



23 November 2021

Energy Policy WA
Locked Bag 11
Cloisters Square WA 6850

Submitted via email: submissions@energy.wa.gov.au

TRANCHE 5 PROPOSED WEM AMENDING RULES

Alinta Energy appreciates the opportunity to provide feedback on the fifth tranche of proposed WEM amending rules.

Alinta Energy raises the following issues and suggested solutions for EPWA's further consideration.

Risk of incorrect 2021 accreditation and NAQ value in 2022

Alinta Energy has identified an issue in the current Constrained Access Entitlement process that, if unaddressed, could understate a Constrained Access Facility's Capacity Credits in the 2021 cycle, and NAQ value under the new amending rules, potentially impacting its accreditation for the rest of its economic life.

Item 2.8 of Appendix 11 states that in determining the network access available, the Network Operator must assume that each Constrained Access Facility that has previously been assigned Capacity Credits would, unless it is required to operate at a lower level due to limitations in the Network Constraint List or an NCS, operate at "the MW equivalent of the most recently assigned Capacity Credits".

Alinta Energy notes that this leads to the CAE calculation only being able to equal a maximum of the facility's previous accreditation.

The CAE then caps the facility's Capacity Credits: clause 4.11.1(bA)(i) states that a Constrained Access Facility's CRC must not exceed its CAE. Consequently, Constrained Access Facilities' Capacity Credits are capped at the previous year's accreditation, regardless of network capacity and any improvement in their performance.

This is obviously incorrect because:

- 1) A Constrained Access Facility's CRC is meant to reflect its availability during high system stress periods, subject to any network constraints, as measured by the CAE. However, due to Step 2.8, it is assumed that a Constrained Access Facility's availability can never increase above what it was assigned in the Capacity Cycle, regardless of any improvement in its performance, even before the level of available network capacity is measured. This issue is particularly impactful for intermittent generators as their performance varies each year, as estimated by the Relevant Level Method.

- 2) The NAQ regime does not apply this limit. Under the NAQ regime, which similarly aims to identify a given facility's load carrying capability, after considering the level network capacity remaining, a facility's CRC is permitted to increase each year where that Facility receives a higher relevant level.

If unaddressed, this error in the WEM Rules may understate all GIA generators' Capacity Credits in the 2021 cycle. Although, the latest Consolidated Companion Version states that the CAE regime won't apply from the 2021 cycle,¹ Alinta Energy notes that the current rules still contain this regime and will apply it for the 2021 cycle, while the NAQ framework won't commence until the 2022 cycle.²

Further, this issue may impact a Constrained Access Facility's accreditation for the rest of its economic life. Under clause 1.46.1 (b) (iii) of the Tranche 5 proposed amending rules, a GIA Facility (Constrained Access Facility) that is not an intermittent generator, receives an NAQ equal to the lesser of:

- 1) the Capacity Credits it received in 2021 cycle; and
- 2) the CRC assigned to the Facility for the 2022 cycle that it intends to trade bilaterally.

To avoid this outcome and rectify this issue, Alinta Energy recommends that the current WEM Rules are amended as follows:

2.8. In determining the network access available under item 2.7, the Network Operator must assume each Constrained Access Facility—

(a) is constrained in a manner consistent with any relevant Arrangement for Access (including any Network Control Service Contract); and

(b) would, unless a Constrained Access Facility is required to operate at a lower level due to the application of limitations in the Network Constraint List or in accordance with item 2.8(a), operate at—

~~i. where the Facility has previously been assigned Capacity Credits, the MW equivalent of the most recently assigned Capacity Credits; or~~

~~ii. where the Facility has not previously been assigned Capacity Credits—~~

~~4. i.~~ where the applicant for Certified Reserve Capacity in respect of the Facility has nominated under clause 4.10.1(i) for the Facility to be assessed under clause 4.11.2(b) (and AEMO has not rejected such nomination under clause 4.11.2(a)), the value determined in accordance with Appendix 9; or

~~2. ii.~~ otherwise, the level of Certified Reserve Capacity the applicant has applied for in respect of the Facility under clause 4.10.

The proposed rules to AEMO and ERA's functions could be interpreted as reversing recent energy sector governance amendments

EPWA recently undertook a significant exercise to amend the energy sector governance arrangements³ to "rationalise and clarify governance roles to reduce existing overlaps and address ongoing gaps". It was intended that these changes would also "make better use of

¹ p.855 of the latest consolidated companion version of the WEM Rules states that "Appendix 11 is deleted as consequence of the Constrained Access Entitlement regime no longer applying from the 2021 Reserve Capacity Cycle."

