



## DRAFT CHAPTER 3A OF THE WHOLESALE ELECTRICITY MARKET RULES – GENERATOR PERFORMANCE, MONITORING AND COMPLIANCE

### EXPLANATORY MEMORANDUM

#### Background

In July 2019, the Energy Transformation Taskforce approved the relocation of Generator Performance Standards (GPS) and associated negotiation frameworks from Western Power’s Technical Rules to the Wholesale Electricity Market (WEM) Rules. The decision achieves two main objectives. Firstly, it allows the Australian Energy Market Operator (AEMO) to have a shared role (along with Western Power) in the negotiation of GPS for generators connecting to the South West Interconnected System (SWIS). Secondly, the framework under the WEM Rules provides for a more targeted and responsive compliance regime, when compared to the Technical Rules.

The new framework applies only to Market Participants with transmission connected generating systems. Those generators connecting to the distribution system, or who do not wish to participate in the WEM, are referred to Western Power’s Technical Rules.

An outline of the new framework is provided in figure 1 below. This Explanatory Memorandum is focused on the new draft Chapter 3A of the WEM Rules, as well as some amendments to Chapter 1 and 2 to ensure Chapter 3A operates as intended. These draft rules are referred to as Amending Rules and are available for stakeholder comment on the Energy Transformation Taskforce’s website.

Figure 1: Outline of the new framework for the connection, negotiation, monitoring and compliance of transmission connected generating systems owned by Market Participants

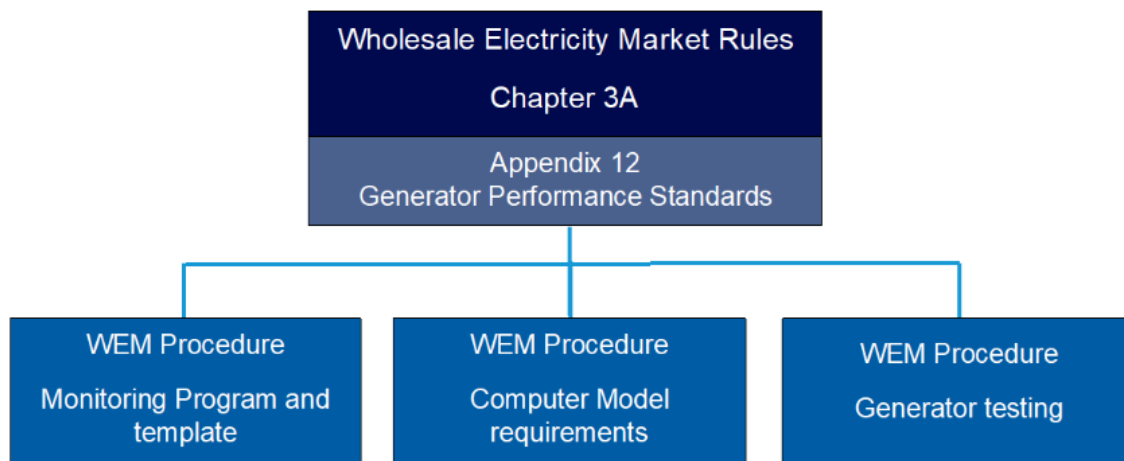


Figure 1 includes a new Appendix 12 to the WEM Rules, which will set out the GPS under which new generators will connect to the transmission network. These standards will roughly translate to those contained in the [Generator Performance Guideline](#) published by AEMO and Western Power in December 2018 (with some minor exceptions). Appendix 12 is expected to be released for stakeholder comment in mid-July 2020. The closure date for submissions under draft Chapter 3A and Appendix 12 will be aligned to ensure stakeholders can comment on both sets of Amending Rules together.

The framework provides for three new WEM Procedures, as described in the new Chapter 3A. These procedures will be developed in late 2020 in consultation with industry.

Industry are reminded that transitional rules to apply the new GPS framework to existing generators are currently in development and are expected to be published for stakeholder comment in August 2020. Further information on transitional arrangements can be found in the Energy Transformation Taskforce paper [GPS Compliance and Monitoring- Transitional Arrangements](#).

