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TRANCHE 6 – EXPOSURE DRAFT 2

Alinta Energy appreciates the opportunity to provide feedback on the second exposure draft of the sixth tranche of rules to implement the new WEM from October 2023.

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

Торіс	Rule reference	Alinta Energy comment
Generator Performance Standards	A12.2.3.4	Alinta Energy notes that the proposed obligation for participants to meet all "Technical Requirements" at the maximum ambient temperature appears to impose a broader and potentially less workable requirement than the Technical Rules. Under the Technical Rules, only the "Reactive Power Capability" and "Response to Disturbances" requirements are required to be met at the maximum ambient temperature, while "Design Data" is only required to be specified at the maximum ambient temperature "where applicable and unless requested otherwise".
		Alinta Energy is concerned to the extent that this proposed requirement could:
		 increase the data and testing requirements for all Technical Requirements to demonstrate compliance.
		 cause confusion about which Technical Requirements are temperature dependent and require testing/data to demonstrate compliance, and where this is not relevant.
		 necessitate participants re-evaluate all Technical Requirements where the maximum ambient temperature is reformed per 3A.1.5, imposing a significant regulatory burden.
		 be infeasible where limited OEM and testing data is available to demonstrate compliance, especially for existing generators.
		As an aside, Alinta Energy also considers that this requirement appears miscategorised, noting that despite A12.2.3.4 being listed in Appendix 12 as if it were a discrete Technical Requirement relating to "Active Power Compatibility", it imposes an obligation to comply with all relevant Technical Requirements in Appendix 12.
		To avoid these issues, Alinta Energy recommends that EPWA, AEMO and Western Power consider amendments so that:
		 Obligations to meet Technical Requirements at the maximum ambient temperature are only imposed where relevant and outlined within the relevant section of A12. The rules retain the flexibility for participants to request not to provide data at the maximum ambient temperature where this is not feasible or applicable (including in the proposed amendments to A12.3-A12.10), including for existing generators after the maximum ambient temperature is reformed.

Торіс	Rule reference	Alinta Energy comment
Generator Performance Standards	Al2.2.3.6	 Alinta Energy is concerned that A12.2.3.6 may unnecessarily require a generator to limit their output where they have been unable to source data temperature data up to the maximum ambient temperature. Alinta Energy also questions whether there is a need to impose an explicit requirement on participants not to operate their plant at certain levels under certain temperatures, noting: The potential difficulty of monitoring this, given how transient a breach could be and the variability of output and temperature. that generators already have extremely strong incentives to avoid exceeding safe output levels during high temperatures as this may damage equipment or cause the facility to trip. That operating outside safe operating ranges during high temperatures will likely lead to
		other GPS or dispatch compliance breaches. To avoid these potential issues, Alinta Energy suggests that A12.2.3.6 either be: - removed, or - based on 'best endeavours' and permit a generator to negotiate a temperature up to which they may operate (potentially as a negotiated GPS) to operate if they were unable to source all the relevant Temperature Dependence Data required by A12.
Real Time Market	7.4.1	 Alinta Energy opposes the proposed obligation for accredited participants to submit ESS offers for all intervals in the Week Ahead Schedule, noting that: unlike for energy, participants are not compensated for being constantly available for ESS. the interaction with the market power mitigation reforms is unknown, and the proposed ESS price cap which excludes opportunity costs could cause participants to be obliged to offer into a market where they cannot recover their costs. this may impose a significant compliance burden, especially considering the requirement to record reasons for resubmissions under 7.4.26, and plans for additional "internal governance" obligations under the market power mitigation strategy.

