

24 April 2020

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Dear Nicky

COVID-19 pandemic – AEMO review of regulatory activities under Wholesale Electricity Market Rules and proposed actions

AEMO has reviewed its regulatory activities under the Wholesale Electricity Market Rules and, in this letter, seeks the Economic Regulation Authority's feedback on AEMO's proposed actions to ensure that:

- AEMO is well-placed to respond to the emerging COVID-19 pandemic impacts on the energy industry; and
- AEMO WA has the resources available to meet its critical power system security and market operation functions.

Overview

AEMO considers that the activities identified in this letter would provide low benefit for the effort required during the current COVID-19 pandemic.

AEMO's proposed actions reflect a minimalistic approach, under which AEMO seeks to comply with its WEM Rule obligations, but potentially at a lower level of detail or timeliness than may have previously been the case. AEMO considers that the proposed actions would have a minor impact on the operation of the market, and would free up multiples of key AEMO WA resources needed to respond to the COVID-19 pandemic, including critical WA power system operation engineers and market operators. A number of the proposed actions would also free up resources for Market Participants, to enable them to respond to the COVID-19 impacts on their business operations.

Part 1 – ERA's feedback requested – activities and AEMO's proposed actions

AEMO seeks the ERA's feedback on the following activities and proposed actions:

#	Activity	AEMO's proposed action	Market impact
1	Ancillary Service Requirements review	Recommend that 2019-20 Ancillary Service Requirements apply in 2020-21 (subject to AEMO's ongoing monitoring).	Low AEMO anticipates that the 2019-20 Ancillary Service Requirements will remain largely adequate until

		<ul style="list-style-type: none"> AEMO proposes not to carry out an end-to-end review of the Ancillary Service Requirements for 2020-21. AEMO proposes to submit an Ancillary Service Report, which will include the 2019-20 requirements as the proposed requirements for 2020-21. The components related to adequacy of Ancillary Services and costs will be minimally reported on. AEMO proposes that the 2019-20 Ancillary Service Requirements largely apply in 2020-21. 	<p>June 2021. AEMO will monitor the Ancillary Service Requirements, including for LFAS, to ensure that they remain appropriate and will propose updated values if changes are required during the year.</p>
2	Margin Values and Cost_LR value review	<p>Recommend that 2020-21 Margin Values and Cost_LR value apply in 2021-22 (subject to any change resulting from new system restart contracts).</p> <ul style="list-style-type: none"> AEMO proposes not to carry out an end-to-end modelling exercise for the 2020-21 Margin Values and Cost_LR value. AEMO will endeavour to submit its proposed 2020-21 Margin Values and Cost_LR value to the ERA by 30 June 2020 to allow the ERA more time to assess them. The submission will propose that the Margin Values and Load Rejection Reserve component of the Cost_LR value for 2020-21 will continue to apply in 2021-22. No modelling will be undertaken. AEMO may propose that the System Restart cost component of the Cost_LR value is updated based on new System Restart contracts. AEMO will make this submission, pending the results of the System Restart procurement process, by 30 November 2020 as required under the WEM Rules. 	<p>Low</p> <p>The current Margin Values and the Load Rejection Reserve component of the Cost_LR value were determined by a consultant using updated information from Market Participants. AEMO considers that these values remain appropriate for 2021-22 (subject to any change resulting from new system restart contracts).</p>
3	Compliance reporting	<p>AEMO to continue discussions with ERA regarding compliance reporting.</p> <ul style="list-style-type: none"> AEMO will continue to monitor and report all Dispatch Instruction non-compliance [clause 7.10.1 of the WEM Rules] and all outage-related non-compliance [clause 3.18.2(f) of the WEM Rules] on a quarterly basis. AEMO will continue to monitor and report all instances of material non-compliance in a timely manner. AEMO's compliance team will continue discussions with the ERA regarding specific reductions in monitoring and reporting, 	<p>Low</p> <p>AEMO will continue to monitor and report all material instances of alleged non-compliance in a timely manner.</p>

		including for instances of non-material non-compliance, where practicable.	
4	Market compliance audit	AEMO to continue with market compliance audit. <ul style="list-style-type: none"> AEMO proposes to treat that the 2020 market compliance audit as a second-order priority for the system management and market operation teams (with the first-order priority being activities that relate to AEMO WA's critical power system security and market operation functions during the COVID-19 pandemic). AEMO may request an extension of the 2020 market compliance audit timelines. 	None 2020 market compliance audit will still be completed.

Part 2 – for noting by the ERA – activities managed through stakeholder engagement

AEMO provides the following information for noting by the ERA. AEMO has commenced, and in some cases finalised, discussions with other key stakeholders regarding reductions in the scope and/or frequency of the following activities to proactively free up resources for AEMO and those stakeholders.

