

Wholesale Electricity Market Rules and Gas Services Information Rules

Compliance Report for the period 1 January 2018
to 30 June 2018

31 July 2018

Economic Regulation Authority

WESTERN AUSTRALIA

Economic Regulation Authority

4th Floor Albert Facey House
469 Wellington Street, Perth

Mail to:

Perth BC, PO Box 8469
PERTH WA 6849

T: 08 6557 7900

F: 08 6557 7999

E: records@erawa.com.au

W: www.erawa.com.au

National Relay Service TTY: 13 36 77
(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for those with a vision impairment.

© 2018 Economic Regulation Authority. All rights reserved. This material may be reproduced in whole or in part provided the source is acknowledged.

Contents

1	Introduction	1
2	Compliance update	1
2.1	Alleged breach reports	1
2.2	Quarterly non-compliance with Dispatch Instructions investigations	3
2.3	Investigation outcomes and enforcement actions	4
2.4	Stakeholder engagement and reports	5
3	Report on Electricity Review Board matters	6
3.1	Proceedings brought before the Electricity Review Board	6
3.2	Findings of the Electricity Review Board	6
3.3	Orders made by the Electricity Review Board	6
3.4	Civil penalties imposed by the ERA	6

1 Introduction

The Economic Regulation Authority (ERA) is responsible for the compliance and enforcement functions in the Wholesale Electricity Market Rules (Market Rules) and the Gas Services Information (GSI) Rules.

This report provides participants and other interested parties with a summary of the ERA's compliance activities for the period 1 January 2018 to 30 June 2018.

This period the number of alleged breach reports received was 79 per cent higher than the previous reporting period, increasing from 82 matters registered to 147 matters registered.

The two largest categories of breach reports concerned requirements to provide market information and requirements to log outages. There were 67 market information alleged breach reports and 27 outage logging alleged breach reports received this period. This compares to 18 market information matters and 14 outage matters last period.

The report also includes information to satisfy the requirements of clause 2.13.26 of the Market Rules and clause 167(1) of the GSI Rules. These clauses require the ERA to publish six-monthly reports summarising matters brought before the Electricity Review Board, including details of any civil penalties imposed by the ERA.

2 Compliance update

The core activities of the ERA's compliance and enforcement functions are monitoring participants' compliance with the Market Rules and GSI Rules, and investigating alleged breaches of these rules.

2.1 Alleged breach reports

The ERA maintains a register of alleged breaches of the GSI and Market Rules. Alleged breaches may be identified by the ERA or reported by external parties, including self-reports by participants.

Since 1 July 2016, a total of 351 alleged breach reports have been registered by the ERA (Table 1). In the period 1 January 2018 to 30 June 2018 the ERA registered 147 alleged breach reports.

The number of breaches reported in the most recent six-month reporting period was 79 per cent higher than the previous period. Most of these matters were reported by the Australian Energy Market Operator (AEMO). AEMO is obligated to support the ERA with monitoring participants' compliance with the rules¹.

Table 1: Alleged breach reports registered by the ERA²

	Jul-Dec 16	Jan-Jun 17	Jul-Dec 17	Jan-Jun 18	Total
Market Rules	64	39	66	90	259
GSI Rules	5	14	16	57	92
Total	69	53	82	147	351