Market Suspension and Administered Pricing	Proposed policy position	 Alinta Energy considers that significant learnings can be made from the recent East Coast market suspension to ensure that the WEM Market suspension and Administered Pricing mechanism is robust and durable. Alinta Energy is concerned that the administered pricing proposal may not allow market generators to cover the costs to supply and could, if the event of a longer-term suspension, lead to a market participant failure. Given this, Alinta Energy strongly recommends that EPWA consider adding a compensation mechanism into the WEM rules to ensure that generators can cover their costs to supply in the event that market suspension administered pricing applies. EPWA could model this off one of two NEM compensation frameworks (one administered by the AEMC and the other by AEMO): AEMC Administered Pricing compensation Clause 3.14.6 of the NER and the AEMC compensation guidelines set out a process for eligible market participants to claim compensation for any losses during an administered pricing period. Parties eligible to make a claim can claim compensation if they supplied energy or other services during an administered pricing period and incurred a net loss. That is, their direct and/or opportunity costs exceeded their total revenue from the spot market over an entire "eligibility period" (the period from the first trading interval of a trading day). Opportunity cost is the value of the best alternative opportunity for eligible participants during the application of a price limit event or at a later point in time. The AEMC <u>APC compensation guidelines</u> set out how participants can make a claim for compensation for direct costs and opportunity costs. Compensation for direct costs and opportunity costs.
		 AEMO Market Suspension compensation AEMO is required to pay compensation to eligible Market Suspension Compensation Claimants (scheduled generators (including semi-scheduled generators) and demand response service providers) who provide energy or ancillary services in trading intervals when market suspension pricing applies, where those prices are not sufficient to cover their benchmarked (or actual) costs. Compensation is be calculated as per NER clauses 3.14.5A(d) and 3.14.5B.

Торіс	Rule reference	Alinta Energy comment
		• Compensation under the Market Suspension frameworks follows the AEMO intervention settlements timetable whereby base costs are settled using the market settlement compensation formula. Following AEMO's notification of this settlement outcome, participants can claim for additional compensation (by written submission) within 15 Business Days.
		Alinta Energy would be happy to share any learnings from the recent NEM events to assist with the development of this regime.
Market Suspension and Administered Pricing	Rule 1 (as presented to the 24August TDOWG)	To avoid ambiguity the term "system shutdown" should be replaced with "system black" and defined in the WEM rules. For reference, the NER defines a black system as an absence of voltage on the transmission system affecting a significant number of customers. AEMO generally considers a significant number of customers to be affected if the voltage collapse results in the loss of 60% of forecast customer load in a NEM region.
		Similarly, "major supply disruption" should be defined in the WEM rules and be linked to a specific outcome which justifies a market suspension. The Varanus Island supply disruption could reasonably be expected to be a "major supply disruption". However, it would not have seemed appropriate to suspend the Real-Time market for the three or more months that it persisted.
Market Suspension and Administered Pricing	Rule 2 (as presented to the 24August TDOWG)	Alinta Energy considers that this rule should be amended to specifically state that AEMO can resume the spot market when none of the three conditions apply and AEMO is satisfied that there is minimal possibility of suspending the market within the next 24 hours due to the same cause.
		Further, similar to the NEM processes Alinta Energy considers that AEMO should provide a minimum two hours' notice before resuming the spot market after a black system or Ministerial direction to allow an orderly transition to normal pricing, or a minimum 30 minutes' notice if the market is suspended due to a failure of AEMO's central dispatch process.
Market Suspension and Administered Pricing	New – impacts of a market suspension on reserve capacity certification	Alinta Energy is concerned that there may be further implications from a market suspension haven't been considered, for example, whether there are implications for outage and compliance reporting requirements and certification if participants are directed to limit their output or cannot offer their capacity to market.

