



PROPOSED TRANSITIONAL RULES FOR GENERATOR PERFORMANCE, MONITORING AND COMPLIANCE

EXPLANATORY MEMORANDUM

Background

In July 2020, the Energy Transformation Taskforce published draft [Amending Rules](#) for a new Chapter 3A and Appendix 12 of the Wholesale Electricity Market (WEM) Rules. The draft rules relocate generator performance standards and associated negotiation frameworks from Western Power's Technical Rules to the WEM Rules. The purpose of the change is to accommodate an improved compliance regime and allow for the Australian Energy Market Operator (AEMO) to have an equal role (along with Western Power) in the negotiation of standards for generators connecting to the South West Interconnected System (SWIS).

Important to the new framework is the development of a centralised register containing the individual standards for all transmission connected generating systems participating in the WEM, as well as a framework for the ongoing monitoring of performance against these registered standards. For new generators, the connection process will include the population of the register and development of an ongoing self-monitoring plan, as outlined in the draft Chapter 3A.

The draft GPS Transitional Rules that are the subject of this Explanatory Memorandum outline the process for Market Participants with existing transmission connected generating systems to register their standards and develop a suitable self-monitoring plan. The framework is somewhat different for these existing generators, acknowledging that:

- the standards to be contained with the new register (see Appendix 12) include some new standards that were not applicable at the time of connection for existing generators;
- the standards for existing generators are sometimes difficult to obtain, particularly those that connected prior to 2007 when the Technical Rules were introduced;
- complying with current standards and the template monitoring plan (to be published by AEMO) may be significantly cost prohibitive for some older generators; and
- most generators connecting since 2007 have existing self-monitoring plans.

Acknowledging the above differences, the draft Amending Rules for existing generators include:

- the use of standards agreed at the time of connection, as per written agreements between the Network Operator and the generator (including any exemptions obtained);

- where possible, the use of reference standards,¹ in situations where relevant standards are not identifiable within existing contractual documentation;
- the potential to use of 'minimum' standards under Appendix 12 to populate the register for new standards;
- where contractual documents addressing specific standards do not exist, the ability for generators and Western Power to negotiate standards that are not the reference standards or 'minimum' standards, where a generator can demonstrate that it is not reasonably able to comply with the reference standards or 'minimum' standards;
- retaining existing monitoring plans agreed between Western Power and the generator, with modifications to allow for the monitoring of any standards not be covered within these existing plans;
- the ability for generators and AEMO to negotiate monitoring plans that deviate from the template monitoring plan where a generator can demonstrate that it is not able to comply with the template, or that the cost of complying with the template is unreasonable; and
- a bespoke dispute resolution mechanism where negotiations between the generator, Western Power, and/or AEMO fail to reach agreement in relation to standards or the self-monitoring plan.

The remainder of this Explanatory Memorandum provides an overview of each section of the draft GPS Transitional Rules. It is recommended that these GPS Transitional Rules are read in conjunction with draft Chapter 3A and Appendix 12 [Amending Rules](#).

Overview by section

Section 1.4.1, 1.5.1, 1.75, 2.2D, 2.9.2CAB, 2.10 and 2.11

Under the proposed framework, the Coordinator of Energy will have new functions in relation to the dispute resolution process (as outlined in new section 2.2D) including responsibility for the development of procedures. New section 1.75 and 2.9.2CAB, as well as amendments to sections 1.4.1, 1.5.1, 2.10 and 2.11 are consequential amendments that provide baseline obligations and responsibilities associated with procedures, and include the Coordinator of Energy within broader clauses related to the hierarchy of instruments under the WEM Rules.

Section 1.AA Application of Chapter 3A to Existing Transmission Connected Generating Systems

This section outlines the application of Chapter 3A to existing generators. The detail of determining standards and a monitoring plan are outlined in further sections 1.AB and 1.AC, and therefore should be read in conjunction with these sections.

