



Government of **Western Australia**
Department of **Mines, Industry Regulation and Safety**
Energy Policy WA

WEM Guideline:

Non-Co-optimised Essential System Services

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Energy Policy WA

Level 1, 66 St Georges Terrace
Perth WA 6000

Locked Bag 100, East Perth WA 6892

Telephone: 08 6551 4600

www.energy.wa.gov.au

ABN 84 730 831 715

Enquiries about this report should be directed to:

Email: energymarkets@dmirs.wa.gov.au

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1. INTRODUCTION

1.1 Relationship with the WEM Rules and other legislation

- 1.1.1 This Wholesale Electricity Market (WEM) Guideline: Non-Co-optimised Essential System Services (Guideline) is made under clause 3.11A.2A of the WEM Rules, and has been developed in accordance with, and should be read in conjunction with section 3.11A of the WEM Rules.
- 1.1.2 The *Electricity Industry Act 2004*, the *Electricity Industry (Wholesale Electricity Market) Regulations 2004* (WEM Regulations) and the WEM Rules prevail over this Guideline to the extent of any inconsistency.
- 1.1.3 Reference to particular WEM Rules within this Guideline in bold and square brackets **[WR XX]** are current as of 1 October 2023, and these references are included for convenience only, and are not part of this Guideline.

1.2 Purpose of this Guideline

- 1.2.1 This Guideline provides further information on:
- (a) The information Western Power, AEMO and the Coordinator must monitor to ensure each party is able to identify circumstances or events for which the procurement of a Non-Co-optimised Essential System Service (NCESS) may be warranted, relevant to their functions.
 - (b) The factors Western Power and AEMO must consider when assessing the need for an NCESS and deciding whether to make a submission to the Coordinator under clause 3.11A.2(g) of the WEM Rules. **[WR3.11A.2]**
 - (c) The process Western Power and AEMO must follow in making a submission to the Coordinator under clause 3.11A.2(g) of the WEM Rules and to facilitate the Coordinator's assessment of that application.
 - (d) The factors the Coordinator must consider under clause 3.11A.7 in deciding whether to trigger the NCESS Procurement process in accordance with section 3.11B of the WEM Rules of a submission made under clause 3.11A.2(g) of the WEM Rules.
- 1.2.2 This Guideline provides the processes to be followed by the Coordinator and Rule Participants.

1.3 Application of this Guideline

- 1.3.1 This Guideline applies to the Coordinator, AEMO and Western Power.

1.4 Associated documents

- 1.4.1 There are no other documents or WEM Procedures associated with this Guideline.

1.5 Interpretation

- 1.5.1 The following principles of interpretation apply in this Guideline unless otherwise expressly indicated:
- (a) The conventions described in clauses 1.3 to 1.5 of the WEM Rules apply in this Guideline.
 - (b) References to time are references to Australian Western Standard Time.

- (c) Terms that are capitalised, but not defined in this Guideline, have the meaning given in the WEM Rules.
- (d) A reference to the WEM Rules or WEM Procedures includes any associated forms required or contemplated by the WEM Rules or WEM Procedures.
- (e) Words expressed in the singular include the plural and vice versa.
- (f) A reference to a paragraph or part refers to a paragraph or part of this Guideline.
- (g) A reference to a clause or section refers to a clause or section of the WEM Rules.

1.6 Terminology and definitions

- 1.6.1 Terms defined in the Electricity Industry Act 2004, the WEM Regulations and the WEM Rules have the same meanings in this Guideline unless the context requires otherwise.
- 1.6.2 The following definitions apply in this Procedure unless the context requires otherwise.

Table 1: Defined terms

Term	Definition
NCESS Assessment Template	The document that outlines the format and information required to help inform the Coordinator's determination of whether to trigger an NCESS procurement process in accordance with section 3.11B of the WEM Rules, as provided in Appendix A.
Referring Party	The party/parties making a submission (jointly or separately) to request the Coordinator to determine whether to trigger an NCESS procurement process in accordance with section 3.11B of the WEM Rules.
Trigger Condition	An event or condition has occurred or applies, the impact of which results in a material impact on Power System Security, Power System Reliability and/or prices or quantities in the WEM.

2. OVERVIEW

This Guideline has been established under clause 3.11A.2A of the WEM Rules and provides an overview of the process to be followed by Western Power, Australian Energy Market Operator (AEMO) and the Coordinator when identifying the need the procurement of one or more non-network solutions as Non-Co-optimised Essential System Services (NCESS).

The process is designed to operate in conjunction with existing system, network and market planning processes.

