



Department of Energy, Mines,  
Industry Regulation and Safety  
Energy Policy WA

# Frequency Co-optimised Essential System Services (FCESS) Cost Review Amending Rules

Consultation Summary Report  
29 October 2024

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

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# Overview

This Consultation Summary outlines stakeholder feedback received on the Exposure Draft of the *Wholesale Electricity Market Amendment (FCESS Cost Review) Rules 2024* and the Energy Policy WA responses to that feedback. The FCESS Cost Review Amending Rules were gazetted on 29 October 2024.

The FCESS Cost Review Amending Rules were introduced to:

- implement changes to the market power mitigation framework to improve its effectiveness and improve market efficiency, by ensuring Market Participants' offers reflect their efficient variable costs;
- require Market Participants to specify reasonable Start Decision Cutoff times in their Real-Time Market Submissions;
- impose an obligation on Market Participants who offer capacity as Available Capacity to monitor Pre-Dispatch Schedules and Dispatch Schedules for shortfalls in energy, Contingency Reserve Raise or Regulation Raise, and move capacity from Available Capacity to In-Service Capacity as required to alleviate any shortfalls;
- make the current In-Service Capacity Only Scenario (which excludes all capacity offered as Available Capacity) the Reference Scenario;
- rename the current Reference Scenario (which includes any Available Capacity for which the relevant Start Decision Cutoff has not yet passed) the Available Capacity Scenario;
- clarify the requirements for the high and low forecast Scenarios in terms of the treatment of Available Capacity;
- introduce more efficient tiebreak methods for FCESS and energy;
- remove the payment of FCESS Uplift Payments for the provision of RoCoF Control Service;
- require Market Participants with Facilities accredited for RoCoF Control Service to offer their capacity into the Real-Time Market;
- provide an alternative method of compensation (through Energy Uplift Payments) for Facilities constrained on by AEMO to provide RoCoF Control Service only;
- provide for Energy Uplift Payments for Facilities that are constrained on by AEMO during a period covered by a Low Reserve Condition Declaration;
- clarify that Energy Uplift Payments are based on In-Service Capacity Price-Quantity Pairs in Real-Time Market Offers only;
- modify the FCESS Uplift Payment calculations to avoid over-compensating FCESS providers when their enablement losses are partially or completely covered by other Real-Time Market payments;
- clarify that Metered Schedules for Scheduled Facilities, Semi-Scheduled Facilities and Non-Scheduled Facilities are Public Information;
- implement minor error corrections and enhancements across the WEM Rules.

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# Consultation

The exposure draft for FCESS Cost Review was published on 8 August 2024 and the consultation period closed on 9 September 2024.

Written public submissions were received from:

- Australian Energy Market Operator (AEMO)
- Alinta Energy
- Bluewaters and Summit Southern Cross Power (SSCP)
- Change Energy
- Entego
- Merredin Energy
- NewGen Neerabup
- Simcoa Operations
- Synergy
- The Chamber of Minerals and Energy of Western Australia (CME)
- Western Power

Energy Policy WA also discussed the changes at two meetings of the Transformation Design and Operation Working Group (TDOWG) and conducted one to one engagement with stakeholders as part of the consultation process.

The table below outlines the issues raised in the submissions received during the consultation period and during the TDOWG meetings held on 18 July 2024 and 20 August 2024, and Energy Policy WA's response.

Submitter	Issue	Section/Clause	EPWA's Response
<b>Schedule 1</b>			
<b>General feedback</b>			
1	AEMO	Agrees that the outcomes of the FCESS Cost Review will reduce cost pressures, while promoting efficient dispatch that should lead to a reduction in real-time shortfalls.	General Noted.
2	Bluewaters Summit Southern Cross Power (SSCP)	Generally supportive of the proposed intent to decrease overall market costs which have been significant since New WEM Commencement.	General Noted.
3	Change Energy	Fully supports proposed changes. Considers these changes will be beneficial to the market and deliver improved market outcomes overall and help reduce the high cost of FCESS in the new market.	General Noted.
4	CME	Supports the proposed amendments on the basis that they are likely to result in lower costs and greater system reliability.	General Noted.
5	CME	CME raises industry's concerns over the current trajectory of electricity costs in the WEM. Made note of the high electricity and ESS prices, increases in AEMO fees, increases to the Energy Offer Price Ceiling and changes to the BRCP. All of these factors may increase costs to consumers.	General Noted.
6	CME	The WA Government must act with urgency given the short timeframes for industry to make these critical investment decisions prior to	Other Noted.