Торіс	Rule reference	Alinta Energy comment
Triggering procurement of NCESS	3.11B.7(iA)	This clause 3.11B.7 has been included to enable a proponent to request reimbursement of any Capacity Cost Refunds it must pay as a direct consequence of the enablement or dispatch of the NCESS. Given Capacity Cost Refunds are recycled to Generators, this clause may need to be limited to "net Capacity Cost Refunds" to ensure that an NCESS provider does not make a windfall gain.
NAQ Model and EOI process	4.4.1-3	Alinta Energy notes that the intention of the proposed changes to 4.4 is to avoid AEMO and Western Power having to formulate RCM constraints unnecessarily and the NAQ model including constraints that might be highly unlikely to occur given the potentially low proportion of EOIs that eventuate into projects. While Alinta Energy supports this intent, it suggests that further reforms may be required to mitigate these risks and avoid complexity unnecessarily being incorporated into the NAQ model ¹ , noting the requirement to submit an EOI to obtain CRC and the minimal information requirements to submit an EOI. For example, there may be a need for AEMO and WP to have more discretion as to whether constraints are developed for EOI facilities where they do not expect these constraints to impact more than 5% of dispatch scenarios, or where they consider it is highly unlikely a facility will achieve committed status (to be accredited where there is a surplus) by the time CRC applications are due. Additionally, Alinta Energy questions whether using results in 90% of dispatch scenarios, rather than 95% in assigning NAQs would be more consistent with the planning criterion which uses a POE10 demand forecast.
Reserve Capacity EOI process	4.2.2	Amend the typographical error as follows: AEMO must prepare a Request for Expressions of Interest which contains information which includes the information described in clause 4.3.1.
Compliance Monitoring and Enforcement	2.13.6(b)	The obligation on ERA to notify a Rule Participant or group of rule participants should be time- bound and occur prior AEMO provides the information to the ERA.

¹ Alinta Energy previously raised concerns about AEMO applying pre-contingent constraints in its RCM constraint formulation, noting that these may not impact outcomes in over 5% of dispatch scenarios that may occur to meet peak demand (per clause 4.15.9).

Торіс	Rule reference	Alinta Energy comment
Compliance Monitoring and Enforcement	2.13.7(e)	This clause requires AEMO to report <u>any</u> alleged breaches to the ERA resulting from its monitoring under clause 2.13.7(a). Alinta Energy considers that there should be consideration of tolerance ranges for reporting alleged breaches to the ERA, which could be set on a rule-by-rule basis as and when the ERA and AEMO agree under clause 2.16.2AA.
Forced outages and Outage Quantity Calculations	3.21.2(a)iii.	Alinta Energy notes that the requirement to log the "cause" (per the current rules) appears to imply that outages can only be logged where a physical issue caused a Facility to trip or deviate from a DI. However, Alinta Energy notes that participants are required notify AEMO of outages in advance where they cannot comply with a DI (e.g. under 7.10.7, to avoid damage to equipment or endangering safety), and in these cases there is not a direct "cause" of an outage because the action is pre-emptive.
Forced outages and Outage Quantity Calculations	3.21.2(b)ii and iii.	Alinta Energy is concerned that the requirement to report full available details: iiwithin 24 hours of the Forced Outage occurring; and iii. in all cases no later than the end of the next Business Day of the Forced Outage occurring, may not be able to comply with for multi day forced outages. Given this consideration should be given to reinstating similar language in clause 3.21.7 of the current WEM rules: "in respect of each affected Trading Day, by the end of the day that is 15 calendar days after the day on which the affected Trading Day ends".

Торіс	Rule reference	Alinta Energy comment
Forced outages and Outage Quantity Calculations	3.21.2(b)	3.21.2(b) would require participants to submit details of when they initially notified AEMO of a Forced Outage, and if proposed clause 3.21.2(b) (ii) and (iii) are retained, this would be required within 24 hours, or no later than the end of the next Business Day of the Forced Outage occurring. Alinta Energy notes that while achievable, retrieving and recording this data point would add another compliance burden during the immediate post-outage period where the priority is ensuring safety; maintaining communications between site, trading and AEMO; and returning the facility to service. Small actions during this period can have material implications for the facility and the market. With traders and operators working in shifts, they would either need to prioritise submitting the Forced Outage or recording and transmitting this data internally for submission later, during this highly demanding period and before the broader team or a tool has been able to verify the outage quantity. Alinta Energy also questions whether this requirement would be necessary or whether the benefit would outweigh the risk outlined above noting that AEMO would have records of the notification itself regardless and it would need to check these records following a Forced Outage to assess compliance, even if it received the information in the forced outage submission
Reserve Capacity Testing	4.25.9(e)	 While Consequential Outages have been removed from the Outages framework, it appears unduly punitive to not cancel a Reserve Capacity Test if a Facility is forced off as a result of another facility or event outside of its control. Alinta Energy considers that EPWA should consider amending the drafting as follows: e) deem the Reserve Capacity Test to be cancelled and discard the results if the Facility is constrained by a Network <u>or other</u> limitation <u>outside of its control</u> during the test period;