The primary objectives of this Guideline are to facilitate coordination between the three parties in relation to:

1. the need for a non-network solution to address or prevent a sub-optimal network, system or market outcome; and
2. the assessment of the impact of a potential non-network solution on outcomes in the WEM, to deliver the optimal solution in the long-term interests of consumers.

This Guideline provides further details on:

- the information, indicators and/or events each party should monitor to ensure it is able to expeditiously identify the potential need for procurement of an NCESS;
- the processes of initial engagement with other parties to determine whether a formal assessment of the potential identified need is required;
- the types of events that may lead to Western Power, AEMO or both to make a submission to the Coordinator to trigger the NCESS procurement process;
- the process to be followed to conduct a formal assessment, if required; and
- the information required to be provided in a formal assessment as part of a submission to the Coordinator to trigger the NCESS procurement process.

All parties are required to actively assess market and network actual and expected outcomes and commence the processes outlined in this Guideline as soon as practicable if the potential need for the procurement of an NCESS is identified.

Once a potential need is identified, Western Power or AEMO or the Coordinator, as applicable, must engage with the other parties to discuss the potential need with a view to understand the potential network, system and market impacts of the potential trigger condition.

Either AEMO or Western Power or both (the Referring Party) could form a view that a trigger condition applies. If any party (or both) has formed a view that one or more trigger condition applies, it/they must then undertake a formal assessment and include all relevant information in a written submission to the Coordinator. Allowing any party (or both) to apply to the Coordinator provides a level of guarantee that at least one entity will seek to trigger the procurement if a trigger condition applies.

Throughout the development of a submission, the Referring Party must continue to engage with all other parties with a view to accurately identifying and documenting the market, network and industry impacts of both the trigger condition and non-network solution to be procured as an NCESS.

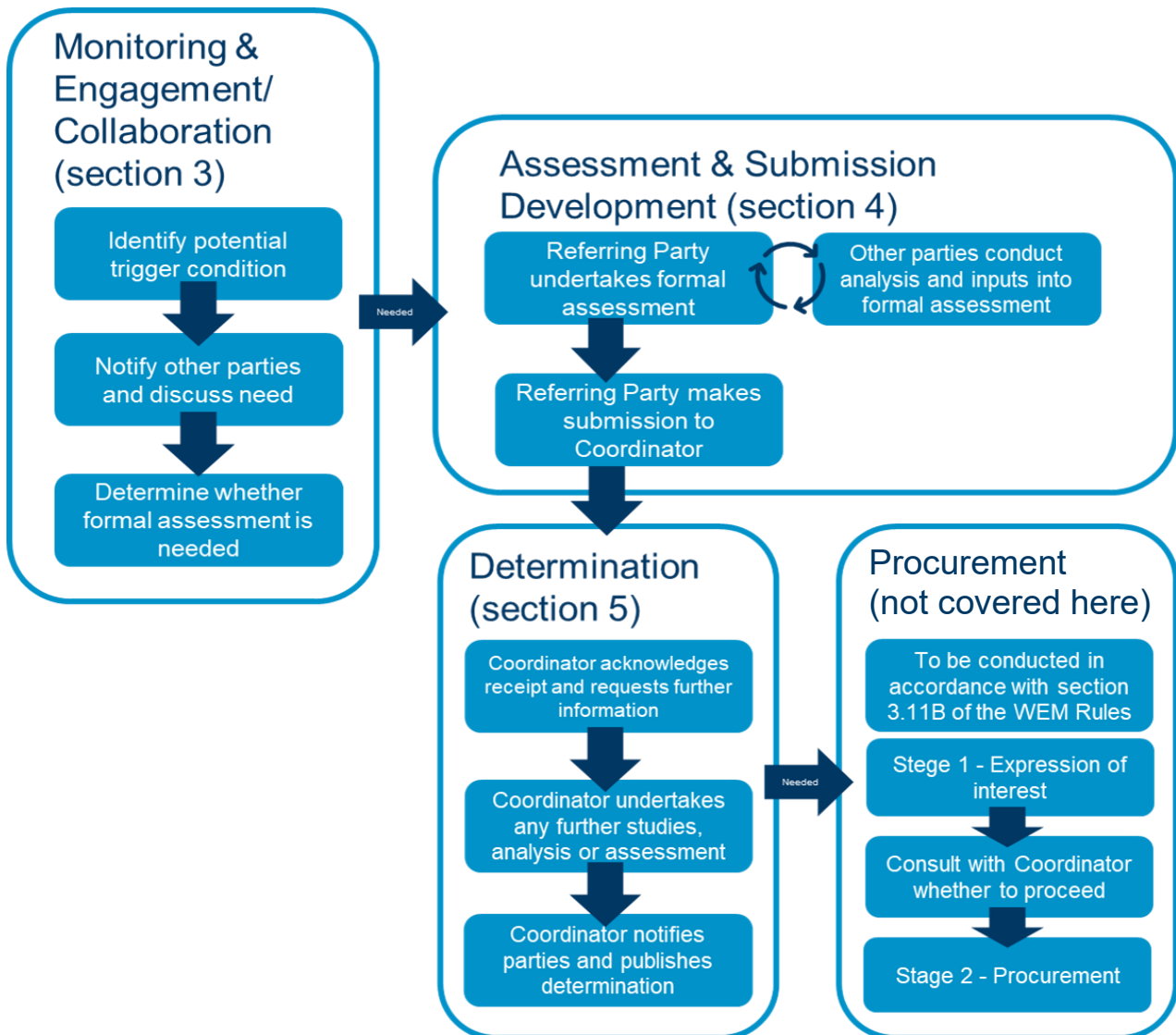
If, following this process, no party considers a formal assessment of the need to procure an NCESS or a trigger submission to the Coordinator is required, then this process ends. Western Power may still choose, however, to procure a network or a non-network solution to address the identified need using alternative processes, if justified and required.