Submitter	Issue	Section/Clause	EPWA's Response
	retirement of coal fired generation in 2030 and the long planning and construction timeframes to deliver new energy infrastructure. Recommends the WA Government release a draft master transmission plan for the SWIS as soon as possible.		
7	Entego Considers that numerous amendments appear unrelated to the FCESS Cost Review.	General	Noted. However, EPWA is not clear what this comment relates to i.e. what amendments in the Exposure Draft were unrelated to the FCESS Cost Review.
8	Merredin Energy Supportive of the proposed amendments, however notes that some aspects are likely to have a material detrimental effect on the commercial viability of Merredin (issue expanded below)	General	Noted.
9	NewGen Neerabup Urges delay of implementation of draft amendments which require trading system or process changes, including amendments to clause 7.4.2 to allow Market Participants to prepare and implement the required changes if progressed.	7.4.2	It will not be possible to delay the implementation of the Amending Rules due to the materiality of the issues they address. Market Participants were provided with the exposure draft on 9 August 2024 and the final version of the Amending Rules is now available. Market Participants will need to prepare and implement the required changes by 20 November 2024.  EPWA notes that the actual direct system impacts on Market Participants are limited and relate mainly to changes to the Reference and Available Capacity Scenarios in Market Schedules.
10	Simcoa Operations Considers that the proposed changes to the WEM Rules are reasonable and they may	General	Noted.

Submitter	Issue	Section/Clause	EPWA's Response
	<p>alleviate some of the avoidable cost increases in the FCESS market.</p> <p>Notes that with growing ESS requirements there will be some cost increase in the FCESS market and hopes this means the efficient costs for energy are reflected in the market.</p>		
11	Synergy	General	AEMO will use its best endeavours to provide a two-week Market Trial period before the proposed market change commence on 20 November 2024.
<b>TieBreak method changes</b>			
12	AEMO	7.5.15	Clause 7.5.15 has been amended to address AEMO's concerns.
13	Alinta	General	Noted.

	Submitter	Issue	Section/Clause	EPWA's Response
14	Alinta	<p>If the dispatch engine is not reformed to avoid "trapping" Facilities, Alinta is concerned that dispatch could remain inefficient.</p> <ul style="list-style-type: none"> <li>• If Facilities are "trapped" there may be more Facilities dispatched than necessary and this would conflict with the SEO to reduce greenhouse gas emissions and promote efficient operation.</li> <li>• Alinta recommends reform of the dispatch engine to resolve these issues as a priority.</li> <li>• In the meantime, Alinta recommends the WEM Rules or Offer Construction Guideline clarify the circumstances where a Facility is permitted to amend their offers to 'un-trap' themselves and shutdown.</li> </ul>	General	<p>If a Facility has not been constrained on by AEMO, is not dispatched for any FCESS except RoCoF Control Service and is not receiving its energy offer price, then it is expected that the Market Participant will amend its Real-Time Market Submissions to 'un-trap' the Facility and shut it down. The Amending Rules do not prevent a Market Participant from taking this action.</p> <p>EPWA considers that further clarification on this matter in the WEM Rules is unnecessary.</p> <p>Additionally, EPWA considers that changes to prevent WEMDE from trapping Facilities in their trapezia are not a high priority, because Market Participants are able to un-trap their Facilities by modifying their Real-Time Market Submissions.</p>
15	Synergy	<p>Synergy notes that the proposed solution seeks to minimise Uplift Payments via a heuristic method and may at times lead to an overallocation of FCESS to Facilities with enablement limits that are less than or equal to zero MW. Synergy suggests that EPWA further revises the FCESS Draft Rules to address this concern and ensure the objective function seeks to minimise total system costs, including opportunity costs.</p>	7.5.15	<p>We discussed this issue (i.e. prioritising Facilities with Enablement Minimums <math>\leq 0</math> over a Facility that bids its Enablement Minimum at the Minimum Price). Our view is that this would make an immaterial difference in the dispatch and settlement outcomes as a Facility that bids the enablement minimum at the Minimum Price is not eligible for any quantity of FCESS uplift regardless of the tiebreak methodology.</p> <p>As noted at the 20 August 2024 TDOWG meeting, modification of WEMDE to fully account for FCESS Uplift Costs in the Dispatch Algorithm is a major change that is not achievable in the short to medium term.</p>



