

## Wholesale Electricity Market Rule Change Proposal Submission

**RC\_2014\_03**

### Administrative Improvements to the Outage Process

**Submitted by**

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Submissions on Rule Change Proposals can be sent by:

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Post to: Rule Change Panel  
Attn: Executive Officer  
C/o Economic Regulation Authority  
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PERTH BC WA 6849

**1. Please provide your views on the proposal, including any objections or suggested revisions.**

The Australian Energy Market Operator (AEMO) welcomes the opportunity to provide a submission to the Rule Change Panel (Panel) on the Draft Rule Change Report for Rule Change RC\_2014\_03 – Administrative Improvements to the Outage Process (Report).

The RC\_2014\_03 Rule Change Proposal (Rule Change Proposal) has evolved significantly since it was first published in 2014. AEMO appreciates the effort the Panel has made to consult with the industry and the consequent reduction in scope of the Rule Change Proposal. While the impact of the rule change has reduced as a result of the scope change, the resources and time required to implement the rule change are still significant.

AEMO is not convinced that the benefits of the rule change outweigh the costs imposed upon Market Participants. The AEMO IT system changes required to address the proposed rule change are estimated to cost approximately \$486,000<sup>1</sup>, but the resulting rules will only have a lifespan of about 15 months (i.e. June 2021 to October 2022, which is the proposed commencement date of the rule requirements developed under the Energy Transformation

<sup>1</sup> This includes a contingency allowance of \$168,900 which will only be incurred under specific circumstances.

Strategy – Delivering the Future Power System reforms (WEM Reform)).

It is also important to note that AEMO and the wider industry are currently working to implement the WEM Reform. Considering the time constraints associated with WEM Reform, AEMO believes that the industry's resources would be better placed focusing on implementing the WEM Reform. AEMO also understands, that the WEM Reform will deliver the same outcomes as this Rule Change Proposal.

AEMO provides the following comments to various sections of the Report identified below:

#### **A. Section 6.4.4.3 Consultation on transitional provisions**

The Panel has indicated on page 106 of the Rule Change Proposal (at footnote 123) that proposed transitional rule 1.nn.6 applies to Scheduled Outages and Planned Outages. However, the drafting only refers to an Outage Plan – thereby excluding Scheduled Outages and Planned Outages. AEMO's long-standing view has been that a Scheduled Outage becomes a Planned Outage. That is, the term 'Outage Plan' does not include a Planned Outage. AEMO is discussing this potential omission with the Panel.

AEMO also notes that proposed transitional rules 1.nn.3 to 1.nn.7 use defined terms that will not commence until the remainder of the Amending Rules commence. Therefore, it appears AEMO will not be able to perform the functions required in those clauses, as the relevant concepts will not exist at the time the transitional rules commence.

#### **B. Section 6.8.1 AEMO Costs**

- i. The Panel notes on page 114 of the Report that a material proportion of the costs required to modify the Wholesale Electricity Market System (WEMS) in order to implement the Rule Change Proposal relate to changes to enable the recording of ex-ante outage schedules and ex-post outage schedules in WEMS. The Panel notes that the obligation to account for high-temperature days in capacity-adjusted outage calculations has existed since 2007 and that this component of AEMO's cost estimate relates to an existing compliance obligation, rather than implementation of the Amending Rules for this Rule Change Proposal.

AEMO's response:

AEMO's inability to comply with the obligation to account for high-temperature days in capacity-adjusted outage calculations is a known error in the Wholesale Electricity Market Rules (WEM Rules) that has existed since 2007<sup>2</sup>. If changes are not required to be made because of the Rule Change Proposal, AEMO would continue to risk-accept this non-compliance. Further, the Rule Change Proposal requires a bespoke IT solution that will require further costs to be incurred. Therefore, the WEMS changes estimated by AEMO should be included in the consideration of costs and benefits, as the associated costs would not otherwise be incurred if this rule change did not proceed.

- ii. The Panel recommends on Page 114 of the Report that AEMO reconsider whether its decision to not leverage the existing Dispatch Advisory functionality, and the extent to which it proposes to automate the mechanism to minimise compliance risk, are warranted, given the low expected volumes of Foreseeable Constraints and the shorter

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<sup>2</sup> Prior to AEMO operating in the WEM in 2016, System Management as part of Western Power was unable to receive the Reserve Capacity Obligation Quantity (RCOQ) data required for capacity-adjusted outage calculations

expected lifespan of the mechanism.

AEMO's response:

AEMO has considered several implementation options and has concluded that use of the current Dispatch Advisory mechanism is not suitable for AEMO to ensure compliance with the proposed Amending Rules.

- iii. The Panel notes on Page 115 of the Report that the remaining system management system costs includes transition costs relating to the creation of a new table of effective dated values for Coefficient 1 and Coefficient 2. Given the proposed transitional approach set out in section 6.4.4.2 of the Report, the Panel suggests that it may be possible to manage the transition without incurring the costs of the proposed table (Table 6.1 of the Report).
- iv. The Panel notes on Page 115 that the cost estimate to implement system changes, resulting from proposed changes to clauses 3.18.2A, 3.18.9A and 3.19.2E of the WEM Rules to prevent retrospective changes to Planned Outage end times or quantities of de-rating, is acceptable, given the associated transparency benefits. The Panel notes that physically preventing adjustments to Planned Outage end times in SMMITS is not the only implementation option.

AEMO's response:

AEMO has considered several implementation options for the issues raised in (iii) and (iv) above. AEMO concluded that the proposed mechanism, set out in section 6.4.4.2 of the Report, is the most efficient method to meet the requirements of the rule change and to ensure compliance with the proposed Amending Rules.

### **C. Section 6.8.2 Practicality**

The Panel considers on page 116 that a 6-month implementation period is very conservative.

AEMO's response:

AEMO notes that, given the requirements of a substantial IT implementation and the need to revise a Market Procedure (minimum 28 business days), any lesser timeframe will create a risk that implementation will not be completed by the commencement date. As such, the 6-month timeframe is not conservative, but reasonable.

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## **2. Please provide an assessment whether the change will better facilitate the achievement of the Wholesale Market Objectives.**

AEMO considers that the Amending Rules created under the Rule Change Proposal will allow the WEM Rules to better achieve Wholesale Market Objectives (a) and (c).

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## **3. Please indicate if the proposed change will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.**

The proposed rule change will have negative implications on AEMO's capacity to pursue the WEM Reform objectives because it will direct resources away from the WEM Reform program.

AEMO estimates that the Rule Change Proposal will cost \$486,470.

	<b>Costs (\$)</b>	<b>Contingency (\$)</b>	<b>Total (\$)</b>
<b>WEMS Changes</b>	218,830	124,030	342,860
<b>System Management System Changes</b>	89,740	44,870	134,610
<b>Procedures</b>	9,000	-	9,000
<b>Total</b>	317,570	168,900	486,470

The estimated IT cost of \$486,470 is about \$64,000 lower compared to the estimate provided in the Draft Rule Change Report. The lower costs represent IT changes managed internally by AEMO as opposed to costs associated with a third-party service provider.

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**4. Please indicate the time required for your organisation to implement the change, should it be accepted as proposed.**

AEMO estimates that it will require 6 months to implement the changes, including changes to Market Procedures.

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