² [Information Paper Reserve Capacity Mechanism - Changes to support the implementation of constrained access and facilitate storage participation.pdf \(www.wa.gov.au\)](#) p.17.

³ Refer: [WA's energy sector governance arrangements are changing \(www.wa.gov.au\)](#)

the different skills across the governance bodies by clarifying their focus". As a result, the Government agreed to clarify and enhance the governance arrangements where:

- the Coordinator of Energy, supported by EPWA, will undertake policy, market development, strategic planning and overall coordination;
- the ERA will undertake economic regulation and price setting, licencing and compliance; and
- AEMO will undertake system operation, market operation and associated market administration (e.g. registration, settlement etc.).

Alinta Energy is concerned that the proposed clauses 2.1A.2(n) and 2.2A.1(e) of the Tranche 5 Amending Rules, as drafted, could be interpreted as vesting policy and market development roles back with ERA and AEMO.

For clarity, Alinta Energy recommends that both rules be amended as follows:

...to ~~prepare for and facilitate~~ implement decisions made by the Coordinator regarding the evolution and development of the Wholesale Electricity Market and the WEM Rules...

For the avoidance of doubt, Alinta Energy has made the same comments on the relevant provisions of the GSI Amending Rules.

The removal of the Declared Market Project concept could substantially increase fees

Alinta Energy notes that the concept of a Declared Market Project has been removed from the amending rules and is instead replaced with an undefined term "project".

Alinta Energy is concerned that this creates the potential for material increases in fees to occur without appropriate review or scrutiny by the ERA before a major project is commenced (as contemplated by the current clause 2.22A.134).

As drafted, proposed clause 2.22A.14 allows AEMO to apply for an Allowable Revenue or Forecast Capital Expenditure adjustment for "new costs for projects...since AEMO's proposal...". Alinta Energy considers that this allows AEMO to commence new projects at any time without any oversight or approval.

Alinta Energy recognises that it is necessary to balance:

- providing AEMO with the flexibility to respond to changing circumstances (e.g. cost increases or need for additional expenditure) during a Review Period; and
- providing the accountability to AEMO to ensure that its Allowable Revenue or Forecast Capital Expenditure includes only those costs that would be incurred by a prudent provider acting efficiently, seeking to achieve the lowest practicably sustainable cost of delivering the required services, while effectively promoting the GSI objectives.

Given this, Alinta Energy considers that proposed clause 2.22A.9 should be further amended as follows:

(7) The ERA must consult on and issue guidelines in relation to this Division, including:

proposal guidelines, which ~~may~~ must consider how uncertain future projects may be

⁴ Proposed to be deleted in the Tranche 5 Amending Rules.

dealt with, [including any required approvals before the initiation of new projects](#), and provide clarity and guidance to AEMO and Gas Market Participants about the level of detail regarding projects, functions and costs expected in AEMO's proposal [under rule 108A\(2\) or rule 110\(1\)](#); and

For the avoidance of doubt, Alinta Energy has made the same comments on the relevant provisions of the GSI Amending Rules.

NCESS trigger overlapping with SESSM

Alinta Energy considers that the proposed clause 3.11A.4 which allows the Coordinator to trigger NCESS procurement where FCESS prices “become unreasonable” overlaps with the clause 3.15A.2 which allows the ERA to trigger the SESSM where it considers that ESS market outcomes are not “efficient”.

Alinta Energy suggests that retaining both triggers for intervention in the ESS market may increase investor uncertainty and risk, potentially dissuading investment.

It may also lead to perverse outcomes where an NCESS is procured rather than allowing the ESS market to function and attract more FCESS investment via market signals.

While Alinta Energy can imagine an instance where an NCESS could help reduce FCESS costs – for example by reducing the size of a network contingency and thereby reducing the Contingency Reserve Raise requirement; it suggests that this wouldn't be achieved by a trigger linked to FCESS prices and should instead be better identified via system planning.

Integration of different triggers for investment and services

In addition to the overlap with the SESSM, Alinta Energy considers that the proposed NCESS procurement mechanism and Transmission System Plan may also duplicate similar, recently developed mechanisms and plans.

