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14th Jun 2018

To Senéad Mangan

Subject: Draft Decision on Proposed Revisions to the Western Power Network Access Arrangement – AA4

Thank you for the opportunity to comment.

My comments to the Draft Decision are attached to this Submission DD-SIX.

The objective of my comments is to minimize the cost of electricity to the large and small consumers, regardless where these cost savings fall. My focus is on elements of the proposed AA4 design, the changes of which would in my opinion, lead to the quickest reduction of the price of electricity to WA consumers and a fairer allocation of costs to causers, decision makers and beneficiaries of these decisions.

Kindly refer to the attachment.

Yours sincerely,



Stephen Davidson



Continued on attachment

Attachment 1: Stephen Davidson, Submission FIVE (Comments on Issue 21 and Issue 22), 11 December 2017, Comments on Issue 22, page 3, top:

Stephen Davidson, Submission FIVE (Comments on Issue 21 and Issue 22), 11 December 2017, Comments on Issue 22, page 3, top:

Page 3, Issue 22, Supplementary matters, 9.4 Ancillary Services:
9.2.1 Western Power's obligation to minimize the quantity of ancillary services and cost of operation of the WEM

It is inappropriate to delete this clause, because Western Power should be accountable for any indirect increase of costs of electricity to transmission and distribution consumers it causes, via increasing the aggregate cost of operation of the Wholesale Electricity Market (WEM) under the Wholesale Electricity Market Rules.

Reinstate section 9 Ancillary services and clause 9.4.1 worded to the following effect:

"Western Power should be accountable for any indirect increase of costs of electricity to transmission and distribution consumers it causes, via increasing the aggregate cost of operation of the Wholesale Electricity Market (WEM) under the Wholesale Electricity Market Rules.

Western Power's obligation includes without limitation any action, inaction or exercise of its discretion granted to Western Power under the Technical Rules the consequences of which result in an increased electricity prices to residential, small business, small commercial and other consumers of electricity, that could have been avoided otherwise."

Reference is made to paragraphs 1264 and 1269 on the respective pages 281 and 282 and Recommended Amendment 40 on page 283 of the Draft Decision.

The paragraph 1264 summarizes submission by the AEMO. It should be interpreted from the AEMO perspective and AEMO obligations towards Western Power. Their mutual obligations are not a mirror-image of each other.

Given that the System Management was a ring-fenced entity from the remainder of Western Power and that the Independent Market Operator (IMO) was a separate entity, very little has changed, probably leading to the conclusion of paragraph 1264, which caused confusion, as follows.

Namely, Western Power has asymmetrical obligations towards AEMO arising from the Technical Rules. Our document search of the current version of the Technical Rules revealed 47 references to the System Management (SM) and four references to the IMO, the functions of which are now exercised by the AEMO¹.

¹ Western Power failed to change the terminology in the Technical Rules, although these were updated twice after the AEMO commenced its WA operation.

There are various obligations in the Technical Rules for Western Power to consult AEMO/SM/IMO in the capacity of the prudent network operator (which was ring-fenced from the SM). These obligations did not cease to exist after the AEMO commenced its WA operations, as a successor entity of the (ring fenced) SM and the IMO.

Failure to change references to the SM & IMO in the Technical Rules to AEMO does not remove those obligations from Western Power, which will be briefly summarized.

Prudent network operators must liaise and cooperate with the AEMO, because power the laws of the land and physics apply to power systems.

Earlier situations that affected power system and WEM operation arose in respect of managing connection applications. These were addressed by explicitly mandating obligations of Western Power to consult with the AEMO/SM/IMO, for example, see clause 3.3.3.8(b) and clause 3.4.2(c)(1) of the Technical Rules.

Recent FOI request revealed that Western Power has no internal procedures that ensure compliance with own obligations arising from the Technical Rules, nor for exercising own discretion granted to it under the Technical Rules.

For example, mass proliferation of small-scale generation (for example, solar PV) appears to have been apparently uncontrolled. These are individually small, however, in aggregate they behave like the largest single generator in the SWIS. Their inadequate characteristics are adversely affecting SWIS system operation, as evidenced by recent AEMO presentation (Cameron Parrotte).

Western Power has power to request modification of the proposed characteristics of the equipment, even to refuse connection: for example, clause 3.7.1(b) reads “*Nothing in this clause 3.7 obliges Network Service Provider to approve the connection ...*”, but do not exercise them. Examples are numerous.

It could be therefore argued that failure to consult with the AEMO is the failure to exercise own discretion, it is unreasonable, hence the liability should be a consequence.

If that failure, over a shorter or longer period of time, adversely affects other users, to the extent that the adversely affects operation of the whole power system, including the AEMO, then that liability should not be capped by completely removing liability for, otherwise, avoidable increased cost of the scheduled generation and increased quantity of the ancillary services Western Power cause, as non-prudent network service operator.

The proposed qualifier “*indirect increase of costs of electricity ... it causes...*” limits that liability of Western Power only to the consequences of the ‘things firmly under the control of Western Power’.

The proposed qualifier excludes the liability of Western Power for ‘things not under the control of Western Power’, for example compliant operation of other network users and AEMO exercising own discretion (to put the system safety above the market purity).

I hope that this helps to explain and justify arguments for my original proposal of 11 December 2017, repeated here for ease of correspondence:

Page 3, Issue 22, Supplementary matters, 9.4 Ancillary Services:

9.2.1 Western Power's obligation to minimize the quantity of ancillary services and cost of operation of the WEM

It is inappropriate to delete this clause, because Western Power should be accountable for any indirect increase of costs of electricity to transmission and distribution consumers it causes, via increasing the aggregate cost of operation of the Wholesale Electricity Market (WEM) under the Wholesale Electricity Market Rules.

Reinstate QUALIFIED section 9 Ancillary services and clause 9.4.1 worded to the following effect:

"Western Power should be accountable for any indirect increase of costs of electricity to transmission and distribution consumers it causes, via increasing the aggregate cost of operation of the Wholesale Electricity Market (WEM) under the Wholesale Electricity Market Rules.

Western Power's obligation includes without limitation any action, inaction or exercise of its discretion granted to Western Power under the Technical Rules the consequences of which result in an increased electricity prices to residential, small business, small commercial and other consumers of electricity, that could have been avoided otherwise."

The above is a suggestion and the Authority may cause a better-worded qualifier to the same effect, to its own satisfaction.

If the Authority does not accept concept that Western Power should be liable for own actions or failures to act, as articulated on the above example, then a justification would be appreciated that could be used in the future correspondence.