

Wholesale Electricity Market Rule Change Proposal Submission

RC_2014_06

Removal of Resource Plans and Dispatchable Loads

Submitted by

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Submissions on Rule Change Proposals can be sent by:

Email to: rcp.secretariat@rcpwa.com.au

Post to: Rule Change Panel
Attn: Executive Officer
C/o Economic Regulation Authority
PO Box 8469
PERTH BC WA 6849

1. Please provide your views on the proposal, including any objections or suggested revisions.

The Australian Energy Market Operator (AEMO) appreciates the opportunity to provide this submission to the Rule Change Panel in response to the *Call for Further Submissions: Removal of Resource Plans and Dispatchable Loads (RC_2014_06)*.

AEMO supports the proposal to remove Resource Plans and Dispatchable Load obligations in the Wholesale Electricity Market Rules (WEM Rules). AEMO considers that (as stated in the original Rule Change Proposal¹) the proposal will:

- promote economic efficiency in the Wholesale Electricity Market (WEM);
- contribute to minimising the long-term cost of electricity; and
- facilitate the efficient entry of new competitors by reducing the burden of participation in the WEM.

¹ Independent Market Operator, 28 January 2015, *Rule Change Proposal RC_2014_06 [Removal of Resource Plans and Dispatchable Loads]*, pages 96-97, <https://www.erawa.com.au/cproot/17592/2/Rule%20Change%20Notice%20and%20Proposal.pdf>.

Revised proposed Amending Rules

AEMO notes that the *Call for Further Submissions* states that the revised proposed Amending Rules are “purely indicative” and may be subject to change in the Draft Rule Change Report.

AEMO makes two observations with respect to the proposed drafting.

First, the proposed drafting includes amendments to reflect the transfer of System Management functions to AEMO, but the WEM Rules (as proposed to be amended) will continue to use three different terms to refer to AEMO’s power system operation functions:

- System Management;
- AEMO in its capacity as System Management; and
- AEMO.

The National Electricity Rules, by contrast, use one term – “AEMO” – in conjunction with expressly-defined market functions (rule 3.2.1) and power system operation functions (rules 3.2.3 and 4.1.1(b)).

AEMO considers that it would be worthwhile to comprehensively address the three different terms in the WEM Rules by streamlining them into one consistent term.

Second, AEMO notes that the proposed drafting will need to include amendments to the ‘Table of Contents’ section of the WEM Rules.

Response to Rule Change Panel’s request for feedback

- [Should the Scheduling Day Timeline be future proofed for the implementation of NEMDE?](#)

AEMO considers that the Scheduling Day Timeline and the implementation of NEMDE raise distinct issues and need to be addressed separately.

As to the Scheduling Day Timeline, AEMO’s suggestion would be to implement the timelines proposed in the original Rule Change Proposal: optimising the STEM Submission window to occur from 9:00 AM to 10:50 AM; STEM Auction results to be published between 11:00 AM and 11:30 AM; and the Balancing Horizon to commence at 13:00 PM. Ultimately, however, AEMO can implement a Scheduling Day Timeline that suits Market Participants.

As to the implementation of NEMDE, the choice of dispatch engine to support the introduction of a security-constrained economic dispatch model – NEMDE or something else – is yet to be fully assessed and finalised. AEMO proposes that this Rule Change Proposal (which seeks to address current and longstanding WEM issues) be progressed without a direct linkage to market reform initiatives that are yet to be finalised.

- If the Balancing Horizon is commenced at 12:30 PM, how should the following windows be scheduled (considering that only the quantities and not the prices of Balancing Submissions can be updated in NEMDE):
 - the STEM Submission window; and
 - the period between the deadline for the publication of the STEM Auction results and the commencement of the Balancing Horizon?

In relation to the STEM Submission window, AEMO's suggestion would be to implement the timelines proposed in the original Rule Change Proposal, by optimising the STEM Submission window to occur between 9:00 AM to 10:50 AM, as opposed to the alternative timeline proposed to close 30 minutes earlier at 10:20 AM; and for the Balancing Horizon to commence at 13:00 PM, as opposed to 12:30 PM.

Extending the STEM Submission window by one hour would allow Market Participants additional time to assess their portfolios and (where required) adjust their buy-sell bids. It would also reduce the risk that Market Participants will not meet the deadline for making a valid STEM Submission due to insufficient time.

In relation to the period between the deadline for the publication of the STEM Auction results and the **commencement of the Balancing Horizon**, AEMO supports the timelines proposed in the original Rule Change Proposal: publication of the STEM Auction results by 11:30 PM; and commencement of the Balancing Horizon to occur at 1:00 PM.

- Should the provision for AEMO to delay the STEM because of issues with the Ancillary Service data be reinstated?

