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24 June 2026

Ms Dora Guzeleva
Director Wholesale Markets
Department of Energy and Economic Diversification
energymarkets@deed.wa.gov.au

Dear Ms Guzeleva,

Exposure Draft of Electricity System and Market Rules – Tranche 10

The Australian Energy Market Operator (AEMO) welcomes the opportunity to provide a submission on the Exposure Draft of Electricity System and Market (ESM) Amending Rules – Tranche 10 (Exposure Draft).

AEMO supports the proposed changes, which aim to facilitate regulatory and process improvements in alignment with the State Electricity Objective, and has appreciated the opportunity to collaborate with the Department of Energy and Economic Diversification (DEED) on the proposed drafting.

In particular, AEMO supports the proposed changes to:

- Defer the commencement of relevant Flexible Capacity obligations until after 2029, which also defers the costs associated with implementing system changes for Capacity Years in which Flexible Capacity is not forecast to be required. The deferral of Flexible Capacity provisions has allowed AEMO to reprioritise its reform implementation activities, which have been reflected in version 3 of AEMO's WEM Implementation Roadmap tabled at the most recent Major Projects Working Group meeting.
- Bring forward provisions that support component-based pricing to 1 October 2026, as these changes are required for AEMO to effectively determine and apply capacity prices for the 2026-2027 Capacity Year.
- Specify in the ESM Rules the process by which Western Power (in consultation with AEMO) implements the method, inputs and equations for use in determining DPV Shake-off and Load Shake-off quantities. These quantities are used by AEMO to determine Frequency Co-optimised Essential System Service (FCESS) requirements, as part of its role in maintaining Power System Security.
- Clarify the circumstances and processes by which AEMO may direct a Market Participant during Low Reserve Conditions to operate a Registered Facility with the Liquid Fuel nominated in its application for Certified Reserve Capacity.

In undertaking a final review, AEMO has also identified a small number of potential drafting amendments to improve clarity and/or consistency with the ESM Rules. These are provided in Attachment 1 for your consideration.

Timing and Implementation Challenges

Many of the proposed changes in Schedule 2 of the Exposure Draft are essential to facilitate system changes currently being implemented by AEMO as part of its Peak Capacity Settlements project. We therefore strongly support the commencement date of 1 October 2026 and note there will be associated implementation risks if there is a delay to gazettal, or significant departure from the current drafting.

AEMO's initial assessment has identified seven WEM Procedures that will require amendment as a result of the Amending ESM Rules. These include Dispatch of Facilities in Scarcity Conditions, and Low Reserve Conditions in Schedule 1 (which commence upon gazettal), and Identification of Affected Dispatch Intervals in Schedule 2 (which commences on 1 October 2026). The remaining schedules include Credible Contingency Events, Forecast Unscheduled Operational Demand, Medium Term PASA, and Short Term PASA (all commencing at future dates). AEMO would welcome the inclusion of a transitional clause (similar to clause 1.70.2) to provide additional time to progress the Procedure amendments impacted by Schedules 1 and 2, in recognition of the large WEM Procedure load currently being worked through ahead of major ESM Rule changes scheduled to commence on 1 October 2026.

If you would like to discuss any of the matters raised in this submission, please contact Sarah Graham, Manager WA Regulatory Affairs at sarah.graham@aemo.com.au.

Yours sincerely,

Signed by:
Kirsten Rose
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Kirsten Rose

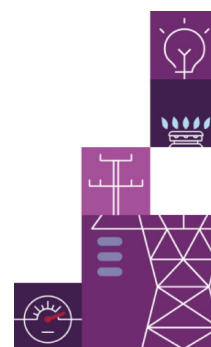
Executive General Manager WA

Attachment 1: Feedback and clarifications on drafting

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Attachment 1: Feedback and clarifications on drafting

Schedule 1	
Clause	Comment / suggestion
7.12.1	The approach implemented for definitions in clause 7.12.1 is not consistent with the general approach in other sections of the non-transitional chapters of the ESM Rules (Chapters 2-11). AEMO suggests updating the drafting to reflect standing conventions [e.g. ("Deemed Real-Time Payment") and including the terms in the Glossary in Chapter 11.
Schedule 2	
7.11C.1(b)	Clause 7.11B.1B of the Exposure Draft has been redrafted to re-prioritise the order for determining replacement Market Schedules, with the determination of a replacement Market Schedule using the Dispatch Algorithm with corrected inputs now the primary option (previously third). In changing the priority order, AEMO considers that clause 7.11.C.1(b) can be removed as the provision is now redundant, with the relevant clauses (7.11B.1A or 7.11C.2, as applicable) defining the circumstances in that would require AEMO to determine a replacement Market Schedule under 7.11B.1B(a).
Schedule 4	
9.5.5A	- AEMO queries whether the 200MWh low injection threshold would be better implemented via a defined term and a specified value in the Glossary, similar to what has been done for CL Threshold, rather than hardcoded as a numerical value in the equation in clause 9.5.5A. - AEMO also considers that the equation would be easier to read and implement if the 'SUM(max(0,MeteredSchedule(f,t)))' portion of this formula was a separate step called InjectionContributingQuantity(t), similar to current drafting in clauses 9.5.6 to 9.5.8. Doing so would avoid having a calculation in the flag setting provision and would simplify flag setting by simply checking if the InjectionContributingQuantity(t) is less than the defined low injection threshold.