

## Commencement Notice: Wholesale Electricity Market Rules

Amending Rules RC\_2019\_05

These Amending Rules were made under the *Electricity Industry Act 2004* and the *Electricity Industry (Wholesale Electricity Market) Regulations 2004* on 31 July 2020.

These Amending Rules commence at 8:00 AM on 7 August 2020.

The following clauses are amended (~~deleted wording~~, new wording):

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### **1.35. Specific Transitional Provisions for the First Review of the Minimum STEM Price**

1.35.1. Notwithstanding clause 6.20.13, the Economic Regulation Authority must commence the first review of the Minimum STEM Price under clause 6.20.13 by 1 February 2021.

1.35.2. Notwithstanding clause 6.20.14, for the first review of the Minimum STEM Price under clause 6.20.13(a), the time period for which the Economic Regulation Authority must consider the matters referred to in clause 6.20.14 is at least the period beginning on 1 October 2019 until the commencement of the first review.

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2.26.1. Where AEMO has proposed a revised value for the Benchmark Reserve Capacity Price in accordance with section 4.16 or a change in the value of one or ~~more~~ both of the Maximum STEM Price and the Alternative Maximum STEM Price Energy Price Limits in accordance with section 6.20, the Economic Regulation Authority must:

- (a) review the report provided by AEMO, including all submissions received by AEMO in preparation of the report;
- (b) ~~make a decision as to~~ decide whether ~~or not~~ to approve the revised value for the Benchmark Reserve Capacity Price or any value comprising the Energy Price Limits;
- (c) in making its decision, only consider:
  - i. whether the proposed revised value for the Benchmark Reserve Capacity Price or Energy Price Limit proposed by AEMO reasonably reflects the application of the method and guiding principles described in ~~clauses~~ sections 4.16 or 6.20 (as applicable);

- ii. whether AEMO has carried out an adequate public consultation process; and
- (d) notify AEMO ~~as to whether or not~~ it has approved the revised or recommended value.

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6.20.9. In conducting the review required by clause 6.20.6 AEMO must prepare a draft report describing how it has arrived at a proposed revised value of ~~an~~ one or both of the Maximum STEM Price and Alternative Maximum STEM Price ~~Energy Price Limit~~. The draft report must also include details of how AEMO determined the appropriate values to apply for the factors described in clauses 6.20.7-(b)(i) to 6.20.7(b)(v). AEMO must publish the draft report on the Market Web Site and advertise the report in newspapers widely published in Western Australia and request submissions from all sectors of the Western Australia energy industry, including end-users, within six weeks of the date of publication.

6.20.9A. Prior to proposing a final revised value ~~to an Energy Price Limit~~ for one or both of the Maximum STEM Price and Alternative Maximum STEM Price in accordance with clause 6.20.10, AEMO may publish a request for further submissions on the Market Web Site. Where AEMO publishes a request for further submissions in accordance with this clause, it must request submissions from all sectors of the Western Australia energy industry, including end-users.

6.20.10. After considering the submissions on the draft report described in clause 6.20.9, and any submissions received under clause 6.20.9A, AEMO must propose a final revised value ~~for any proposed change to an Energy Price Limit~~ one or both of the Maximum STEM Price and Alternative Maximum STEM Price and submit those values and its final report, including any submissions received, to the Economic Regulation Authority for approval.

6.20.11. A proposed revised value for the Maximum STEM Price and the Alternative Maximum STEM Price ~~any Energy Price Limit~~ replaces the previous value after:

- (a) the Economic Regulation Authority has approved that value in accordance with clause 2.26.1; and
- (b) AEMO has posted a notice on the Market Web Site of the new value of the applicable Energy Price Limit,

with effect from the time specified in AEMO's notice.

6.20.12. The Minimum STEM Price is:

- (a) -\$1000/MWh until the first time the value of the Minimum STEM Price is revised by the Economic Regulation Authority and takes effect in accordance with clause 6.20.29; and then
- (b) the revised value published in each final report by the Economic Regulation Authority pursuant to clause 6.20.29, from the time specified in the relevant final report until such time as a further revised value is published and takes effect in a subsequent final report.

6.20.13. The Economic Regulation Authority must annually review the value of the Minimum STEM Price and must:

- (a) determine whether the Minimum STEM Price is appropriate in accordance with clause 6.20.14; and
- (b) subject to clause 6.20.15, determine the value of the Minimum STEM Price, with reference to clause 6.20.16 and in accordance with clauses 6.20.17 to 6.20.20, where the Economic Regulation Authority determines that the current value of the Minimum STEM Price is not appropriate.