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			EPWA will continue to monitor FCESS dispatch outcomes to see if further refinements to the tiebreak mechanism are warranted.
16	<p>Bluewaters Summit Southern Cross Power (SSCP)</p> <p>Bluewaters and SSCP believe that the inclusion of technology types in the prioritisation order, based on the likelihood to incur less uplift cost in the proposed Tiebreak Method, is necessary and appropriate in its current form but will require additional review as the capability of WEMDE improves. The Tiebreak Method should be determined by a cost minimisation formula that is technology agnostic, however, Bluewaters acknowledges that the proposed method, whilst not the desired method, is the most practical given the current constraints of WEMDE.</p>	General	Noted.
17	<p>Bluewaters Summit Southern Cross Power (SSCP)</p> <p>Bluewaters and SSCP urge continued investigation into how WEMDE and the Tiebreak Method can be improved as technologies and costs change over time to ensure the proposed method does not become outdated and inefficient.</p>	General	EPWA and AEMO will continue to monitor FCESS dispatch outcomes and consider how the tiebreak mechanism can be further improved.
<b>RoCoF Control Service Changes</b>			
18	<p>Synergy</p> <p>With the change to the eligibility for Uplift Payments for RoCoF, and also considering the AEMO can direct facilities to come on-line at short notice, there is likely to be circumstances that arise where the highest priced "In-Service" pair in the Market Participant's bids does not reflect the actual output of the facility. Synergy considers that either:</p>	9.9.10	<p>The suggested changes have not been made because:</p> <ul style="list-style-type: none"> <li>some Market Participants interleave Available Capacity and In-Service Capacity offer tranches in their Real-Time Market Submissions, making the use of Available Capacity offer tranches for settlement calculations problematic;</li> </ul>

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	<ul style="list-style-type: none"> <li>AEMO has to issue the directions within a reasonable timeframe that allows for Market Participants to update the In-Service quantity in their offers, or</li> <li>for settlement purposes AEMO utilises Facility 'Available' offers for the quantity of energy actually dispatched.</li> </ul> <p>Synergy proposes the insertion of a new clause: <b>XX.YY.ZZ. When a Facility is directed into service by AEMO for the provision of RoCoF with insufficient notice for the Market Participant to re-offer, for settlement purposes AEMO utilises Facility 'Available' offers for the quantity of energy actually dispatched.</b></p>		<ul style="list-style-type: none"> <li>AEMO has advised EPWA that it expects to issue the relevant directions early enough for Market Participants to have ample time to update their Real-Time Market Submissions in most cases; and</li> <li>a Market Participant can use the fast-start option to ensure its Facility's capacity is In-Service Capacity and avoid the risk of losing Energy Uplift Payments.</li> </ul> <p>However, EPWA will monitor the use of the relevant directions and consider further action if any material problems emerge.</p>	
19	Synergy	The settlement calculations for the Real-Time Market dispatch cost should not be discounted for Facility Performance Factor to ensure that Market Participants are adequately compensated for all efficient variable costs associated with the provision of FCESS for their Facility. Synergy's proposed drafting addresses this concern.	9.10.3D	Agree. Clause 9.10.3D has been updated accordingly.
20	Bluewaters Summit Southern Cross Power (SSCP)	Whilst it is understood that the proposed FCESS amendments are intended to be considered together, Bluewaters/SSCP's modelling suggests that FCESS Uplift Payments for RoCoF Control Service (RCS), in-and-of-itself, is not the key driver for increased market costs. Bluewaters/SSCP believes that the proposed change is only likely to reduce Global FCESS Uplift Payments by around 5%. And it will create a corresponding increase in energy prices as	9.10.3B to 9.10.3O	While currently only around 5% of FCESS Uplift Payments are made to Facilities only providing RoCoF Control Service, the removal of FCESS Uplift Payments for RoCoF Control Service is still necessary. If these payments were retained, then because WEMDE dispatches all the offered RoCoF Control Service, the proposed FCESS tiebreak changes would not be able to achieve their intent of reducing the

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	<p>Market Generators' Contingency Reserve Raise costs will be allocated a higher proportionate share of total FCESS Uplift Costs, directly in their SRMC offer construction. This is due to the allocation of FCESS Uplift Payments being split between all the FCESS that a Facility is providing in any given interval. Most Facilities currently providing both Regulation and Contingency services are likely to be receiving a portion of the RCS Uplift Payment, so the removal of this payment will move the Uplift cost from RCS into the Regulation and Contingency cost buckets.</p>		<p>number of Facilities that receive FCESS Uplift Payments.</p> <p>The Amending Rules are expected to materially reduce the overall costs of FCESS Uplift Payments, by reducing the number of Facilities dispatched for the Contingency and Regulation services, favouring the dispatch of Facilities less likely to require large FCESS Uplift Payments and avoiding overcompensation when a Facility's enablement losses are partially or completely covered by other Real-Time Market payments. Other changes are expected to reduce Market Clearing Prices by reducing the incidence of real-time market shortfalls, further reducing FCESS costs as well as energy costs.</p> <p>While EPWA acknowledges that a larger proportion of FCESS Uplift costs may be allocated to Contingency and Regulation causers, this needs to be balanced against the expected overall reduction in FCESS and energy costs.</p>
21	<p>Bluewaters Summit Southern Cross Power (SSCP)</p> <p>The added mandatory requirement to offer RCS while a Facility is generating and able to provide RCS will lead to additional financial risk of a facility being trapped in an RCS trapezium while energy market signals suggest a Facility should de-commit.</p>	9.10.3B to 9.10.3O	See response to issue 14.
22	<p>Bluewaters Summit Southern Cross Power (SSCP)</p> <p>An additional concern with the proposal is that the 'blunt instrument' approach of simply removing RCS uplift payments in their entirety creates a flow-on issue, which the Exposure</p>	9.10.3B to 9.10.3O	AEMO provided an overview of how it intended to manage the new process at the 20 August 2024 TDOWG meeting. AEMO will also be required to provide additional details of the