Торіс	Rule reference	Alinta Energy comment
Market Information	Policy framework and the Wholesale Market Objectives	Alinta Energy recognises the complexities of the existing framework for managing market information and supports the intent of the policy position to increase transparency and make the process more efficient and simpler to administer.
		Alinta Energy considers that transparency is fundamental to the delivery of competitive electricity markets through ensuring cost-effective investment and operating decisions and increasing market confidence. Full disclosure of all information may not, however, necessarily always result in the best market outcomes, particularly where confidentiality, the potential for market manipulation and the direct costs of data provision are accounted for.
		Further, Alinta Energy is concerned that the policy framework, may not meet the Wholesale Market Objectives. Specifically:
		Determining whether Market Information is Confidential: The potential risks to Rule Participants that market information that should be treated as confidential is either classified as public (by default or intentionally), or accessed before it is assessed as confidential, may discourage competition in the SWIS (Wholesale Market Objective (b)).
		Disclosure of Confidential Information The framework could increase the number of persons, or combinations of persons, to which Confidential Information could be disclosed, increase the complexity of the new framework, and introduce risk and uncertainty for Rule Participants. Therefore, it could be considered that this part of the new framework is economically inefficient, discourages competition and will potentially add to the long-term cost of electricity (Wholesale Market Objectives (a), (b) and (d)).

Market Information	10.2.1 and 10.2.6	Proposed clause 10.2.1 would allow Confidential Information provided by market participants in the past under the condition that it be kept confidential to be retrospectively made public.
		Proposed clause 10.2.6 allows for a re-determination of information following a modification to Market Information as a result of Amending Rules.
		Our concern arises because, as a principle, Alinta Energy does not support retrospective application of changes to any legislative document that would impact upon a substantive right of a participant.
		Specifically with respect to this proposal, Alinta Energy would be concerned if a piece of commercially sensitive information that we had previously provided on the basis of clearly defined assumptions, subsequently had its status changed from being confidential and so became available to the market or more broadly to other regulatory bodies in a manner contrary to the assumptions and intention underlying its original disclosure.
		Also, the broad discretion provided under the proposed new provisions to release information when it is considered to be in the public interest creates a further risk to participants (real or perceived) that commercially sensitive information may in the future be deemed to be public.
		If participants had known of these potential disclosure risks at the time of original disclosure they may have provided information in a different manner and/or form or, at least, they would have had the opportunity to take such steps as could reasonably be required to mitigate the negative consequences arising from the subsequent disclosure.
		To avoid the disclosure risks noted above, Alinta Energy recommends that the EPWA incorporates the following general principle into the Market Rules:
		"Where confidential information which is commercially sensitive to a participant and/or in respect of which the participant otherwise owes contractual obligations of confidentiality to another party has been provided directly by a participant to a regulatory body in the WEM under the reasonable expectation that it will be treated as confidential, then that specific piece of information should not be made available to the market (or to a broader group of regulatory bodies) as a result of any change in status. Any changed status should only apply to information that is provided by participants following the Information Manager's determination."

Торіс	Rule reference	Alinta Energy comment
		Alinta Energy considers that the inclusion of this general principle would protect the confidentiality of <u>existing</u> information provided by participants that is considered by the participant to be confidential and commercially sensitive.
Market Information	10.2.1A	 Alinta Energy notes that this clause carves out allocating a confidentiality status for information that is not Market Information (which is defined as any information or document that is required to be produced, provided or exchanged under the WEM Rules). Alinta Energy is concerned that there may be some supporting information provided to AEMO, Western Power, the Coordinator or the Economic Regulation Authority that does not fall within the definition of Market Information, such as: Fuel contract information provided as part of the annual certification process. Technical proprietary information regarding a facility's design. Information provided to AEMO in relation to Prudential reviews such as a retailer's hedge position and cost thereof. Alinta Energy strongly recommends that the rules be amended to allow for confidentiality to be assigned to supporting information that may not be explicitly "required to be produced, provided or exchanged under the WEM Rules". Unless this protection is afforded in the Market Information framework in the WEM rules Alinta Energy is concerned that the proposal may provide a deterrent to the free and voluntary exchange of information between a Market Participant and the Market Operator over and above what is required by the Market Rules. A barrier to the free flow of information will potentially lead to market inefficiencies and perverse outcomes.