Existing generators are exempt from most of Chapter 3A until such time that standards are registered for that generator, and an approved self-monitoring plan is in place (cl 1.AA.1 and 1.AA.13). Timeframes are provided for these actions to be completed (1.AA.2 and 1.AA.7), with the ability to extend these timeframes by mutual agreement (cl 1.AA.4 – 1.AA.6 and 1.AA.9 –

¹ Reference standards are written standards that existed at the time of a generator's connection.

1.AA.11). Where timeframes expire without an agreed extension, the dispute resolution process will commence (cl 1.AA.3 and 1.AA.8).

Section 1.AB Generator performance standards for Existing Transmission Connected Generating Systems

This section sets out the process for determining the standards to be registered for each existing generator. The relevant standards, referred to as Technical Requirements, are documented within Appendix 12 of the [Amending Rules](#).

Where there are documented standards at the time of connection (or approved modification), these will be used, irrespective of whether they fall below the minimum standard in Appendix 12 (cl 1.AB.4). Documented standards may exist within contracts, or by other written means. Both the Network Operator and the generator must share information relevant to previously agreed standards (cl 1.AB.2 – 1.AB.3).

Where a standard is not known, reference standards will be used (cl 1.AB.5). The reference standards are as follows:

- For generators connecting since 2007, Western Power's Technical Rules;
- for generators connecting between 1997 and 2007 these are Western Power's Technical Code; and
- for generator's connecting prior to 1997, internal Western Power planning standards.

Where there is no previously agreed standard or reference standard (i.e. with new standards), or where the generator cannot comply with the reference standard (or where doing so would impose unreasonable costs), the generator and Western Power may negotiate an alternative standard (cl 1.AB.6).

When proposing an alternative standard, there is a requirement for generators to ensure that it is as close to the minimum or reference standard (as applicable) as possible, taking into account a range of factors, including the technical and commercial feasibility of complying with the ideal standard and the need to maintain power system security and reliability (cl 1.AB.8). Prior to accepting an alternative standard, the Network Operator must consult AEMO (cl 1.AB.10), and cannot accept a proposed standard unless AEMO also agrees (cl 1.AB.19(a)). AEMO and the Network Operator must agree to a proposed alternative standard if it meets the specified requirements, or where it relates to a new standard and the proposed alternative standard is at or above the minimum standard (as specified in Appendix 12) (cl 1.AB.14 and 1.AB.18). An exemption exists where there is an unacceptable risk to power system security and reliability or where agreeing to the alternative standard would create adverse effects for other users (cl 1.AB.15 and 1.AB.19(b)).

Should the Network Operator not approve the proposal, it must provide reasons why, and propose a standard that AEMO and the Network Operator would accept (cl 1.AB.20). Where an alternative standard cannot be agreed, testing may be agreed to assist in determining the appropriate standard (cl 1.AB.22(a) and 1.AB.24 – 1.AB.26). Failing this, the dispute resolution process will apply (see section 1.AD) (cl 1.AB.22(b) and 1.AB.27).

Once a standard is agreed, or is determined through the dispute resolution process, it will become the registered standard against which compliance will be measured (cl 1.AB.21, 1.AB.27, 1.AB. and 28).

The Network Operator is required to develop a procedure setting out the processes to be followed in submitting proposed standards, including information requirements, and its considerations in

assessing standards for existing generators. The procedure is also to include a list of the applicable reference standards (cl 1.AB.29).

Section 1.AC GPS Monitoring Plans for Existing Transmission Connected Generating Systems

This section outlines the process for existing generators to develop and obtain approval for a self-monitoring plan.

Generators will be required to submit a proposed self-monitoring plan to AEMO within 6 months of the GPS Commencement Date² (cl 1.AC.2) unless an extension is agreed (cl 1.AC.3 – 1.AC.5). Failure to do this will be associated with a civil penalty provision. AEMO must consider a proposed GPS Monitoring Plan submitted by a generator within 12 months of receiving it (cl 1.AC.10).

Proposed self-monitoring plans must be accepted by AEMO if they are consistent with its published template, or where variations from the template are justified and do not pose a risk to power system security and reliability (cl 1.AC.7). A list of considerations is provided for AEMO to assess whether a proposed variation is justified (cl AC.11). This list includes factors such as the technical and commercial feasibility of complying with the template, the age of the generator, and advice from manufacturers and industry experts.