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	<p>Draft acknowledges, whereby there still remains a need for some form of Uplift Mechanism for RCS. The current changes move away from a market driven mechanism and towards a mechanism that requires cumbersome manual intervention by AEMO, through the application of physical constraints and the use of the Energy Uplift Mechanism for compensation. AEMO has not yet provided detail of how it intends to do this. Without this detail it is unclear to Bluewaters/SSCP how the proposed removal of FCESS Uplift Payments for RCS will be operationalised. This added layer of complexity and uncertainty has the potential to result in further inefficient or unintended outcomes from both a market and an operational perspective, leading to the need for further reform in future.</p>		<p>process in a WEM Procedure (e.g. how it will decide which Facilities to constrain on to provide the service).</p> <p>While AEMO is still finalising the operational details, Market Participants are already familiar with the basic mechanisms that will be used to implement the new process (i.e. directions, application of Constraint Equations and Energy Uplift Payments).</p> <p>EPWA acknowledges that the changes to arrangements for RoCoF Control Service are a short-term solution that will be reviewed as part of the planned review of RoCoF Control Service procurement and compensation.</p>
23	<p>NewGen Neerabup</p> <p>Concerned with the removal of Energy Uplifts Payments where AEMO has dispatched Energy Producing Systems unexpectedly and out of merit. This creates a perverse outcome where a generator may be financially penalised for assisting with unexpected system security issues whilst offering capacity as 'Available'.</p>	9.9.10	See response to issue 18.
<b>Available/In-Service Capacity changes</b>			
24	<p>Merredin Energy</p> <p>Does not support.</p> <ul style="list-style-type: none"> <li>Notes that on numerous occasions Merredin has moved from Available to In-Service and started its gas turbines in response to 'Lookahead' signals but has not received a Dispatch Instruction. This results in a significant cost for start-up and shut down</li> </ul>	7.4.2C	<p>The Amending Rules include several changes to address issue that have adversely affected Merredin's dispatch outcomes. These include:</p> <ul style="list-style-type: none"> <li>the new obligations on Market Participants (in new clause 7.4.2C) to provide In-Service Capacity to alleviate forecast shortfalls, which should improve the reliability of</li> </ul>

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	<p>fuel, reduced time until the GTs require overhaul and unnecessary emissions from burning diesel without generating electricity.</p> <ul style="list-style-type: none"> <li>Notes it has observed differences between pre-dispatch and settlement prices which result in Merredin having a negative net margin for these generation events.</li> <li>Considers that the proposed change places an onerous obligation on each facility to monitor the market and change operating regime, with a civil penalty for non-compliance. This will further increase the cost-of-compliance for each facility, driving up the cost to consumers.</li> </ul> <p>Merredin would be supportive of any proposed rule changes which allow for the following process to occur:</p> <ul style="list-style-type: none"> <li>AEMO continue to monitor the market conditions.</li> <li>AEMO predict when market participants are required to generate.</li> <li>AEMO direct participants to generate.</li> <li>Market Participants that are dispatched out of merit receive revenue in line with their RTM submissions.</li> </ul>		<p>Market Schedules (including price forecasts) and reduce the need for AEMO to make last-minute interventions in the market;</p> <ul style="list-style-type: none"> <li>the requirement for Market Participants to specify reasonable Start Decision Cutoff times in their Real-Time Market Submissions; and</li> <li>the provision of Energy Uplift Payments when AEMO directs a Facility to provide a minimum level of Injection during a period subject to a Low Reserve Condition Declaration.</li> </ul> <p>Additionally, AEMO has reviewed and modified several of its operational practices that have led to inappropriate dispatch outcomes for Merredin and other Market Participants.</p> <p>EPWA notes that a Market Participant with a fast-start capable Facility can use the fast-start option to meet its obligations under clause 7.4.2C.</p>
25	<p>Alinta</p> <p>Opposes the proposal to offer capacity as In-Service where a shortfall is predicted:</p> <ul style="list-style-type: none"> <li>The current dispatch engine could 'trap on' Facilities that would not otherwise be economic or necessary to dispatch to alleviate the shortfall.</li> <li>The changes could undermine price discovery and make it more difficult to</li> </ul>	7.4.2C 7.4.2D	<p>In response to the points raised by Alinta:</p> <ul style="list-style-type: none"> <li>See response to issue 14.</li> <li>EPWA considers that the new clauses will improve the reliability of Market Schedules</li> </ul>