6.20.14. In determining whether the Minimum STEM Price is appropriate under clause 6.20.13(a), subject to clause 1.35.2, the Economic Regulation Authority must consider without limitation, if since the last annual review of the Minimum STEM Price under clause 6.20.13:

- (a) the Balancing Market has settled at the Minimum STEM Price in one or more Trading Intervals because, in the Economic Regulation Authority's reasonable opinion, the Minimum STEM Price was too high;
- (b) AEMO dispatched a Facility below the sum of all quantities priced at the Minimum STEM Price in the relevant Forecast Balancing Merit Order, for reasons other than Downwards Out of Merit dispatch and dispatch of LFAS or other Ancillary Services, because, in the Economic Regulation Authority's reasonable opinion, the Minimum STEM Price was too high;
- (c) there has been a change in the generation fleet in the SWIS that, in the Economic Regulation Authority's reasonable opinion, is likely to result in:
  - i. the current Minimum STEM Price being materially lower than necessary to achieve the criterion in clause 6.20.16(a), including but not limited to an upgrade or the retirement of a Facility with high cycling costs; or
  - ii. the current Minimum STEM Price being too high to achieve the criterion in clause 6.20.16(a), including but not limited to the increase of cycling costs due to deterioration or aging of an existing plant; and
- (d) a Market Participant has notified the Economic Regulation Authority that it considers the Minimum STEM Price is not appropriate or requested the Minimum STEM Price be revised or amended and provided reasons for the basis of its consideration or request.

6.20.15. The Economic Regulation Authority must not revise the value of the Minimum STEM Price under clause 6.20.13(b), if it determines the Minimum STEM Price is appropriate under clause 6.20.13(a).

6.20.16. The Minimum STEM Price must:

- (a) allow clearance of the Balancing Market without the Balancing Price being equal to the Minimum STEM Price in most circumstances; and

(b) subject to clause 6.20.16(a), limit Market Participants' exposure to Balancing Prices that would threaten the financial viability of a prudent Market Participant.

6.20.17. When revising the value of the Minimum STEM Price in accordance with clause 6.20.13(b), the Economic Regulation Authority must:

(a) determine for credible scenarios of low demand, the price at which the operator of the Facility with the highest cycling costs per MW in the scenario would, acting reasonably, decommit the Facility should the Balancing Price equal or fall below that price for a single Trading Interval; and

(b) revise the Minimum STEM Price to be the highest price determined under those scenarios that is lower than 95 percent of all of the prices determined under clause 6.20.17(a).

6.20.18. When determining the credible scenarios of low demand for the purpose of clause 6.20.17(a), the Economic Regulation Authority may use historic scenarios but must also account for any changes expected to the SWIS that would come into effect prior to the time that the Minimum STEM Price would apply and that are likely to have an effect on the Balancing Price. The changes include, but are not limited to:

(a) expected changes in system demand;

(b) any expected entrance of a new Facility that will participate in the Balancing Market;

(c) expected changes to an existing Facility; and

(d) any expected permanent exit of a Facility from the Balancing Market.

6.20.19. When determining the cycling costs of a Facility under clause 6.20.17(a), the Economic Regulation Authority must consider:

(a) the factors that a Market Generator acting reasonably would consider in making a decommitment decision for the Facility with the highest cycling cost in the SWIS, assuming that all energy sent out by the Facility is settled at the Balancing Price:

i. the cost to decommit and recommit within the timeframe specified under clause 6.20.19(a)(iii), including start-related fuel and variable operating and maintenance costs of the Facility;

ii. the minimum stable level of operation of the Facility;

iii. the minimum time the Facility must remain out of service once decommitted before recommitment is possible;

iv. any expected losses or gains, opportunity costs and cost savings that the Market Generator would incur as a result of decommitment for the duration of the minimum time the Facility must remain out of service; and

(b) any other matters that the Economic Regulation Authority deems relevant.