## **Draft Chapter 3A and amendments to Chapters 1 and 2**

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### ***Chapter 1***

Changes to Chapter 1 in the draft Amending Rules exempt all network operators, other than Western Power, from all of Chapter 3A and Appendix 12. The drafting of this section allows for the future application of Chapter 3A to other network operators if this is considered necessary in the future. While future application is allowed for, there is currently no intention to apply Chapter 3A or Appendix 12 to any particular network operators.

The Amending Rules have a commencement date of 1 February 2021 for new generator connections. Prior to the commencement date, AEMO and Western Power are required to develop the WEM Procedures referred to in figure 1 above. Stakeholder consultation is required in developing these procedures, although the existing procedural change process is not required to be undertaken. In order for the framework to operate as intended, these procedures will be deemed to be relevant procedures from the commencement date.

### ***Chapter 2***

New functions are outlined in Chapter 2 of the Amending Rules for the Network Operator and AEMO, with the ability to recover costs provided for these new functions. WEM Rule compliance is also clarified to refer to clauses under Chapter 3A, which provide some bespoke arrangements.

Limited exemptions are provided under the WEM Rules disputes framework, whereby a Market Participant cannot use the dispute process under 2.18 – 2.20 of the WEM Rules.

### ***Chapter 3A***

The new Chapter 3A includes four main components: a negotiating framework for generators connecting to the SWIS; a GPS Register to document all agreed standards; a self-monitoring program to monitor compliance with Registered GPS; and a compliance framework. Each is discussed further below.

#### ***Negotiating framework***

The negotiating framework is primarily set out in section 3A.5 of the Amending Rules. It refers to the future Appendix 12 to the WEM Rules, which will include the GPS applicable to generators connecting under the framework. Most GPS under Appendix 12 will include an 'ideal' and

'minimum' standard, with negotiation only permitted within this range. Many GPS also include 'common requirements', which will apply to both the ideal and minimum standard. Some GPS will also include information to be considered in reviewing a proposed negotiated standard. The framework places obligations on generators to address these elements in proposing GPS during the connection process.

The new framework provides that any proposed GPS that meets or exceeds the ideal standard must be accepted, and any proposed GPS that is below the minimum must be rejected. Generators proposing a negotiated GPS within the range must provide justification for not meeting the ideal standard. Similarly, the Network Operator must justify rejecting any proposed negotiated standard.

Under the framework, the Network Operator will be the generator's main contact in negotiating. However, the Network Operator is required to consult with AEMO on any proposed negotiated GPS (below the ideal), and cannot accept the GPS unless AEMO agrees. While nothing in the framework will prevent a generator from directly discussing their proposed negotiated GPS with AEMO if they choose to do so, the framework is designed to prevent generators having to negotiate separately with two different parties. This improves efficiency of the process by ensuring everyone has access to the same information through a single source, minimising the potential for delays, confusion or mistakes.

The framework allows for trigger events to be included within a negotiated GPS. Trigger events allow generators to negotiate standards below the ideal until such time that a trigger occurs, after which action must be taken by the generator. The trigger is often a time period, but may include other triggers, such as a certain volume of network utilisation. The action will likely be modifications to the generating system to comply with a higher standard, but could also include other actions to mitigate the impact of the lower standard. The framework also allows for trigger events to be modified by mutual agreement.

### GPS Register

The Network Operator will be required to establish a register containing minimum information for each relevant generator on the SWIS (the GPS Register). This GPS Register will become the single source of truth against which compliance will be measured. The requirements for the GPS Register are primarily set out in section 3A.7 of the Amending Rules.

Minimum information requirements are established to ensure compliance mechanisms work appropriately and timeframes are required for the updating of the GPS Register to allow for standards to be in place prior to the generator commencing operation.

The GPS Register will not be public; however the Network Operator is required to share the contents of the GPS Register with AEMO and the Economic Regulation Authority (ERA).

### Self-monitoring Program

Section 3A.6 establishes the framework for a self-monitoring program for generators to monitor compliance with their Registered GPS. The framework requires the development of a WEM Procedure by AEMO which includes a template self-monitoring plan. Generators are required to develop their own self-monitoring plan consistent with the template, unless variations can be justified. AEMO is responsible for approving all self-monitoring plans, which must be in place before a generator receives its final approval to generate.

