

Our ref: EDM 51139557
Contact: Rudi James (9326 6413)

16 December 2019

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Dear Sara

Report to the Minister for Energy on the Effectiveness of the Wholesale Electricity Market 2019

Western Power welcomes the opportunity to respond to the Economic Regulation Authority's (ERA) report to the Minister for Energy on the Effectiveness of the Wholesale Electricity Market (WEM) 2019 (Report). Instead of providing responses to each of the ERA's questions in the Report, Western Power is providing comments on matters raised in the Report that it considers relevant.

North Country larger contingency

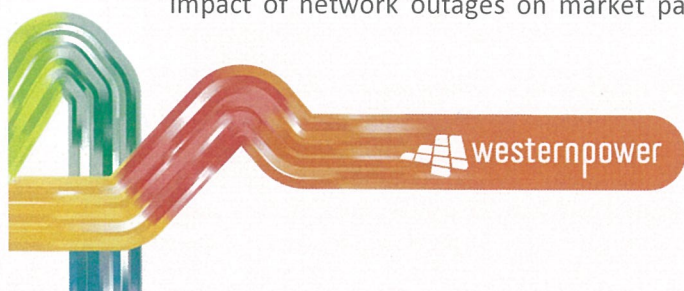
The decision to connect the two wind farms to the 330kV line was made following discussions, and later agreement, between Western Power, AEMO and the then Public Utilities Office regarding the connection.

Western Power understands that this matter has been discussed by the Market Advisory Committee and that a rule change to the WEM Rules has been proposed to address the market issues. Western Power is currently in discussions with AEMO and the Rule Change Panel Support regarding the available options to address the market issues.

Network outage planning and effects on market generators

AEMO is responsible for assessing, approving and coordinating the planned outages of facilities and items of equipment in the South West interconnected system (SWIS). As all planned network outages that occur have been assessed and approved by AEMO, Western Power is of the view that AEMO is best placed to make any reasonable assessments on a least cost plan for network outages. Additionally, AEMO would be privy to the confidential market information that needs to be considered for such assessments to be made.

Western Power is supportive of a planning process that takes into consideration the impact of network outages on market participants and the WEM. Currently, Western Power coordinates the timing of its planned outages with any affected market participants to minimise the impact of the outage. In these circumstances, Western Power and the affected Market Participant would often schedule its planned outages at the same time. Western Power considers this to be an effective method of minimising the impact of network outages on market participants. Western Power also notes that Rule Change



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RC_2018_07, has removed constrained off compensation (which was recovered from market customers) for outages of network equipment. This rule change has significantly minimised the financial impact of network outages on market customers.

Western Power considers that the delivery of its Planned Works Program is essential to maintain its network and to manage asset failure risks. In delivering the Planned Works Program Western Power will, from time to time, submit outage requests to AEMO to take items of network equipment on planned outage. Failure to take these items of network equipment on planned outages in accordance with the Planned Works Program may result in the failure of those network equipment and potentially lead to an increase in forced outages. Therefore, any changes to the current network outage planning process should prioritise the successful delivery of the Planned Works Program.

Management of network voltages

AEMO is responsible for ensuring security and reliability in the SWIS and is accountable for ensuring that the SWIS operates within the Technical Envelope, which includes voltage. Western Power is responsible for, in real time, voltage control of the Western Power network. However, the Technical Rules and WEM Rules do not clearly set out this division of roles and responsibilities between Western Power and AEMO. Western Power has expressed the need for clarity in the regulations to the Energy Transformation Implementation Unit in the system security and reliability workstream.

Higher rooftop PV generation has led to power transfer from the distribution network and a reduction in load on the transmission network, and as a result, are causing voltage levels in the SWIS to rise. Western Power is of the view that reactive power support provided by generators can assist with the management of voltage levels in the SWIS. One way of implementing this is by introducing reactive power support as an essential system service (ESS) in the WEM. Under this arrangement generators, as ESS providers, will be paid to provide reactive power support to the SWIS.

Western Power agrees with the ERA's comment regarding Western Power's lack of visibility of the market cost consequences of its network management approaches. Western Power considers that visibility of this matter would assist with its future investment decisions for the network.

Should you have any queries regarding this letter, please do not hesitate to contact Rudi James on (08) 9326 6413.

Yours sincerely



Matthew Veryard

Acting Head of Regulation and Investment Assurance