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	<p>forecast run time and efficient variable costs. This may incentivise participants to be conservative in forecasting their run and offer higher prices.</p> <ul style="list-style-type: none"> <li>The capacity would not meet the definition of "In-Service" if it is not scheduled outside of the Facility's Start Decision Cutoff. This could cause non-compliance with Dispatch Instructions and expose the Market Participant to enforcement actions.</li> <li>Considers a more effective way to reduce the practice of offering at the price cap and as 'Available' would be to expand the implementation of Fast Start Inflexibility Profiles to allow Facilities to recover their start-up costs.</li> <li>mandating market behaviours should not be a substitute for changes in market design, where these behaviours are otherwise compliant.</li> </ul>		<p>and help to avoid the high price outcomes caused by real-time market shortfalls.</p> <ul style="list-style-type: none"> <li>The obligations under clause 7.4.2C do not apply to a shortfall that is identified after the Facility's Start Decision Cutoff. Also, as previously noted a Market Participant with a fast-start capable Facility can use the fast-start option to meet its obligations under clause 7.4.2C.</li> <li>EPWA is not convinced sufficient evidence is available to warrant the introduction of make-whole payments for Facilities that operate under a fast-start inflexibility profile.</li> <li>Noted.</li> </ul>
26	Alinta	If these are implemented as proposed, Market Participants should be permitted at least three months from the commencement date to support them having the opportunity to implement necessary systems and processes to be compliant.	7.4.2C 7.4.2D  See response to issue 9.
27	Synergy	Synergy considers that the drafting as presented places unintended commitment obligations on slower start facilities and creates the perverse outcome whereby Market Participants are forced to commit slower start facilities, irrespective of	7.4.2C  Clause 7.4.2D has been amended to exclude Available Capacity with a Start Decision Cutoff more than four hours before the start of the relevant Dispatch Interval from any obligation under clause 7.4.2C.

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	<p>whether a reasonable expectation of recovering efficient variable costs is held.</p> <p>Synergy considers that four hours is a more appropriate time point for the commitment obligation.</p>		
28	<p>Synergy seeks clarity as to how Market Participants should manage their offer obligations across the multiple markets, noting that offers need to account for the different operating states of a Facility. Synergy suggests further refinements are required in FCESS Draft Rules to provide more clarity around what energy or FCESS provision should be prioritised when shortfalls are predicted in more than one market.</p>	7.4.2C	<p>EPWA considers Market Participants should take a common-sense approach in the scenarios outlined by Synergy. Additional prescription in the WEM Rules could lead to perverse outcomes, due to the difficulty in accounting for all the different scenarios that can occur.</p> <p>Specifically, EPWA notes that:</p> <ul style="list-style-type: none"> <li>• under clause 7.4.2D, a Market Participant is not required to move Available Capacity to In-Service Capacity if the capacity would not assist in alleviating the predicted shortfall; and</li> <li>• AEMO has indicated that it will direct Market Participants to withdraw from an FCESS market if energy capacity above a Facility's Enablement Maximum is required In-Service.</li> </ul>
29	<p>Synergy seeks clarity if an Available Capacity Scenario is still to be provided for the Pre-Dispatch horizon noting that 7.8.6A indicates that Pre-Dispatch Scenarios are solely for the Reference Scenario (being In-Service Capacity), whereas 7.8.5B states that an Available Capacity scenario will be completed for the Pre-Dispatch Schedule.</p> <p>Synergy considers that an Available Capacity</p>	7.8.5B 7.8.6 7.8.6A	<p>Each Week Ahead Schedule, Pre-Dispatch Schedule and Dispatch Schedule will need to include both a Reference Scenario and an Available Capacity Scenario. Clause 7.8.4 has been further amended to clarify this point. Clauses 7.8.6 and 7.8.6A specify additional Scenarios that must be included in Week-</p>



