	Transitional
39.	Reserve Capacity Market Constraint Formulation	13/06/2022	01/10/2023	Transitional
40.	Distributed Energy Resources Register Information	24/01/2023	02/10/2023	Standard
41.	Reserve Capacity Security v7.0	18/08/2023	01/10/2023	Standard
42.	Reserve Capacity Testing	08/09/2023	01/10/2023	Transitional
43.	Reserve Capacity Performance Monitoring	08/09/2023	01/10/2023	Transitional
44.	Rule Participant Registration Processes	15/06/2023	01/10/2023	Transitional
45.	Settlements	08/09/2023	01/10/2023	Transitional
46.	Supplementary Capacity	08/09/2023	01/10/2023	Transitional
47.	Undertaking the Long Term PASA	03/06/2022	01/10/2023	Transitional
48.	Verification of Dispatch Inflexibility	18/07/2023	01/10/2023	Transitional
49.	WEM Submissions	21/02/2023	01/10/2023	Transitional
50.	Dispatch Algorithm Formulation Updates	23/11/2023	12/12/2023	Standard
51.	Indicative Facility Class	01/03/2024	21/03/2024	Transitional
52.	Determination of Market Schedules	14/03/2024	28/03/2024	Transitional
53.	Dispatch Algorithm Formulation	14/03/2024	28/03/2024	Transitional
54.	Facility Dispatch Process	14/03/2024	28/03/2024	Transitional
55.	Supplementary Capacity	19/03/2024	01/04/2024	Standard
56.	Certification of Reserve Capacity	28/03/2024	15/04/2024	Standard
57.	Long Term Projected Assessment of System Adequacy	29/05/2024 (currently under consultation)	Expected June 2024	Standard
58.	RCM Constraint Formulation	30/05/2024 (currently under consultation)	Expected June 2024	Standard
59.	Electric Storage Resource Obligation Intervals	20/06/2024 (currently under consultation)	Expected June 2024	Standard