For example, the TSP aims to identify where NCESS procurement is necessary, while:

- the WOSP identifies “priority projects” aiming to improve system efficiency; and
- the Network Opportunities Map aims to identify and implement non-network solutions, called “alternative options”.

Alinta Energy recommends that these mechanisms are integrated to:

- avoid diffusing responsibility for system planning and investment decisions.
- avoid creating investment uncertainty due to too many triggers for intervention.
- avoid investment decisions interfering with one another.
- Ensure that of all the options: an AEMO-procured NCESS, a Western Power-procured NCESS, a priority project, an “alternative option” and traditional network investment, the most efficient solution is selected.

Consultation on trigger decision and service specification

Alinta Energy recommends that the rules include a requirement for consultation on a decision to trigger NCESS procurement and the broad requirements for the service specification.

This would help to avoid an NCESS being procured unnecessarily or in place of another, more efficient solution.

Consultation on the service specification would also help to ensure that it includes as many potential solutions as possible, including greenfield projects, and does not present a barrier to

competition due to unnecessary requirements.

Principles for NCESS trigger

Alinta Energy recommends that the factors that the Coordinator is required to consider in determining whether to trigger an NCESS (under 3.11A.7) should be expanded to include the following principles:

- That the NCESS does not unduly interfere in the efficient functioning of the WEM.
- That the NCESS does not preclude a more efficient, longer-term solution.

Further, Alinta Energy recommends that the Coordinator should have discretion over whether AEMO and Western Power can trigger the NCESS, and that the principles above (in addition to those included 3.11A.7) should be also be applied in considering whether to approve these requests.

Sufficient notice before NCESS deployed

Given the potential impact to market outcomes and NCESS costs, Alinta Energy recommends that AEMO be required to notify the market before it expects to deploy an NCESS, for example, via a dispatch advisory.

Removal of the ability for a Network Operator to be registered in more than one participant class may impact current market participants

Clause 2.28.5 was deleted in 2020 with the explanatory note that a Network Operator may only be registered in one Rule Participant class.

Clause 2.28.2 requires a person who owns, controls or operates a transmission system or distribution system which forms part of the SWIS, or is electrically connected to that system to register as a Rule Participant in the Network Operator class, unless, AEMO, under clause 2.28.3 exempts a person from registering as a Network Operator where it has determined that:

- it does not require information about the relevant network to ensure security and reliability are maintained; and
- no Registered Facilities owned or operated by a Market Participant are directly connected to the transmission system or distribution system.

There are instances where current market participants also hold an electricity transmission licence with the ERA whereby the deletion of clause 2.28.5 could be problematic. For example, as outlined in an ERA licensing notice⁵, Southern Cross Energy Partnership plans to install a 20MW solar farm near Mount Keith which will be connected to its existing network via a new 33kV distribution line, and an 8.5MW solar farm near Leinster which will be connected to its existing network via a new 66kV transmission line.

Alinta Energy notes that AEMO will likely require information about the above networks given the size of the solar farms at the end, and therefore that clause 2.28.2 won't apply in this instance.

Alinta Energy recommends EPWA consider reinstating clause 2.28.5, with the additional proviso:

Other than Western Power, a person registered as a Network Operator may be registered as a Rule Participant in another class or other classes.

⁵ [Notice \(erawa.com.au\)](https://erawa.com.au)

Provision of facility model data to AEMO from the Network Operator overlaps with GPS reforms

On 30 June 2017, the Wholesale Electricity Market Rules Amending Rules 2017 (No. 3) were gazetted, which were required to support the transfer of System Management functions from Western Power to AEMO.

Broadly, these amending rules outlined:

- The requirement for a Network Operator to provide to AEMO all data available to it and reasonably required to model the static and dynamic performance of the SWIS, (clause 2.28.3A in the Tranche 5 Amending Rules); and
- Where AEMO considers that the performance of a Facility is not adequately represented by the data and considers the inadequacy of the data, is or will impede its ability to carry out its functions then it will request updated models from Western Power and potentially constrain the output of the Generator until these are provided, placing the Generator on a new type of Forced Outage and so making it liable for capacity refunds (clause 2.28.3B in the Tranche 5 Amending Rules).