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	Scenario is required for the Pre-Dispatch Schedule as Not In-Service Refunds are calculated using the Available Capacity Scenario.		Ahead Schedules and Pre-Dispatch Schedules respectively.
30	NewGen Neerabup Considers that the proposed changes deviate significantly from existing mechanisms for self-commitment and capacity obligations. The proposed changes could force a Market Participant to operate outside the conditions outlined in its environmental licenses, operate at a loss or break the WEM Rules. This new obligation significantly increases the compliance risk exposure of existing Energy Producing Systems, creating further costs to be imposed on the WEM from further investment in monitoring and alerting systems to mitigate the compliance and civil penalty risks.	7.4.2C	The new obligations under clause 7.4.2C are necessary to reduce the incidence of real-time market shortfalls, which lead to inefficient price outcomes and risk Power System Security and Reliability.  As previously noted, a Market Participant with a fast-start capable Facility can use the fast-start option to meet its obligations under clause 7.4.2C.
31	NewGen Neerabup Considers that this amendment fails to recognise the physical asset characteristics such as minimum stable generation or provisions for the recovery of variable costs. Considers that this clause should be expanded to include provisions for where the predicted shortfall is lower than the facilities minimum stable generation or if the forecast dispatch would result in an under-recovery of variable costs.	7.4.2D	Dispatch under a fast-start inflexibility profile respects the minimum stable load requirements of the Facility.  While EPWA acknowledges NewGen Neerabup's concerns about potential under-recovery of variable costs, EPWA is not convinced that sufficient evidence is available to warrant the introduction of make-whole payments for Facilities that operate under a fast-start inflexibility profile.
32	NewGen Neerabup Recommends that this rule should apply to both the Available Capacity Scenario as well as the Reference Scenario due to both scenarios being operationally critical.	7.13.11	Agree. Clause 7.13.11 has been amended accordingly. The commencement of the changes is delayed until 1 March 2025 to allow AEMO sufficient time to implement the change. EPWA notes that the delay should not



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			adversely impact Market Participants, who will have access to the relevant information via API from 20 November 2024.	
<b>Market Power Mitigation framework changes</b>				
33	Entego	<p>Concerned that the proposed drafting may result in identification of portfolios incongruent to the intent outlined in the Explanatory Note.</p> <p>The proposed drafting could result in the grouping of unrelated facilities as a portfolio in instances of an independent third-party service provider. Considers that this may deter investment in the WEM which may lead to a greater concentration of facility owners and may lead to increased likelihood of a single entity having Market Power.</p> <p>Considers the drafting should be amended such that independent third party service providers would not result in facilities being placed in the same portfolio:</p> <ul style="list-style-type: none"> <li>• Clarifying what owned and controlled means in the context of this clause</li> <li>• Removing reference to a 'shared trading desk'</li> <li>• Allowing ERA discretion when undertaking their portfolio assessment.</li> </ul>	2.16B.1	The reference to a "shared trading desk" in clause 2.16B.1 has been removed.
34	Alinta	Supportive of the proposed amendments to the portfolio assessment method of 2.16B.1 and considers the proposed changes better reflect the desired outcome from the Market Power Mitigation Strategy.	2.16B.1	Noted.

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35	<p>Alinta proposed new drafting of clause 2.16B.1(a)(iv) to retain the concept of associated Market Participants and broaden the concept of ownership</p> <p><i>iv. Registered Facilities which are:</i></p> <ol style="list-style-type: none"> <li><i>1. <u>registered to a <del>the same</del> Market Participant;</u> or</i></li> <li><i>2. <u>registered to, or owned or controlled by, Market Participants or entities that are associated entities (as that expression is defined in the Corporations Act) of one another; or</u></i></li> <li><i>3. <u>wholly or partly owned by a the same Market Participant or entity (whether directly or indirectly); or</u></i></li> <li><i>4. <u>wholly or partly controlled by a <del>the same</del> Market Participant or another entity (whether directly or indirectly), including by way of a shared trading desk, must be allocated to the same Portfolio; and</u></i></li> </ol>	2.16B.1	<p>Clause 2.16B.1(a)(iv) has been further amended to clarify its intent and broaden the common ownership concept to include non-Market Participants and the concept of direct and indirect ownership. EPWA does not consider that the concept of associated entities needs to be included given the other amendments made to the clause.</p>
36	<p>Synergy</p> <p>Does not consider that a service only arrangement should be captured under this test.</p>	2.16B.1	<p>The reference to a “shared trading desk” in clause 2.16B.1 has been removed.</p>
37	<p>Bluewaters Summit Southern Cross Power (SSCP)</p> <p>Bluewaters and SSCP believe the proposed drafting surrounding a shared trading desk should be a consideration for determining if entities are a portfolio for the purpose of 2.16B, but not an explicit determination as it is currently proposed. A shared trading desk does not automatically suggest that an organisation has control over another that it provides services to. SSCP is concerned that any entities operated</p>	2.16B.1	<p>The reference to a “shared trading desk” in clause 2.16B.1 has been removed.</p>