- 6.20.20. In determining the cycling costs of a Facility pursuant to clause 6.20.17(a), the Economic Regulation Authority must have regard to the Wholesale Market Objectives and must, as far as practicable, use information about the cost the relevant Facility would incur as provided by the relevant Market Participant but may use estimates where the Economic Regulation Authority considers reasonable.
- 6.20.21. When undertaking its review under clause 6.20.13, the Economic Regulation Authority may request a Market Participant to provide the information listed in clause 6.20.19(a)(i) for a specific Facility if the Economic Regulation Authority considers that it needs this information.
- 6.20.22. If the Economic Regulation Authority requests information under clause 6.20.21, the Economic Regulation Authority must specify the time by which the information must be provided and must give the Market Participant at least 10 Business Days to provide the requested information.
- 6.20.23. If the Economic Regulation Authority requests information under clause 6.20.21, the respective Market Participant must provide this information within the timeframe specified in the request.
- 6.20.24. A Market Participant may, by the timeframe specified for the close of submissions under clause 6.20.27, provide the Economic Regulation Authority with evidence regarding the costs a Facility incurs when decommitting for the purpose of the Market Rules and which the Economic Regulation Authority must consider in determining the revised value for the Minimum STEM Price under clause 6.20.13(b).
- 6.20.25. Where a Market Participant provides the Economic Regulation Authority with satisfactory evidence under clause 6.20.24, the Economic Regulation Authority must consider the information when determining the revised Minimum STEM Price as far as the information affects the Economic Regulation Authority's reasonable estimate of any costs that a prudent Market Generator would incur when decommitting its Facility in the scenarios under clause 6.20.17(a).
- 6.20.26. In conducting the review required by clause 6.20.13, the Economic Regulation Authority must prepare and publish on its website a draft report setting out:
- (a) its determination and reasons as to the appropriateness of the current value of the Minimum STEM Price; and
  - (b) if applicable:
    - i. the proposed revised value for the Minimum STEM Price;
    - ii. how it arrived at the revised value for the Minimum STEM Price and, subject to the Economic Regulation Authority's confidentiality obligations, details of how the Economic Regulation Authority determined the values that applied in respect of each of the factors described in clause 6.20.19; and
    - iii. a proposed effective date for the revised value.

6.20.27. The Economic Regulation Authority must publish a request for submissions from interested parties on the draft report referred to in clause 6.20.26 on its website where the deadline for the submissions must be no earlier than six weeks after the date of publication of the draft report.

6.20.28. Prior to revising the value of the Minimum STEM Price in accordance with clause 6.20.29, the Economic Regulation Authority may publish a request for further submissions on its website. Where the Economic Regulation Authority publishes a request for further submissions in accordance with this clause, it must request submissions from all sectors of the Western Australia energy industry, including end-users.

6.20.29. After considering the submissions received on the draft report referred to in clause 6.20.27 and any submissions received under clause 6.20.28, the Economic Regulation Authority must:

- (a) publish any submissions received on its website;
- (b) prepare and publish on its website a final report, setting out:
  - i. its determination and reasons as to the appropriateness of the current value of the Minimum STEM Price; and
  - ii. if applicable:
    - 1. the revised value for the Minimum STEM Price;
    - 2. how it arrived at the revised value for the Minimum STEM Price and, subject to the Economic Regulation Authority's confidentiality obligations, details of how the Economic Regulation Authority determined the values applied in respect of each of the factors described in clause 6.20.19; and
    - 3. the date the revised value is to take effect, where the effective date must be at least five Business Days after the publication of the report; and
- (c) if applicable, inform AEMO of the revised value for the Minimum STEM Price and when the revised value is to take effect.

6.20.30. A revised value for the Minimum STEM Price replaces the previous value after the Economic Regulation Authority has published its final report in accordance with clause 6.20.29, with effect from the time specified in final report.

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10.5.1. AEMO must set the class of confidentiality status for the following information under clause 10.2.1 as Public and AEMO must make each item of information available from or via the Market Web Site after that item of information becomes available to AEMO:

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- (e) details of bid, offer and clearing price limits as approved by the Economic Regulation Authority including:

- i. the Benchmark Reserve Capacity Price;
- ii. the Maximum STEM Price; ~~and~~
- iii. the Alternative Maximum STEM Price; and
- iv. the Minimum STEM Price,

including rules that could cause different values to apply at different times;

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10.7.2. AEMO must set the class of confidentiality status for all information provided by a Market Participant to the Economic Regulation Authority under clauses 6.20.23 and 6.20.24 as Rule Participant Market Restricted.

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## Glossary

**Minimum STEM Price:** ~~Means negative \$1,000.00 per MWh.~~ the minimum price that a Market Participant can use in Price-Quantity Pairs in a STEM Submission and in Balancing Price-Quantity Pairs in a Balancing Submission, as determined in accordance with section 6.20.

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