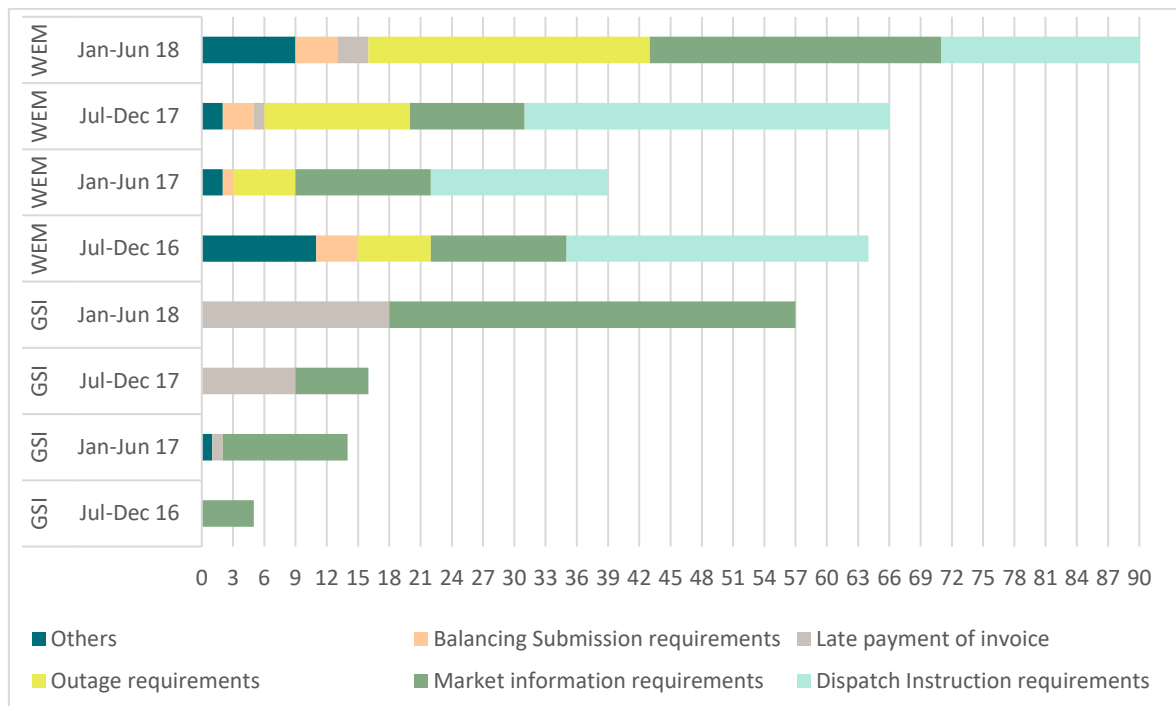
¹ Refer to clauses 2.13.8, 2.13.9A and 2.13.9C of the Market Rules and clauses 165A(1) and 165A(3) of the GSI Rules.

² An alleged breach report may consist of multiple breach events.

The number of self-reported breaches continued to be low with only five matters reported in the January to June 2018 period. Self-reporting of breaches by a participant is an indication that the participant understands its compliance obligations and has reasonable compliance processes in place to identify non-compliance. The ERA encourages self-reporting by participants.

Figure 1 shows the number of all alleged breaches reported by issue for each six-month period since 1 July 2016.

Figure 1: Alleged breach reports by issue



The number of alleged breaches of market information requirements this reporting period rose from 18 to 67 matters. In the current reporting period, 58 per cent (39) of these matters were alleged breaches of the GSI Rules.

In many cases, non-compliance with market information requirements concerned the late provision of information to AEMO. Participants should be aware that where information is provided after a rule deadline, then this will constitute non-compliance. The late provision of information may also cause delays to other market processes. Participants must have sufficient controls in place for the timely provision of market information.

As seen in Figure 1, alleged non-compliances with outage requirements were higher this reporting period compared to all other reporting periods. Most of the 27 outage matters reported this period alleged non-compliance with the Forced Outage logging timing requirements.

Forced Outages are required to be logged in an as soon as practicable timeframe after commencement of the outage. The ERA's July to December 2017 report stated that logging of Forced Outages should be done as close to real time as possible. The report also stated that it would be targeting events where there was a substantial delay in logging outages (more than five calendar days). The increase in outage non-compliance reports this period was a direct result of AEMO reporting outages not logged within five calendar days.

Alleged non-compliance with Dispatch Instruction requirements only accounted for 13 per cent of all alleged breaches this reporting period, falling to 19 matters from 35 matters in the prior period. This decrease corresponded with an improvement in participants' compliance as discussed in section 2.2.

2.2 Quarterly non-compliance with Dispatch Instructions investigations

Rule obligations concerning Dispatch Instructions, Balancing Submissions and outages are central to ensuring the economic and efficient operation of the Wholesale Electricity Market and dispatch process. The ERA has a quarterly process for investigating non-compliance with these obligations.