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	<p>through a shared trading desk will be considered a Portfolio, leading to an undesirable outcome of inaccurately allocating Facilities as associated Portfolios.</p>		
38 Alinta	<p>Alinta opposes the proposed changes to the general trading obligations and the removal of the Market Impact Test under clause 2.16E.1. We note the intent of the reforms is to remove uncertainty that a Market Participant may have market power and therefore to limit the practice of pricing at the market cap. We question whether the proposed reforms are necessary to permit enforcement action against these Market Participants and if not, why the reforms are required.</p>	2.16A to 2.16E	<p>Since the start of the new WEM, Energy Market Clearing Prices have been reaching the cap due to the prices in submissions. This behaviour has led to unnecessarily high Market Clearing Prices.</p> <p>Market Participants may have market power or transitory market power and can potentially be unaware of their potential to influence market prices with their offer.</p> <p>The changes to the Market Power Mitigation Strategy ensure that offers reflect costs. This aligns the rules with ERA's Offer Construction Guideline – i.e. that Market Participants' offers must not exceed the sum of all their efficient variable costs.</p> <p>The changes will remove the need to demonstrate that a Market Participant had market power when formulating its offers. This removes an element of uncertainty from preparing market offers and seeks to limit the practice of withdrawing capacity from the market by pricing at the market cap.</p>
39 Alinta	<p>Alinta considers that the practice of offering at the market cap may not be driven by uncertainty about whether a Facility has market power and more by a forecast of a Facility's efficient variable costs over a short run time (including</p>	2.16A to 2.16E	<p>If a Facility's genuine Efficient Variable Cost is at or above the market cap, the Facility can offer at the cap, provided this does not result in systematic over-recovery of Efficient Variable Costs.</p>

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	start-up costs), given that it is not scheduled to be dispatched.		
40 Alinta	As start-up costs make up a majority of the costs for a short run, we consider that a more effective way to reduce the practice of offering at the price cap would be to expand the implementation of Fast Start Inflexibility Profiles to allow participants to offer profiles that cover their start costs.	2.16A to 2.16E	As previously noted, EPWA is not convinced sufficient evidence is available to warrant the introduction of make-whole payments for Facilities that operate under a fast-start inflexibility profile.
41 Alinta	Alinta considers that the Market Impact Test was and is part of the Market Power Mitigation Strategy and that it serves to ensure that limited resources are focused where they may have the greatest impact.	2.16A to 2.16E	The ERA has discretion through a risk-based approach to evaluating market conduct. Removal of clause 2.16E.1 will simplify market monitoring. Market Participants' compliance with general trading obligations is instead served by the conditions necessary to determine whether an offer was an Irregular Price Offer. This must result in an inefficient market outcome in order to be investigated (clause 2.16C.6).
42 Alinta	The removal of clause 2.16A.1 means that what constitutes an Irregular Price Offer depends solely on the Offer Construction Guideline. We consider that is inappropriate because it conflicts with the proposed criteria for what content should be developed in WEM Procedures. These criteria include that a WEM Procedure should be "primarily administrative in nature" and "not have a material impact on the WEM operation".	2.16A to 2.16E	The existence of an Offer Construction Guideline is prescribed by the WEM Rules to provide certainty to Market Participants regarding what is acceptable or not acceptable bidding behaviour in the WEM. The changes to the Market Power Mitigation Strategy align the Offer Construction Guideline with the intent of the WEM Rules. Following comments from stakeholders, EPWA is in the process of reviewing the proposed criteria of what content should be included in a WEM Procedure.

	Submitter	Issue	Section/Clause	EPWA's Response
43	Alinta	<p>If the proposed changes to the general trading obligations are progressed, we recommend that the definition of an Economic Price Offer be amended to clarify that it is an offer which is not greater than a reasonable forecast of all efficient variable costs. We note that it would be unreasonable to compare efficient variable costs with offers on an ex-post basis – it is appropriate to consider the information reasonably available to the Market Participant before gate closure.</p>	2.16A to 2.16E	<p>The definition of an Economic Price Offer in clause 2.16C.6A has been amended to clarify that the efficient variable costs for the provision of the relevant Market Service are those that reflect a Market Participant's reasonable expectation at the time the offer is made.</p>
44	Synergy	<p>Considers the proposed amendments affect the "safe harbour" provided by the Offer Construction Guideline in two ways:</p> <ol style="list-style-type: none"> <li>1. The new legal test for whether a breach has occurred is drafted as only taking into account the actual efficient variable cost of the Facility at the relevant time. The proposed rule seems to require that ex-ante offers be at a price that is determined ex-post.</li> <li>2. A Market Participant will only not be in breach if its offer prices are at or below the efficient variable cost. This test is narrower than the current requirement. Synergy recommends the amending rules reinstate the "safe harbour" offer price provisions for offers consistent with the Offer Construction Guideline.</li> </ol> <p>Synergy proposes the following drafting changes:</p> <p>2.16C.6A. An Economic Price Offer is an offer which is not greater than a <b>reasonable estimate</b> of the sum of all efficient variable costs for the provision of the relevant Market Service,</p>	2.16C.6A	<ol style="list-style-type: none"> <li>1. See response to issue 43.</li> <li>2. This is addressed by the wording of clause 2.16C.6A that an Economic Price Offer is a price offered by a Market Participant "which is <b>not greater than</b> the Market Participant's reasonable expectation (based on the information available at the time the offer was made) of the sum of all efficient variable costs for the provision of the relevant Market Service".</li> </ol>