This rule was discussed at the 12 July 2017 and 16 August 2017 MAC meetings, where participants raised several concerns with the drafting, particularly:

- The rule is drafted reasonably broadly so would depend on AEMO's assessment of the data/models, and there is no right of reply for an affected participant.
- The rule is made so that the information transferred or exchanged in these clauses is deemed to be System Operation Confidential. What this means is that AEMO could decide the model data to do with a participant's facility needs updating and require Western Power to provide updated data. Western Power would (presumably) need to get the updated data or a new model from the participant (but the confidentiality status means that it would be against the rules to tell the participant what the issue is), and that participant could be directed to operate at a certain level and be on forced outage until the updated data is provided.
- Under the rules, AEMO can ask the Network Operator to update the model "as soon as reasonably practicable, which, as a common law term, is one of the weakest timing requirements. Any delay in Western Power processing the request could result in the Generator being placed on a Forced Outage with no control over the situation.

At the time, the PUO undertook to resolve these issues. However, this has not occurred.

Further, it appears that these rules now overlap with the recently commenced GPS reforms. Under the new WEM Rules, the generator is responsible for maintaining its generation system model (3A.2.2), and its performance consistent with the GPS (3A.1.1). Where the generator is non-compliant, the Market Participant must report the non-compliance, and would agree a rectification plan to solve the issue and avoid being found in breach of the WEM Rules. Alinta Energy suggests this process would replace the scenario considered by 2.28.3B of the Tranche 5 Amending Rules.

Access to Market Data

Given that 2.16.2 relates to the market information framework, Alinta Energy recommends that this proposed change is considered as part of Tranche 6, which Alinta Energy understands will present the proposed information framework for the new market.



Clause	Issue	Recommendation
2.28.9A	Requirement for person who owns, controls or operates facility that has an exemption from registering to notify AEMO where it intends to modify its facility. This requirement is broad as even minor changes may be perceived as 'modifications.'	Narrower scope for modifications – for example, to exclude routine maintenance or equipment replacements, or changes that don't change the output of the facility.
2.29.4A	2.29.4A requires "Facilities" equal to or greater than 10MW to register as Semi-Scheduled Facility or Scheduled Facility. However, given the definition of Facility and Facility Technology types, Loads of this size behind a connection point may be required register.	Consider the use of "Facilities" in 2.29.4A.
2.30B.8B	In most places, the unit of measurement is added with a space, but in 2.30B.8B there's no space.	Review style of units of measurement
2.28.16	2.28.16 references 2.30B.8A as if this clause allows facilities to be exempt from registering as a Market Participant under 2.28.6. However, 2.30B.8A does not appear to be relevant, 2.30B.8B does.	Review references in 2.28.16.

Clause	Issue	Recommendation
2.28.6 2.28.7	<p>2.28.6, 2.28.7 and the definition of Facility may inadvertently require all loads above 5MW to seek an exemption from registering as a Market Participant, noting that the definition of Facility includes all Facility Technology Types connected behind a connection point, and the Facility Technology Types include Loads.</p> <p>Also, System Size does not appear to be relevant to all Facility Types – this suggests that registration as a Market Participant should be linked to only certain types of Facilities for clarity.</p>	Review, amend and clarify if this is not the intention.
Glossary	Market Participant and Rule Participant not defined in the Glossary.	Suggest Market Participant and Rule Participant are defined in the Glossary
General	Registration rules are relatively difficult to follow.	Rules for registration exemptions and requirements to register as Rule Participants are grouped by sub-headings e.g. <i>Registration of Market Participants, Registration of Network Operators, Intermittent Loads.</i>
2.28.20	The rules for the information a Network Operator should provide AEMO are grouped in the same section of the rules, and in the same procedure as the registration regulations.	To improve clarity, the registration rules should be separated from the Information requirements of Network Operators.
2.29.1AA	Clause 2.29.1AA would appear to require a Facility with two connection points to register as two Facilities.	Review the clauses and consider whether this is the case and consider whether this is the intent.
3.11A.4	Reviews that are not relevant to NCESS can theoretically be used to trigger an NCESS	Outlining which of the Coordinators reviews can be used to trigger an NCESS



Thank you for your consideration of Alinta Energy's submission. If you would like to discuss this in more detail, please contact Oscar Carlberg at oscar.carlberg@alintaenergy.com.au or on 0409 501 570.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Jacinda Papps', is written in a cursive style.

Jacinda Papps
Manager, National Wholesale Regulation,
Alinta Energy