This process assesses participants' compliance with clause 7.10.1 of the Market Rules, which requires participants to comply with Dispatch Instructions issued by AEMO.

These investigations are carried out to meet the requirements of clause 7.10.8 of the Market Rules, and also consider whether any out-of-merit, constrained off or on payments to non-compliant participants need to be recovered³.

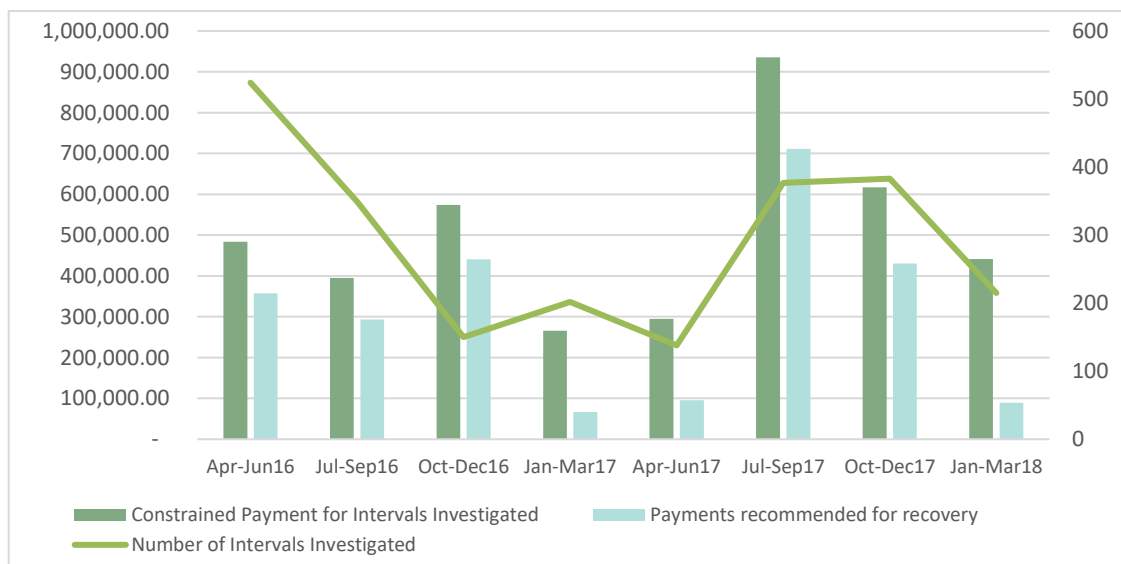
The investigations use dispatch non-compliance reports and constrained payments data provided by AEMO. When the ERA identifies non-compliance with the Market Rules it meets with participants to discuss the circumstances that led to the non-compliance.

The investigation process follows a strict timeline to ensure payment recoveries can be made within the applicable settlement adjustment cycle.

Figure 2 shows the total number of intervals investigated by the ERA together with the total value of the constrained payments for those intervals. Also shown is the monies recoverable for investigations carried out since 1 July 2016.

Figure 2: Quarterly non-compliance with Dispatch Instructions process

(Investigations completed between 1 July 2016 and 30 June 2018)



³ Where a Market Participant's Facility's actual generated quantity was materially different from its Balancing Submission quantities then it may be entitled to Out of Merit constrained off or on compensation as per section 6.16A of the WEM Rules, unless it was non-compliant with a Dispatch Instruction under clause 7.10.1.

The quarterly investigations also review whether participants have met their obligations to update Balancing Submissions and log Forced Outages in accordance with the Market Rules. These obligations ensure that up to date information is available for the dispatch process and provide key mitigation measures to prevent erroneous constrained payments.

In the quarterly investigation process for 1 January 2018 to 31 March 2018, the ERA observed an improved level of compliance by participants. This corresponded with the conclusion of targeted investigations of non-compliance during the reporting period. As a result of these investigations, the ERA issued two separate warnings to participants under clause 2.13.10(d) of the Market Rules: one for non-compliant behaviour with the Forced Outage rule requirements; and the other for non-compliant behaviour with the Balancing Submission accuracy rule requirements.