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	<p>including all costs incurred under long-term take-or-pay fuel contracts.</p> <p>2.16C.6AA. (new)  A offer consistent with the Offer Construction Guideline will not be considered in breach of clause 2.16C.5.</p>		
45	Synergy	2.16E.1	Clause 2.16E.1 is removed as a consequence of removing clause 2.16A.1 and the intent is reflected in the amendments to clause 2.16E.2.
<b>Energy Uplift Payments</b>			
46	Western Power	9.5.2A	Noted.
47	Western Power	7.7.8A	While work on a replacement for the interim solution is a high priority for EPWA, a hard deadline for its completion is not feasible, due competing priorities and the complexity of the issues involved. However, in the meantime AEMO intends to label the Constraint Equations to which clause 7.7.8A applies in a way that will allow them to be easily identified.

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	<p>Proposes an end date for this interim solution (30 June 2025) to be written in the rules to allow AEMO sufficient time to develop and implement the categories.</p>		
48 Merredin Energy	<p>Supports this proposed amendment.</p> <p>Merredin was recently advised that on numerous occasions when AEMO called on Merredin to generate out of merit to support the network, Energy Uplift Payments were provided erroneously and that Merredin was 'over-compensated' and will be subject to Adjustment repayments. Merredin considers that it has suffered a net loss for providing this service as there are new specific conditions on Energy Uplift Payments that were not applied to the previously used Constrained-On payments. Merredin understands that this proposed amendment will remove an uncertainty regarding when Energy Uplift Payments are applicable.</p>	7.7.8A	Noted.
49 Synergy	<p>Synergy seeks clarity as to the likely timeframe, consultation process and implementation of the future review work (e.g. review of RoCoF). Synergy suggests that AEMO and EPWA should be cognisant of the potential implementation and any required system changes and the time impacts on Market Participants in undertaking this further review.</p>	7.7.8A	<p>While a comprehensive review of RoCoF Control Service procurement and compensation is a high priority for both EPWA and AEMO, the review is still in the preliminary planning stage and so the specific details requested by Synergy are not yet available.</p>
<b>FCESS Uplift Payments</b>			

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50	Synergy	Synergy considers that the proposed drafting to estimate the Real-Time Market dispatch cost is in error. Market Participants form their FCESS offers based on the FCESS Enablement Quantity of their Facility, rather than the Facility Contributing quantity, and therefore the estimated cost should not be discounted for Facility Performance Factors. Synergy's proposed amendments ensure that a Market Participant is adequately compensated for all efficient variable costs associated with the provision of FCESS for their Facility.	7.17.2	Agree. Clause 7.17.2 has been updated accordingly.

#### Typographical errors and corrections

51	Synergy	For completeness, Synergy requests that obligation to offer RoCoF quantities be expressly consistent with Facility FCESS Accreditation and proposes drafting to address this issue.	7.4.5A	New clause 7.4.7 has been included to address Synergy's concerns.
52	Synergy	Consider that sub items of clause 7.4.6 were accidentally left in error, and suggest the complete clause is deleted.	7.4.6	Agreed. The Amending Rules have been updated accordingly.
53	Synergy	Suggested drafting edits for clause.	7.8.5B	EPWA does not agree that the suggested changes improve the readability of the clause.
54	Synergy	<b>Rolling Test Window:</b> A rolling period of three consecutive <del>three-month period</del> of Trading Months <del>Days</del> , commencing at the start of <del>8:00 AM</del> on the first Trading Day <del>day</del> of a Trading Month <del>month</del> and ending at the end of <del>8:00 AM</del> on the first last Trading Day <del>day</del> of a Trading Month <del>month</del> . A Rolling Test Window does not overlap with any other Rolling Test Window with	Glossary	Several changes (including changes suggested by Synergy) have been made to the definition of Rolling Test Window to improve its clarity.





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	a new Rolling Test Window commencing immediately after the <del>end of the preceding Rolling Test Window</del> previous one ends, with no overlap between.		

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