Once a written submission is made to the Coordinator, the Coordinator may request either or both entities to provide more information or undertake analysis to assess the submission and decide whether to trigger an NCESS procurement process.

The process is designed to be collaborative, but simple and largely informal.

Figure 1 shows the process.

Figure 1: NCESS process steps



3. Monitoring and engagement

3.1 Monitoring requirements

- 3.1.1 AEMO, Western Power and the Coordinator must ensure they each monitor information in the WEM relevant to identifying the potential need to procure an NCESS.
- 3.1.2 AEMO must monitor the following aspects of the market in order to determine whether to procure an NCESS **[WR3.11A.2]**:
- (a) The frequency and significance of AEMO Intervention Events required to relieve non-frequency control constraints.
 - (b) Any:
 - i. changes to existing Power System Security or Power System Reliability standards; or
 - ii. new Power System Security or Power System Reliability standards, not identified in the relevant network plan(s), arising at any time during a network planning cycle.
 - (c) Any potential significant threat to Power System Security or Power System Reliability.
 - (d) Any need for an NCESS arising from standard planning and operations processes, including for example power system adequacy studies and market monitoring.
 - (e) Any other information AEMO considers relevant.
- 3.1.3 Western Power must monitor the following aspects of the market in order to determine whether to procure an NCESS **[WR3.11A.2]**:
- (a) Any need for an NCESS arising from standard planning processes, including for example developing the Transmission System Plan or the Network Opportunity Map.
 - (b) Any need to establish a non-network solution, arising at any time during a network planning cycle and not previously identified through the standard planning processes.
 - (c) Any potential material threat to Power System Security or Power System Reliability.
 - (d) Any other information Western Power considers relevant.
- 3.1.4 AEMO and Western Power must collaborate to develop the necessary methodology, and monitor and assess the following aspects of the market in order to determine whether to procure an NCESS **[WR3.11A.2]**:
- (a) the forecasted or actual magnitude and frequency of Energy Uplift Payments in the WEM; and
 - (b) whether the values in (a) increase to an inefficient level (assuming locational and situational market power is being controlled under the relevant processes); and
 - (c) whether this indicates a locational constraint in the network and a case may be made to procure locational services to relieve the network constraint.
- 3.1.5 The Coordinator must monitor the following aspects of the market in order to determine whether to procure an NCESS **[WR3.11A.4]**:
- (a) Information provided by AEMO and Western Power in accordance with clause 3.11A.2 of the WEM Rules and this Guideline.
 - (b) The value of, and period over which, high and sustained Frequency Co-optimised Essential System Services (FCESS) Market Clearing Prices exist.
 - (c) Any alternative network investment options in the Whole of System Plan published under section 4.5A of the WEM Rules and the extent to which these investments could

be mitigated in a more cost-effective way over the life of the augmentation using an NCESS.

- (d) Any Amending Rules that will be introduced for which a new or amended NCESS is required, as documented in the relevant Final Rule Change Report.
- (e) Any other information the Coordinator considers relevant.