2.3 Investigation outcomes and enforcement actions

Where the ERA determines that a breach has occurred, it has statutory compliance responses available (for example, warnings and commencement of proceedings before the Electricity Review Board), as well as administrative responses such as education advice.

The ERA completed 67 investigations in the most recent reporting period (Table 2). In the prior period, July to December 2017, it completed 41. Since 1 July 2016, the ERA has completed a total of 160 investigations.

The ERA's rate of completing investigations has improved, averaging nine per month in 2017/18, compared to four per month in 2016/17. This is a result of internal process improvements for investigations of minor matters, including short-form reporting and the implementation of delegations for determinations on these matters.

Table 2: Number of alleged breach investigations completed by the ERA⁴

	Jul-Dec 16	Jan-Jun 17	Jul-Dec 17	Jan-Jun 18	Total
Market Rules	19	29	30	43	121
GSI Rules	0	4	11	24	39
Total	19	33	41	67	160

Figure 3 below summarises the outcomes of the 67 alleged breach investigations completed by the ERA in the first six months of 2018.

Nine of the investigations found the participant was not in breach.

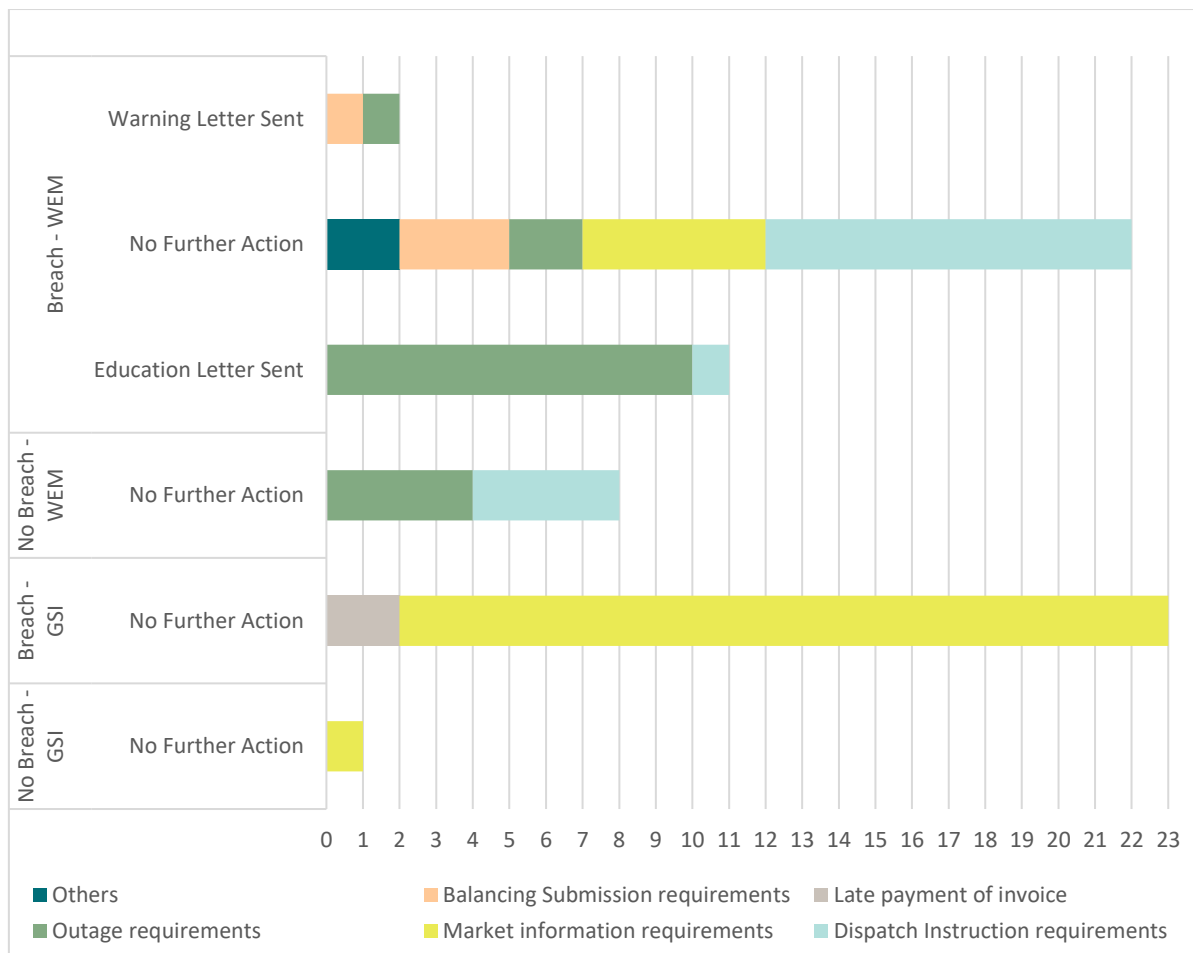
There were 45 investigations where a breach was determined but no further action was required as the matters were considered low risk. For all of these cases, the ERA was satisfied that the participants had implemented sufficient controls to mitigate the risk of the breach re-occurring.

