

Wholesale Electricity Market Rule Change Proposal Submission

RC_2017_05 AEMO Role in Market Development

Submitted by

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Submissions on Rule Change Proposals can be sent by:

Email to: rcp.secretariat@rcpwa.com.au

Post to: Rule Change Panel
Attn: Executive Officer
C/o Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

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

AEMO is well positioned as both market operator and system manager to identify areas where efficiencies can be implemented that will reduce operating costs and enhance outcomes. Perth Energy agrees that AEMO should contribute to the development of the market and efficiency improvements of market processes.

Perth Energy also agrees that AEMO is required by the Market Rules to provide support for periodic reviews undertaken by the Economic Regulation Authority and to provide information, including analysis, for the Rule Change Panel.

In these areas AEMO provides services that cannot be effectively provided by other entities. This should be recognized within the Market Rules and adequate funding should be provided for AEMO through the ERA regulatory process.

Our concern, which appears to be mirrored in the Rule Change Notice, is that the statement "promote the development ... of the WEM" is a very wide ranging remit which could lead to

AEMO establishing a large staff undertaking substantial assessments. It would be very easy for “mission creep” to move AEMO into the role of developing structural changes to the market in parallel with, or even in competition with, the Public Utilities Office or other Government agencies. While AEMO may well be able to identify opportunities for such change, undertaking such work separately from the PUO would clearly be counter-productive.

Perth Energy is happy to invest in AEMO if there is a sufficient value proposition, however not including the cost of the investment nor a defined value proposition resulting from this change makes it an incomplete rule change proposal.

Private industry has committed, and continues to commit, substantial resources out of its own pocket to support the rule change and market reform processes. We see extension of AEMO’s market development role carrying the risk that greater industry commitment will be required in response to ideas that it puts forward. Placing a limit on how many rule change proposals can be submitted by AEMO is clearly not efficient but AEMO does need to recognize the costs incurred by private industry, Government trading enterprises and the PUO/RCP to respond.

Developing a balance between restricting AEMO’s ability to contribute to market development and giving it a totally free hand is clearly not easy. A document such as a Statement of Role could potentially assist by:

- defining the general areas of activity where AEMO can act without limit;
- establishing a process whereby AEMO should channel any structural change ideas through to the PUO; and
- outline how AEMO can participate within broader market reviews.

The Statement of Role could also set limits on the level of staffing that AEMO can include for market development within its funding requests. The cost of these resources will be passed through to the market participants and subsequently through to customers so they need to be clearly justified.

Given the current lack of information, Perth Energy cannot support the current rule change because the cost and the benefits are not clear. Perth Energy suggests that the proposed specific rule change should be modified to specify a more limited scope than AEMO has proposed.

2.1A.2.

(IA) to promote the development and improve the effectiveness of the operation and effectiveness of the Wholesale Electricity Market, including providing information to the Rule Change Panel and Economic regulation Authority to support their respective functions; and

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

Perth Energy considers that appropriate funding to “improve the effectiveness of the operation and administration of the WEM” would be productive and better achieve the

market objectives. However, if AEMO moves into review of the fundamental structure of the market it is likely to be counter-productive and lead to lower market efficiencies.

- 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.**

As noted above, if AEMO extends its role from improving market effectiveness to market development Perth Energy may have to commit additional resources to respond.

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

Nil