#	Stakeholder	Engagement	Market impact
5	ERA	AEMO and the ERA continue to have constructive discussions regarding the timeframes for AEMO's input into periodic reviews (eg the 2020 review of incentives to improve the availability of generators).	None AEMO will continue to provide support to the ERA on completing periodic reviews based on revised timelines.
6	Rule Change Panel	AEMO proposes to raise work prioritisation as an agenda item at our next meeting with the RCP on 1 May 2020. <ul style="list-style-type: none"> Raise RCP work program and associated timelines at MAC for discussion with RCP and Market Participants. RC_2014_03 (Administrative Improvements to the Outage Process): <ul style="list-style-type: none"> Discuss implementation date/timeframe with RCP, but continue with implementation. To be done 6 months after AEMO's System Management System Transition project. RC_2017_02 (Implementation of 30-Minute Balancing Gate Closure): 	Low The RCP will continue to progress Rule Change Proposals under revised timeframes.

		<ul style="list-style-type: none"> Discuss implementation date/timeframe with RCP, but assume RCP's decision will be 90-minute Balancing Gate Closure. 	
7	Synergy	<p>AEMO and Synergy continue to have constructive discussions.</p> <p>Synergy Dispatch Plan:</p> <ul style="list-style-type: none"> Consider reducing the frequency of Dispatch Plans, having regard to the minimum requirement under the WEM Rules, including the requirement for updated Dispatch Plans when there is a "significant change" [clause 7.6A.2(f) of the WEM Rules]. Provide one Dispatch Plan a day at 4:00 pm, including weekends, and provide updated Dispatch Plans only where there are significant changes, such as coal generator commitment decisions. <p>Operational Meetings:</p> <ul style="list-style-type: none"> Each month AEMO and Synergy to consider deferring the monthly operational meetings [clause 7.6A.5 of the WEM Rules] if unnecessary. 	<p>Dispatch Plan: Low – Information provision to Synergy and updates will still be done as required</p> <p>Operational Meetings: Low – AEMO and Synergy remain in constant communication regarding operational requirements.</p>

Part 3 – for noting by the ERA – activities subject to ongoing stakeholder discussion

AEMO provides the following information for noting by the ERA. The following activities are within AEMO's powers to review or reconsider the scope, frequency or timelines, and are included here for the ERA's information about the proactive steps AEMO is taking where it can to relieve resource constraints. No formal feedback is requested on these items.

#	Activity	AEMO's proposed actions	Market impact
8	Annual Tolerance Range review	<p>Roll over 2019 values.</p> <ul style="list-style-type: none"> The WEM Rules allow AEMO to roll over the 2019 Tolerance Ranges if there is no change to the underlying data. 	Low – current Tolerance Ranges calculated based on existing methodology and are suitable to be retained for 2020.
9	System Management Dispatch Status Report	<p>Continue but revise scope and effort put into producing the report.</p> <ul style="list-style-type: none"> Scope will be revised based on business-as-usual and resource availability at the time the report is generated. 	Low – No material impact to Rule Participants or the ERA.
10	2020 WEM ESOO	Continue with ESOO.	None

		<ul style="list-style-type: none"> AEMO's longstanding practice has been to only exercise its discretionary power to extend the timeframe in exceptional circumstances. <p>Continue Stakeholder Engagement.</p> <ul style="list-style-type: none"> Consider submissions received on the issues paper. 	
11	2020 Certified Reserve Capacity applications	<p>Continue stakeholder engagement.</p> <ul style="list-style-type: none"> Continue to assess impacts to stakeholders of delaying 2020 Reserve Capacity Cycle, taking into consideration submissions received on AEMO's "COVID-19 Potential Impacts to the 2020 Reserve Capacity Cycle" issues paper. Decision of delay based on stakeholder feedback. 	Low – Uncertainty in timeframes for assignment of Capacity Credits may result in potential revenue uncertainty, but ongoing engagements with Market Participants reduces the risk.

AEMO is continuing to engage with industry stakeholders on the proposed actions, and any further actions that may be required in response to the emerging COVID-19 pandemic impacts on the energy industry. There are indications that the number of COVID-19 cases may have 'settled down' in Australia, however experience from other jurisdictions show a new outbreak is possible. As such, given the change in electricity demand profiles and the financial pressures on market participants, AEMO must remain vigilant and dedicate the appropriate resources and time to performing its core functions. Moreover, should there be any COVID-19 pandemic escalation, AEMO may need to undertake additional actions to free up additional resources both within AEMO and in the industry.

AEMO looks forward to continuing to work constructively with the ERA in relation to the COVID-19 pandemic to achieve positive outcomes for energy industry stakeholders.

Yours sincerely



Audrey Zibelman
Managing Director and Chief Executive Officer