⁴ In the ERA's report for the period 1 July to 31 December 2017, the number of completed investigations reported for the 1 July 2016 to 31 December 2017 period was a total of 95 investigations. During the current reporting period the ERA made updates to its compliance database to improve the recording of investigation completion dates. This has resulted in the revised numbers reported in Table 2.

The ERA investigated 11 alleged breach matters where it issued participants with education advice. The ERA provided the participants with information to mitigate the risk of further non-compliance. Ten of these matters concerned non-compliance with outage requirements by one participant. The remaining matter was due to non-compliance with Dispatch Instruction requirements by another participant.

Two warning letters were issued as described earlier in section 2.2.

Figure 3: Investigation Outcomes for period 1 January to 30 June 2018



2.4 Stakeholder engagement and reports

On 13 April 2018 the ERA held an Energy Markets stakeholder forum. The ERA updated participants on the ERA's compliance activities, including current issues like Forced Outage logging timeframes. The ERA also took the opportunity to work through examples of Dispatch Instruction non-compliance to clarify the Market Rule requirements.

As part of its quarterly process for investigating non-compliance with Dispatch Instructions, the ERA held 11 meetings with participants, prior to finalising its investigations on these matters over the course of the reporting period.

During this reporting period the ERA investigated two matters of its own alleged non-compliance with the rules. The ERA reported the outcome of these investigations on its [website](#). In one of these matters, the ERA determined it was non-compliant because published versions of the rules on the ERA's website did not contain the exact text of

gazetted rule amendments made by the Minister for Energy. The errors arose in versions of the rules prepared by a third party that were subsequently published by the ERA.

In the second matter, the ERA internally identified a delay in notifying AEMO it had published a new version of the GSI Rules on the ERA website after a Fast Track Rule Change. This was considered to be a possible breach of GSI Rule 3A(2). After investigating the matter, the ERA determined that it did not breach GSI Rule 3A(2) as there was no requirement to notify AEMO of the publication of the updated GSI Rules.

3 Report on Electricity Review Board matters

This section details the matters required to be reported on under clause 2.13.26 of the Market Rules and clause 167(1) of the GSI Rules for the reporting period. These matters are:

- a. proceedings that have been brought before the Electricity Review Board;
- b. findings of the Electricity Review Board on matters referred to them;
- c. orders made by the Electricity Review Board; and
- d. civil penalties imposed by the ERA under clause 2.13.16(a) of the Market Rules or regulation 16 of the GSI Regulations, where the Electricity Review Board has not set these aside.

3.1 Proceedings brought before the Electricity Review Board

No matters were brought before the Electricity Review Board during the reporting period.

3.2 Findings of the Electricity Review Board

The Electricity Review Board decided on no matters during the reporting period.

3.3 Orders made by the Electricity Review Board

The Electricity Review Board made no orders during the reporting period.

3.4 Civil penalties imposed by the ERA

The ERA imposed no civil penalties during the reporting period.