3.2 Engagement and collaboration

- 3.2.1 If AEMO or Western Power or the Coordinator identifies that an event or condition has occurred or applies as part of its monitoring functions, it must:
- (a) notify the other parties of the event or condition; and
 - (b) have preliminary discussions with the other parties with a view to determining whether:
 - i. the event or condition has the potential to result in a material impact on Power System Security, Power System Reliability and/or prices or quantities in the WEM (Trigger Condition); and
 - ii. a formal assessment and submission to the Coordinator is required.
- 3.2.2 If, following the processes in paragraph 3.2.1, any party considers a formal assessment of the need to procure an NCESS is required, it must commence the coordination and assessment processes in line with the remainder of this Guideline.
- 3.2.3 If the potential need for a new or amended NCESS is identified under 3.2.2 of this Guideline, the party responsible for identifying the potential need for the NCESS must notify the other parties in writing, as soon as practicable of the issue, including:
- (a) A description of the Trigger Condition.
 - (b) Any request for relevant information or analysis.
 - (c) A request for engagement on the matter.
- 3.2.4 A notification under paragraphs 3.2.1. and 3.2.3 must be sent by email to the email address advised by each of the parties.
- 3.2.5 If AEMO, Western Power or the Coordinator receives a notification under paragraph 3.2.3, each of the other parties must make reasonable endeavours to attend the preliminary discussion, providing views on the identified need for a new or amended NCESS and preliminary analysis prior to:
- (a) a submission to request the Coordinator to trigger an NCESS procurement process being lodged; or
 - (b) the Coordinator deciding to trigger an NCESS procurement process.
- 3.2.6 A discussion between the parties in accordance with paragraph 3.2.5 must include:
- (a) consideration of whether the new or amended NCESS may lead to multiple NCESS procurement process competing for facilities to undertake a service; and
 - (b) if yes, what would be the interaction between the services, if any, and what additional considerations may be needed to allow for facilities to participate in the multiple NCESS procurement process provided that this would not impact on the service delivery.
- 3.2.7 If the Referring Party or the Coordinator determines, based on the initial analysis, any additional information provided, and discussions with other parties, an NCESS may need to be procured, it must commence a formal assessment in accordance with section 4 of this Guideline.

4. Assessment and development of submission

- 4.1.1 If a Referring Party or the Coordinator considers an NCESS may need to be procured, it must conduct a formal assessment and document the findings:
- (a) if a Referring Party identifies the need, in its submission to the Coordinator in accordance with this section; or
 - (b) if the Coordinator identifies the need, in the NCESS Assessment Template.
- 4.1.2 A Referring Party must ensure any submission under paragraph 4.1.1 **[WR 3.11A.3]**:
- (a) is made by a date that the Referring Party reasonably considers allows sufficient time to enable the NCESS procurement process in accordance with section 3.11B of the WEM Rules;
 - (b) includes a formal assessment in accordance with this section of the Guideline; and
 - (c) uses the NCESS Assessment Template (see Appendix A).
- 4.1.3 A submission must contain information and analysis to inform the Coordinator's determination under section 5 of this Guideline **[WR 3.11A.7]**:
- (a) if the issue relates to Power System Security or Power System Reliability, the extent to which an NCESS will address the issue;
 - (b) the extent to which an NCESS will minimise costs in the WEM;
 - (c) the relative merits between procuring an NCESS or augmenting the network;
 - (d) whether it is suspected that there is a potential exercise of market power;
 - (e) whether the procurement of an NCESS is consistent with the Wholesale Market Objectives; and
 - (f) whether procurement of an NCESS will be in the long-term interests of consumers.
- 4.1.4 If the Coordinator receives a submission under paragraph 4.1.2, the Coordinator must acknowledge receipt of the submission in writing as soon as practicable.
- 4.1.5 If the Coordinator receives a submission under paragraph 4.1.2, the Coordinator may **[WR 3.11A.5]**:
- (a) request further information from AEMO or Western Power or both, providing a due date by which the Coordinator considers is reasonable considering the nature of the information requested;
 - (b) consult with AEMO or Western Power or both; and
 - (c) undertake any studies, analysis or assessment the Coordinator considers reasonable.
- 4.1.6 If AEMO or Western Power receives a request for further information from the Coordinator under paragraph 4.1.5(a), AEMO or Western Power must:
- (a) provide the information requested by the due date;
 - i. notify the Coordinator the information cannot be provided, with reasons; or
 - ii. notify the Coordinator the information cannot be provided by the due date, with reasons, and proposed an alternative due date.
- 4.1.7 If AEMO or Western Power notifies the Coordinator that information cannot be provided, or cannot be provided within a timeframe the Coordinator considers reasonable, the Coordinator may:
- (a) agree an alternative due date the Coordinator considers reasonable;
 - (b) seek the required information from an alternative source if possible; or
 - (c) proceed to make a decision in accordance with section 4 of the Guideline in the absence of that information.

