

Scope of Work for the 2025 WEM Operation Effectiveness Report

1. Introduction

The Coordinator of Energy (Coordinator) is commencing the development of the Wholesale Electricity Market (WEM) Operation Effectiveness Report in accordance with section 2.16 of the Rules.

Under section 2.16, the Coordinator must monitor market design problems and inefficiencies, and provide a report to the Minister at least once every three years (the WEM Operation Effectiveness Report).

The Report must provide the Minister with market trends and any recommended measures to increase the effectiveness of the market. The first Report must be issued by 1 July 2025.

This scope of work outlines the requirements for the development of the Coordinator's WEM Effectiveness Report, in accordance with clause 2.16.13A of the WEM Rules.

2. Background

2.1 Purpose of the Coordinator's WEM Operation Effectiveness Report

2.1.1 Monitoring the market

Clauses 2.16.13A and 2.16.13B provide that the Coordinator must monitor:

- market design problems and inefficiencies;
- the effectiveness of the compliance monitoring and enforcement measures in the WEM Rules and Regulations, including but not limited to:
 - the effectiveness of the Economic Regulation Authority's (ERA's) surveillance activities under sections 2.16A to 2.16D; and
 - appropriateness of the parameters for determining a Material Portfolio and Material Constrained Portfolio under clauses 2.16C.1 and 2.16C.2; and
- the effectiveness of the Australian Energy Market Operator (AEMO) in carrying out its functions under the Regulations, the WEM Rules and WEM Procedures;
- the effectiveness of the Network Operators in carrying out their functions under the WEM Rules and WEM Procedures; and
- the efficiency and effectiveness of the methodologies for determining: the Market Price Limits and the Benchmark Reserve Capacity Price.

2.1.2 The WEM Effectiveness Report

Under Clause 2.16.13D, the Coordinator must provide to the Minister a report dealing with the matters identified in clauses 2.16.13A and 2.16.13B at least once in every three years, with the first such report due by 1 July 2025

The report, in accordance with clause 2.16.13E, must include the following:

- market trends; and
- any recommended measures to increase the effectiveness of the market in meeting the State Electricity Objective to be considered by the Minister.

3. Project Scope

3.1 Purpose

The purpose of this Scope of Work is to facilitate the development of the WEM Effectiveness Report.

3.2 Stakeholder Engagement

Energy Policy WA (EPWA) will carry out this work in consultation with:

- The Market Advisory Committee (MAC) through the MAC meetings; and
- The Market Bodies through one-to-one meetings, if required.

EPWA held interviews with individual Market Participants and other interested stakeholders to inform this Scope of Work.

4. Project Schedule

The following is an indicative high-level project schedule for the development of the WEM Operation Effectiveness Report

Tasks	Timing
(1) Seek comments from the MAC on the Scope of Work	25 July 2024
(2) Stakeholder interviews	August 2024 - September 2024
(3) Develop the WEM Operation Effectiveness Report	November 2024 - July 2025
(4) Submit the WEM Operation Effectiveness Report to the Minister for Energy	1 July 2025

A.1.1 WEM Effectiveness Report' structure

Report Sections	Provision	Content	Purpose	Underlying Obligations	Related reports
1 - Monitor market design problems or inefficiencies	2.16.13A	<p>Overview of the market development, including market design problems or inefficiencies.</p> <p>Include assessment of possible market effectiveness issues regarding:</p> <ul style="list-style-type: none"> • monitoring and addressing of Network constraints • approach to constrained Network access for loads • barriers for inverter-based generators to provide market services such as FCESS • ability of loads to adjust consumption level based on market prices. 	Report to the Minister on identified market design problems or inefficiencies and the Coordinator's market development reviews, conducted in consultation with the MAC.	many	

