

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.

The Public Utilities Office welcomes the opportunity to provide a response to this Rule Change Proposal relating to the role of the Australian Energy Market Operator (AEMO) in the ongoing development and evolution of the Wholesale Electricity Market (RC_2017_05). The Public Utilities Office is supportive of the intent of AEMO's Rule Change Proposal. However, the proposed Market Rules as currently drafted require further refinement to provide clearer definition of AEMO's future market development responsibilities.

It is noted that AEMO is seeking to formalise responsibility for two (additional) distinct roles:

- development of the Wholesale Electricity Market; and
- provision of information and analysis to support the making of improvements to the effectiveness of the Wholesale Electricity Market.

While both activities require a clear role statement as to AEMO's responsibilities, the second is more straight-forward as it essentially involves the provision of information and analysis to the Rule Change Panel and Economic Regulation Authority, and the identification of improvements to address smaller-scale deficiencies in market operations and settlement processes. These views are consistent with those expressed in the discussion of the proposal at the July 2017 Market Advisory Committee meeting, (as detailed in the Rule Change Notice for this proposal).

As noted in the Rule Change Notice, similar challenges are being faced in the National Electricity Market, with recent reviews of governance arrangements recommending that the COAG Energy Council provide AEMO with a "statement of role" to clarify its responsibilities in this market. A role statement of this nature would provide a useful starting point in addressing the above concerns, however it is not expected to be in place until around mid-2018.

An alternative approach could involve use of the annual reports prepared by the Economic Regulation Authority to the Minister for Energy on the effectiveness of the Wholesale Electricity Market. These annual reports could explicitly define market development priorities to be undertaken by AEMO, ensuring that any initiatives in this regard have the broad support of market participants given the consultative processes that are undertaken in preparing these reports.

The scope of Economic Regulation Authority's annual reports could also be expanded to differentiate between market development activities by AEMO and the policy related responsibilities more properly undertaken by the Public Utilities Office.

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

While the Rule Change Proposal is supported in principle, as currently drafted the Public Utilities Office does not consider that all aspects of the proposed rules will better facilitate achievement of the Wholesale Market Objectives. In particular, the absence of a clearly defined role for AEMO's market development responsibilities could introduce inefficiencies and confusion amongst market participants and industry bodies (in conflict with objectives (a) and (d)).

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 Minister for Energy has recently announced a number of electricity sector reform initiatives, including the implementation of a constrained network access model for Western Power's network. Changes to the network access regulation model for the Western Power network will require consequential and complementary changes to the Wholesale Electricity Market Rules, including a new generator dispatch tool to be designed and implemented by AEMO.

As the proposed electricity sector reform initiatives are further developed, the Public Utilities Office is continuing to work with AEMO to ensure there is a clear delineation of responsibilities for any activities to be undertaken to avoid duplication of effort or conflicting outcomes.

Clearer definition of the scope of AEMO's market development responsibilities will contribute towards this aim.

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

Not applicable.