4.1.8 If the Coordinator receives a submission under paragraph 4.1.2, the Coordinator must make a determination on whether to trigger the procurement of an NCESS in accordance with section 4 of this Guideline.

5. The Coordinator Determination

5.1 Considerations

- 5.1.1 In making a determination on whether to trigger the procurement of an NCESS, the Coordinator:
- (a) must consider all relevant information provided:
 - i. in a submission made by a Referring Party;
 - ii. in response to a request for further information; and
 - iii. as part of studies, analysis or assessment undertaken by the Coordinator;
 - (b) must take into account the factors in clause 3.11A.7 of the WEM Rules; and
 - (c) may take into account any other factors the Coordinator considers relevant.

5.2 Documentation and timing

- 5.2.1 If the Coordinator receives a submission under paragraph 4.1.2, the Coordinator must determine whether to trigger the procurement of an NCESS under clause 3.11A.4 by the later of:
- (a) 20 Business Days after receipt of the submission; or
 - (b) if further information is requested under paragraph 4.1.5(a) or any studies, analysis or assessment are undertaken by the Coordinator under paragraph 4.1.5(c), 20 Business Days after receipt of that information or completion of the Coordinator's studies, analysis or assessment.
- 5.2.2 If the Coordinator identifies the potential need for a new or amended NCESS under paragraph 5.2.1 of this Guideline, the Coordinator must determine whether to trigger the procurement of an NCESS under clause 3.11A.4 by the later of:
- (a) 20 Business Days after identification of the need; or
 - (b) if further information is requested under paragraph 4.1.5(a) or any studies, analysis or assessment are undertaken by the Coordinator under paragraph 4.1.5(c), 20 Business Days after receipt of that information or completion of the Coordinator's studies, analysis or assessment.
- 5.2.3 Upon making a determination, the Coordinator must:
- (a) notify the Referring Party of the determination in writing with reasons for the determination, and if the Coordinator's determination is to trigger the procurement of an NCESS, identify the party, or parties, responsible for the procurement of, and payment for that NCESS;
 - (b) if the Coordinator's determination is to trigger the procurement of an NCESS, notify any party, or parties, responsible for the procurement of, and/or payment for that NCESS that is not the Referring Party; and
 - (c) must publish a notice of the determination of whether to trigger an NCESS under clause 3.11A.8 together with the following information, redacted for any Confidential Information in accordance with Chapter 10 of the WEM Rules **[WR 3.11A.8]**:
 - i. details of the identified need for the procurement of an NCESS;
 - ii. any submission made under paragraph 4.1.2;
 - iii. any further information, studies, analysis or assessment relied on in making the determination;
 - iv. details of any other matters relevant to the determination;

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- v. reasons for the determination; and
 - vi. if the Coordinator's determination is to trigger the procurement of an NCESS, the party, or parties, responsible for the procurement of, and payment for that NCESS.

5.2.4 If the Coordinator's determination is to trigger the procurement of an NCESS, the party or parties identified as responsible for the procurement of, and/or payment for that NCESS must comply with section 3.11B of the WEM Rules and follow the processes outlined in the relevant WEM Procedures.

Appendix A. NCESS ASSESSMENT TEMPLATE

Organisation: [Referring party/parties, Coordinator]	Date: [Date submitted/identified]
Summary of proposal: [This section should provide an overview of the trigger, outcomes of assessment and services proposed to be procured]	
Trigger for assessment: [This section should provide information on the needs identification]	
Formal assessment: [This section should provide information to assist the formal assessment, as required under section 5 of this Guideline, and should include detailed information and analysis on: <ul style="list-style-type: none">• if the issue relates to Power System Security or Power System Reliability, the extent to which an NCESS will address the issue;• the extent to which an NCESS will minimise costs in the WEM;• the relative merits between procuring an NCESS or augmenting the network;• whether it is suspected that there is a potential exercise of market power;• whether the procurement of an NCESS is consistent with the Wholesale Market Objectives; and• whether procurement of an NCESS will be in the long-term interests of consumers.]	
Consultation: [This section should provide an overview on the coordination and consultation undertaken and a summary of the views expressed and information provided]	
Services required: [This section should provide a description of the NCESS service(s) proposed to be procured, and how they would address the system needs]	
Attachments: [This section should include any reports, studies or analysis etc. not presented as part of the formal assessment section but that may warrant consideration by the Coordinator]	

Energy Policy WA

Level 1, 66 St Georges Terrace, Perth WA 6000

Locked Bag 100, East Perth WA 6892

Telephone: 08 6551 4600

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