AEMO is required to accept a self-monitoring plan that is consistent with an existing agreed monitoring plan with Western Power (cl 1.AC.9) unless it would pose a safety risk, or threaten power system security or reliability. Notwithstanding, given the existence of new standards, it is expected that existing monitoring plans will require some modifications.

Where AEMO rejects a self-monitoring plan, it must provide reasons, and may propose amendments that it would accept (cl 1.AC.13). Where agreement cannot be reached, the dispute process in section 1.AD will commence (cl 1.AC.14(b)).

Where AEMO and the generator agree to a self-monitoring plan, or it is determined by arbitration, it will be included within the register and generators will self-monitor performance in accordance with the plan (cl 1.AC.14(a) and 1.AC.16). There is flexibility for monitoring against the self-monitoring plan to commence from the time it is approved, or at a later date (cl 1.AC.15).

AEMO may develop a procedure setting out the process to be followed in submitting a proposed self-monitoring plan, including information requirements and its considerations in assessing proposed monitoring plans (cl 1.AC.6).

Section 1.AD GPS Dispute Resolution Mechanism

This section outlines the process for resolving disputes that arise in relation to either the negotiation of standards with Western Power, or a self-monitoring plan with AEMO.

A dispute can be referred to the dispute resolution process by any party at any time during the negotiation process, or is referred to arbitration where the WEM Rules specify that this is the case (i.e. at the conclusion of the timeframes for agreeing on standards or the monitoring plan).

Disputes are to be heard by an Arbitrator, appointed by Coordinator of Energy (cl 1.AD.2(a)). At least two secondary Arbitrators will also be appointed (cl 1.AD.2(b)) in the event that the primary Arbitrator has a conflict of interest or is unable to hear the dispute for other reasons (cl 1.AD.6).

² The GPS Commencement Date is 1 February 2021.

Processes are also contemplated where all appointed arbitrators are unable to hear the dispute (cl 1.AD.9).

During the dispute resolution process, the Arbitrator may call on one or more independent experts (from a technical panel of experts appointed by the Coordinator of Energy (cl 1.AD.2(c))) to provide advice in relation to technical aspects of a dispute (cl 1.AD.14). Prior to calling on a member of the technical panel of experts, the Arbitrator is required to advise all parties to the dispute, including the approximate cost. Parties to the dispute will also be able to advise if they believe that the technical expert has an actual, potential or perceived conflict of interest (cl 1.AD.15).

Once a dispute has been referred to an arbitrator, the proceedings are taken to have commenced (cl 1.AD.11). The Arbitrator must seek to resolve disputes within 6 months (cl 1.AD.13) of the commencement date, with the decision to be published (cl 1.AD.22). Decisions of the Arbitrator are not subject to the dispute process under section 2.18 of the WEM Rules (cl 2.18.1(f)).

The dispute-specific costs of the Arbitrator and technical panel are to be shared equally by the parties to the dispute (cl 1.AD.19), unless specified otherwise by the Arbitrator (cl 1.AD.20). The Arbitrator may procure any support and services reasonably required to support arbitral proceedings and recover the costs of these from Parties to the dispute (cl. 1.AD.27).

The Coordinator is to develop a procedure that documents a range of matters relating to the dispute resolution process, including the process for referring matters to the Arbitrator and the manner in which the dispute is to be resolved by the Arbitrator (cl 1.AD.10 and 1.AD.12). The Coordinator is also required to separately publish information relevant to the appointment of all arbitrators and the panel of technical experts (cl 1.AD.3 and 1.AD.28). Consistent with other WEM Procedures under the Energy Transformation Strategy, a transitional process for the development of the Coordinator's procedure is provided, which includes industry consultation (section 1.AE).

How to make a submission

This Explanatory Memorandum and draft GPS Transitional Rules has been updated and re-released following the industry forum on 9 September 2020. Industry are now invited to provide written comment by 28 September 2020. Comments can be submitted to: tdowg@energy.wa.gov.au or by contacting:

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