Clause 6.4.6 was inserted into the WEM Rules as a new clause in 2007. The scope of the discretion was originally limited to situations where a software system failure prevented the IMO (the predecessor to AEMO) from completing STEM processes.

Clause 6.4.6 was amended in 2012 when the Balancing Market and the LFAS Market were established. The scope of the discretion was extended to include situations where a delay in receiving Load Forecast information, Ancillary Service information or Outage information from System Management (Western Power) prevented the IMO from completing STEM processes.

Clause 6.4.6 was amended again in 2016 when System Management functions were transferred from Western Power to AEMO. The effect of the amendment (as a result of cross-referencing changes) was to reduce the scope of AEMO's discretion. The scope of the discretion includes situations where a delay in preparing Load Forecast information or Outage information prevents AEMO from completing STEM processes. But it does not include situations where there is a delay in preparing Ancillary Service information.

AEMO considers that this reduction in the scope of its discretion was unintended and has resulted in a manifest error in the WEM Rules. In the absence of these proposed amendments, AEMO will have to continue to make a time-critical assessment of whether any issues relating to the preparation of the Ancillary Service information each day are serious enough to warrant potentially breaching clause 6.4.6.

- In case of any issues with the Scheduling Day steps:
 - Should AEMO be allowed to:
 - repeat relevant Scheduling Day steps if required to rectify any issues; and
 - delay the STEM for such rectification?
 - Should any restrictions or conditions be placed on such repetition and the associated delay?

AEMO considers that it should be allowed to repeat relevant Scheduling Day steps if required to rectify any issues and/or delay the STEM for such rectification. In appropriate cases, such as data or technology issues that prevent the orderly operation of STEM, it may be necessary to -repeat relevant Scheduling Day steps. Where there is a known issue, - repeating relevant Scheduling Day steps would ensure that correct and accurate outcomes are achieved for Market Participants.

With respect to restrictions and or conditions, the WEM Rules already restrict the circumstances in which AEMO may exercise its discretion to extend STEM process timelines, and requires AEMO to notify Rule Participants of any extension (clause 6.4.6). AEMO exercises its discretion to extend STEM process timelines sparingly and only in appropriate circumstances. It is not apparent how additional restrictions or conditions would benefit Market Participants.

- What is the minimum time that should be allowed between the publication of the STEM Auction results and the extension of the Balancing Horizon in case of a STEM delay?

AEMO considers that Market Participants are best-placed to assess this matter.

2. Please provide an assessment whether the change will better facilitate the achievement of the Wholesale Market Objectives.

AEMO agrees with the Wholesale Market Objective assessment set out in the original 2014 proposal.²

3. Please indicate if the proposed change will have any implications for your organization (for example changes to your IT or business systems) and any costs involved in implementing these changes.

AEMO is currently assessing the impact of the changes proposed in the *Call for Further Submissions* on AEMO's IT systems and processes. A review of AEMO's internal processes, systems and guidelines will be undertaken as this Rule Change Proposal progresses through the Rule Change Process.

² Independent Market Operator, 2014, *Rule Change Proposal RC_2014_06 [Removal of Resource Plans and Dispatchable Loads]*, pages 96-97, <https://www.erawa.com.au/cproot/17592/2/Rule%20Change%20Notice%20and%20Proposal.pdf>.

AEMO notes that the Scheduling Timeline introduced in this rule change, in particular the extension of the STEM Submission window, and the introduction of more robust IT systems to operate the STEM will support AEMO transitioning current weekend and public holiday support arrangements³ to on-call support.

AEMO's on-call arrangements require the on-call analyst to responding to a call or issues within the first 10 minutes of receiving the call to respond and to commence analysis and rectification within 20 minutes after receiving and concluding the initial call to respond.

The extension will provide sufficient time for an AEMO on-call analyst to receive and respond to issues or incidents identified during the early stages of the STEM submission window. More robust IT systems and the removal of Resource Plans are expected to reduce volumes of Market Participants queries in relation to Scheduling Day processes.

AEMO will engage with Market Participants on this matter to ensure a fit for purpose support arrangement is provided.

4. Please indicate the time required for your organization to implement the change, should it be accepted as proposed.

Changes will be required to Market Procedures, Power System Operation Procedures and other market documents published by AEMO, including market design summaries and user guides. Most changes are anticipated to be minor in nature.

It is estimated that the proposed changes will take a minimum of six months to implement from the date of publication of the Final Rule Change Report. However, the exact time period will be affected by Procedure Change Process timeframes and the time it will take to implement IT changes, this will need to be reassessed as this Rule Change Proposal progresses

³ As outlined in the WEM and GBB Participant Support Guide available here: <https://www.aemo.com.au/-/media/Files/PDF/wemandgbbwaparticipantsupportguide9ee5963f29c46dc8b2c9ff0000bd36b5.pdf>