Report Sections	Provision	Content	Purpose	Underlying Obligations	Related reports
2 - Effectiveness of the compliance monitoring and enforcement measures in the WEM Rules and Regulations	2.16.13B(a)	<p>Summary of issues identified in the ERA's compliance report and ERA's actions on:</p> <ul style="list-style-type: none"> • market performance and • compliance <p>Assessment of the ERA's compliance framework and enforcement strategy.</p>	Report to the Minister on issues with the market performance identified in the ERA's compliance report and the effectiveness of ERA's market compliance enforcement activities.	2.13.1, 2.13.3, 2.13.7, 2.13.16, 2.13.17, 2.13.27, 2.13.36, 2.13.45, 2.13.47, 2.13.48, 2.13.49, 13.49A 2.13.50, 2.16.2A(aA), 2.16.8, 2.16.8A, 2.16.9E, 2.16.9F, 2.16.9, 2.16.11, 2.16.13	compliance-framework-and-strategy - (erawa.com.au) Annual reports to the Minister on AEMO's compliance Market Rules Compliance Reports
	2.16.13B(a)(i)	Assessment of the effectiveness of the Economic Regulation Authority's surveillance activities under sections 2.16A to 2.16D.	Report to the Minister on identified market power issues, and the effectiveness of the relevant ERA Guidelines and Procedures, and ERA's surveillance activities.	2.16A1, 2.16A.2, 2.16A3, 2.16A.4, 2.16C.6, 2.16C.7	Monitoring the new WEM - (erawa.com.au) Portfolio Assessment - (erawa.com.au)
	2.16.13B(a)(ii)	Assessment of the appropriateness of the parameters for determining a Material Portfolio and Material Constrained Portfolio under clauses 2.16C.1 and 2.16C.2.	Report to the Minister on identified issues, and whether the ERA's parameters for determining Material Portfolio and Material Constrained Portfolio are fit to purpose.	2.16B.1, 2.16B.2, 2.16C.1, 2.16C.2	Portfolio Assessment - (erawa.com.au)

Report Sections	Provision	Content	Purpose	Underlying Obligations	Related reports
3 - Effectiveness of AEMO in carrying out its functions under the Regulations, the WEM Rules and WEM Procedures	2.16.13B(b)	<p>Assess performance regarding:</p> <ul style="list-style-type: none"> • accuracy and consistency of public data • accessibility of public data • transparency • operational forecasting • any other functions under the WEM Rules. <p>Include benchmark analysis where appropriate and consider development of performance measurements.</p>	Report to the Minister on identified issues, and on the effectiveness of AEMO in carrying out its functions under the WEM Rules and WEM Procedures.	2.1A.2	Market Rules Compliance Reports - (erawa.com.au) compliance-reports - (erawa.com.au) AEMO's compliance - (erawa.com.au) Annual Market Performance Review FY2023 AEMC

Report Sections	Provision	Content	Purpose	Underlying Obligations	Related reports
4 - Effectiveness of Network Operators in carrying out their functions under the WEM Rules and WEM Procedures	2.16.13B(c)	<p>Assess performance regarding:</p> <ul style="list-style-type: none"> • connection times • information provision • transparency of current and future available capacity to connect to the network; • any other functions under the WEM Rules. <p>Include benchmark analysis where appropriate.</p>	Report to the Minister on identified issues, and on the effectiveness of Western Power in carrying out its functions under the WEM Rules and WEM Procedures.	2.2C.1	Market Rules Compliance Reports - (erawa.com.au) Annual Reliability and Power Quality Report (westernpower.com.au) Electricity network performance report 2023 Australian Energy Regulator (AER) Energy Queensland Ltd Annual Report 2022-23
5 - Efficiency and effectiveness of the methodologies for determining the Market Price Limits and the Benchmark Reserve Capacity Prices	2.16.13B(d)	Assessment of the ERA's application, and the efficiency and effectiveness, of the methodologies used to determine Market Price Limits.	Report to the Minister on identified issues, and on the efficiency and effectiveness of the methodology for determining the Market Price Limits.		
		Assessment of the ERA's review of the method used to calculate Benchmark Reserve Capacity Prices.	Report to the Minister on identified issues, and on the efficiency and effectiveness of the methodology for determining the BRCPs.	2.26.1, 2.26.2A, 2.26.2C, 2.26.2L, 2.26.2M, 2.26.2O	BRCP and MPL Review 2019 (erawa.com.au)

Report Sections	Provision	Content	Purpose	Underlying Obligations	Related reports
6 - Market trends	2.16.13E(a)	<p>Summary of information the Coordinator considers relevant and appropriate to include in the Report. Including:</p> <ul style="list-style-type: none"> • market costs including for Essential System Services • power system reliability • distributed energy resources growth • emissions • reserve capacity prices • dispatch by technology type <p>Consider comparisons to other energy markets where appropriate.</p>	Market trend information to support the report.		Annual Market Performance Review FY2023 AEMC
7 - Recommended measures to increase the effectiveness of the market in meeting the State Electricity Objective	2.16.13E(b)	Any recommendations on market design and efficiency improvements.	Recommend market design and efficiency improvements for the Minister's consideration.		Coordinator's recommendations from ongoing WEM evolution reviews.