Торіс	Rule reference	Alinta Energy comment
Market information	10.2.3(a)	Alinta Energy supports bilateral contracts being classified as confidential information. While the common use term of bilateral contracts is an agreement between two parties in which each side agrees to fulfill their side of the bargain. However, without further explanation, Alinta Energy is concerned that this could be interpreted to be an electricity bilateral contract (i.e. an agreement between a willing buyer and a willing seller to exchange electricity, rights to generating capacity, or a related product under mutually agreeable terms for a specified period of time).
		To avoid any perverse outcomes, Alinta Energy recommends that this clause be amended to state:
		Subject to clauses 10.2.4 and 10.2.5, an Information Manager must classify Market Information as confidential if it:
		(a) is contained in a bilateral contract;
		This amendment would protect all participant contracts, including for example fuel contracts and ETACs/Agreements for Access.

Торіс	Rule reference	Alinta Energy comment
Market information	10.2.3(d)	Aline Energy comment Alinta Energy supports Market Information being confidential if it reveals personal details about an individual. However, the Office of the Australian Information Commissioner defines personal information as "a broad range of information, or an opinion, that could identify an individual. What is personal information will vary, depending on whether a person can be identified or is reasonably identifiable in the circumstances. For example, personal information may include: • an individual's name, signature, address, phone number or date of birth" ² This clause could be quite restrictive, for example, a rule change submission includes an individual's name and phone number and would therefore be required to be deemed confidential. Given this, there may need to be consideration given to redacting personal information on documents which would have otherwise been deemed public information.

² <u>What is personal information? - Home (oaic.gov.au)</u>

Торіс	Rule reference	Alinta Energy comment
Topic Market information	Rule reference 10.2.7	 Alinta Energy comment The proposed clause allows a Rule Participant to make a submission to an Information Manager about which types of Market Information it considers to be Confidential Information, and the rationale for classifying the Market Information as Confidential Information against the principles in clause 10.2.3. Alinta Energy notes that clause 10.2.3 is not a statement of principles regarding information disclosure, it is a list of circumstances outlining the information that will be deemed confidential. Alinta Energy considers that the statement of principles could benefit from the following overall guiding principle noting that the prescriptive situations may not cover all scenarios. "Where confidential information which is commercially sensitive to a participant and/or in respect of which the participant otherwise owes contractual obligations of confidentiality to another party has been provided directly by a participant to a regulatory body in the WEM under the reasonable expectation that it will be treated as confidential, then that specific piece of information should not be made available to the market (or to a broader group of regulatory bodies) as a result of any change in status. Any changed status should only apply to information." Other principles could include that confidential information is only a disclosed where: it is for a genuine purpose relating to a function conferred to an entity under the WEM Rules; its use is limited to the purpose for which it was disclosed; and the relevant entity must formally request from the relevant market participant the
Market information	10.2.10	Confidential Information it requires. Alinta Energy considers that, given the importance of managing Market Information, the rule
	10.2.10	Should be amended as follows: The Coordinator <u>may must</u> document in a WEM Procedure guidance for Information Managers to assist with determining the confidentiality status of Market Information in accordance with clause 10.2.3.
Market Information	10.3.4	Alinta Energy considers that this clause should cross reference 10.3.2 to ensure participants are not charged for information that would have otherwise been available on a website.