AEMO may modify the template over time, with generators affected being provided with 6 months in which to undertake any required changes and resubmit for AEMO approval. Generators may also seek approval to modify their self-monitoring plans at any time, for any other reason. AEMO

is required to approve any self-monitoring plan that is consistent with the template, or where variations are justified.

Once approved, generators will be required to commence monitoring in accordance with the plan and advise immediately of any non-compliance with Registered GPS or their self-monitoring plan.

### Compliance

The framework allows for non-compliance or suspected non-compliance to be detected through a generator's own monitoring, or by the Network Operator or AEMO through central monitoring activities or other observation.

Generators will have the option to submit a Rectification Plan in relation to any identified non-compliance to AEMO within 10 business days of the non-compliance being detected (or longer by mutual agreement). Rectification Plans must be agreed by AEMO, and prior to agreeing, AEMO must seek the approval of the Network Operator.

Once approved, generators will be immune from investigation in relation to the non-compliance, except in very serious incidences, or where the non-compliance is a repeat occurrence. While the ERA could technically investigate a non-compliance within the 10 business days that a Rectification Plan is being developed, there is a process in the framework for AEMO to advise the ERA of a generator's intention to develop a Rectification Plan, and changes to other parts of the WEM Rules (currently in development as part of the Energy Transformation Strategy) will require the ERA to prioritise investigations, taking into consideration Rectification Plans in development.

Once established, the framework provides a process for Rectification Plans to be modified by mutual agreement, if required, with immunity maintained. AEMO may also cancel a Rectification Plan if it believes a generator is not complying with the plan.

There are minimum information requirements for Rectification Plans, and AEMO will be required to ensure that the ERA is aware of Rectification Plans, and any changes to these, at all times. Once a Rectification Plan is successfully completed, the ERA will be advised, and the process will end without investigation or penalty for the generator. However, where a Rectification Plan is not proposed by the generator, cannot be successfully negotiated with AEMO, or is cancelled, the ERA will commence an investigation. Multiple civil penalties are proposed, as indicated in the Amending Rules.

The framework provides for two separate stages of connection, being the granting of an Interim Approval to Generate Notification, and an Approval to Generate Notification. The former is an interim stage, after which a generator can commence generating electricity and participate in the WEM, but before all testing can be completed to fully demonstrate compliance. This interim step can include conditions being placed on a generator to mitigate any concerns that may be held on its potential performance (i.e. based on modelling, or observation by either the generator, AEMO or the Network Operator).

Addressing non-compliance during the interim step may be undertaken through a Rectification Plan, or by another form of agreement with the Network Operator (subject to consultation with AEMO). An Interim Approval to Generate Notification may be revoked if a generator is not complying with its Registered GPS or conditions imposed, and is not taking action to address this.

The Approval to Generate Notification is the final step in the connection process and is provided once all generator testing is complete and the generator has demonstrated compliance with its Registered GPS.

## Other matters

### *Generator modifications*

In response to stakeholder concerns, the new framework provides greater guidance on how generator modifications are to be defined and actioned. A definition is provided for a Proposed Relevant Generator Modification, and generators undertaking modifications that meet this definition must advise the Network Operator. The Network Operator is required to consider the modification and determine whether it will classify it as a Relevant Generator Modification, thereby requiring the generator to negotiate GPS and changes to its self-monitoring plan (if required). Acknowledging the very broad range of generator modifications that could be undertaken, the Network Operator is required to publish guidelines to provide examples of Potential Relevant Generator Modifications and Relevant Generator Modifications.

### *Testing Procedure*

AEMO is required under the framework to develop a WEM Procedure outlining the range of testing requirements for generators. The intention is not to change the types of tests required (although there is potential for minor changes), but rather to consolidate the range of testing requirements that currently exist into a single instrument.

### *Exemptions*

Section 3A.3 allows the Network Operator (in consultation with AEMO) to exempt a generator from the requirements under Chapter 3A and Appendix 12, except those sections that relate to exemptions and generator modifications. While it is not expected that this section will be used often, its purpose is to ensure that generators can be considered under the Technical Rules framework where it is clear that compliance with Chapter 3A would be overly burdensome (i.e. Market Customers that may apply to connect small-scale rooftop PV).

## **How to make a submission**

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Industry are invited to provide written comment on draft chapter 3A to [tdowg@energy.wa.gov.au](mailto:tdowg@energy.wa.gov.au) or by contacting:

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