

## Wholesale Electricity Market Rule Change Proposal Submission

### RC\_2017\_05 - AEMO Role in Market Development

#### Submitted by:

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<b>Date submitted:</b>	29 August 2017

Submissions on Rule Change Proposals can be sent by:

Email to: [rcp.secretariat@rcpwa.com.au](mailto: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.**

Synergy's comments in relation to the proposal are as follows:

- AEMO should and currently does have a say in market development however, the proposed rule change would significantly broaden its functions under the WEM rules. Synergy is concerned the proposed function extension could significantly increase industry costs as the rule change would have the effect of increasing AEMO's scope of services that could be legitimately included in allowable revenue and forecast capital expenditure.
- Synergy agrees with the rule change panel (**RCP**) that the scope of the new function is very broad, the proposed drafting places no limits on AEMO's market development role and provides no clarity on the boundaries between AEMO's market development role and that of other agencies such as the Public Utilities Office (**PUO**).
- The rule change is premature on three grounds. Firstly, the Vertigan and Finkel market reviews both determined there was confusion regarding AEMO's market development role and recommended the COAG Energy Council issue AEMO with a "statement of role" to provide greater clarity. Secondly, there is uncertainty

regarding WEM policy direction and reform. Thirdly, AEMO has indicated it will submit a further allowable revenue adjustment in the third or fourth quarter of 2017 “once clarification has been obtained about the underpinning market reform legislation”. Role clarity, certainty on WEM reform and visibility on AEMO’s future allowable revenue adjustment should occur prior to the rule change being considered.

- Should the rule change be approved, Synergy supports AEMO’s proposal there be published memoranda of understanding (**MOU**) between AEMO and the Economic Regulation Authority and AEMO and the RCP. An MOU should also exist between AEMO and PUO. Any MUO should provide for role clarity in relation to market development matters and specifically address how regulatory and policy duplication will be avoided.

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

- Synergy is concerned AEMO’s proposed rule change proposal (as published by the RCP) did not contain any costs for its proposed role extension. Further we note AEMO’s position that the incremental cost to its budget for the activities described in its rule change proposal is unclear due to the uncertainty over the broader reform program and may fluctuate over time with the pace of regulatory change progressed via the RCP and broader reform program.
- In the absence of any cost information in relation to AEMO’s increased functions Synergy cannot determine whether the proposal meets WEM objectives (a) and (d) nor can it assess its own cost impact of having to fund AEMO’s extended functions. Consequently, the RCP should carefully review the sufficiency of the information provided to it and whether the rule change meets WEM objectives (a) and (d).

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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.**

Please Refer Q.2 above.

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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.