Торіс	Rule reference	Alinta Energy comment
Market Information	10.4.4	Alinta Energy suggests that the reference to "breach" be amended to "alleged breach"?
Market Information	10.4.6 and 10.4.9	To ensure that Confidential Information is not erroneously released under clause 10.4.6 and 10.4.9, Alinta Energy considers that either:
		The following additional clause should be included:
		10.4.9 If the Information Manager considers that the Market Information requested under clause 10.4.6 is Public Information, it must:
		 (a) subject to clause 10.4.10, clause 10.4.16(c) and section 10.5, if it continues to possess the Market Information, it must release the relevant Market Information to the requesting party within 20 Business Days; or (b) if it is not the Information Manager for that Market Information, refer the party that
		requested the Market Information to the appropriate Information Manager or the Coordinator.
		10.4.9A If the Information Manager considers that the Market Information requested under clause 10.4.6 is Confidential Information, it must not release that information.
		Or clause 10.4.9 be amended to cross- reference clause 10.4.18.
Market Information	10.4.10	For the avoidance of doubt Alinta Energy considers that the following amendment should be made:
		If a submission was made under clause 10.2.7 that the Market Information requested under clause 10.4.6 is Confidential Information, and the Information Manager has deemed the Market Information to be Public Information and intends to release it under clause 10.4.9, the Information Manager must notify the Information Provider in writing prior to releasing the information, advising:
		 (a) that it intends to release the Market Information, specifying the time and nature of the intended release; (b) why it is of the opinion that the Market Information is not Confidential Information;
		 and (c) that the Information Provider, subject to clause 10.4.11, may lodge a dispute with the Coordinator within five Business Days if it disagrees with this assessment.

Торіс	Rule reference	Alinta Energy comment
Market Information	10.4.19(e)	Alinta Energy is concerned that Confidential Market Information provided to AEMO for one purpose may be passed to the ERA for use in another purpose. We consider confidential information should only be used for the purpose for which it was provided. For example, the use of individual, commercially sensitive gas contracts obtained by AEMO through the certification process should not be used to inform more general market outcomes such as energy price limits or a facility's short run marginal cost. Commercial arrangements are more complex than a single piece of information, and often require the combination of a number of different pieces of information. We note that if participants were aware that information might be used for other purposes then the nature and form in which they provided that information originally may have been different.

Торіс	Rule reference	Alinta Energy comment
Market Information	10.4.19(h)	Proposed clause 10.4.19(h) seeks to introduce a 'public benefits' style test when deciding whether to disclose Confidential Information. Alinta Energy considers that this is a broad and abstract requirement that would be difficult for an Information Manager to administer and for market participants to anticipate. Additionally, determinations based on clause 10.4.19(h) may result in outcomes that are inequitable for the market participant to which the information relates despite the potential benefits to other market participants 'out-weighing' its detriment. As a result, Alinta Energy considers that if enacted, clause 10.4.19(h) would expose market participants to a broad risk of their sensitive information being disclosed publicly. To mitigate this risk, Alinta Energy suggests that the proposed clause 10.4.19(h) be removed from the proposal. Without making this change there is a risk that the potential for disclosure of commercially sensitive information may discourage competition in the WEM, as new entrants may be concerned about the risk of their commercially sensitive information being disclosed. As such, Alinta Energy strongly considers that decisions on the proposed release of commercially sensitive information should only be made via the rule change process, not as an administrative decision by an Information Manager ³ . This is because the rule change process will enable the merits of the proposed disclosure to be carefully considered, including two rounds of open consultation with stakeholders. Alinta Energy notes that the creation of new types of market information that should be made public despite material detriment being caused to a person would occur infrequently. Accordingly, Alinta Energy does not consider there is a convincing case for the inclusion of proposed clause 10.4.19(h).
Market Information	10.4.25(b)	The effect of this clause is that the Coordinator could determine a dispute to which it may be a party to. Given this, Alinta requests that EPWA consider how this conflict of interest could be managed.

³ This is consistent with the decision made by the Rule Change Panel when it rejected RC_2014_09: Managing Market Information, available here: <u>Rule Change: RC_2014_09</u> (www.wa.gov.au)

Торіс	Rule reference	Alinta Energy comment
Market Information	10.5.2	Depending on the outcome of the above, Alinta Energy considers that clause 10.5.2 could be modified as follows:
		The Coordinator must document in a WEM Procedure the process for resolving a dispute, including how it will deal with any conflicts associated with a dispute where the coordinator is a party to that dispute.

Thank you for your consideration of Alinta Energy's submission. If you would like to discuss this further, please contact me at <u>oscar.carlberg@alintaenergy.com.au</u> or on 0409 501 570.

Yours sincerely

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