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Ms Jenness Gardner
Chief Executive Officer
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PO Box 8469
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Dear Ms Gardner

SUBMISSION ON ERA'S DRAFT DECISION ON AEMO'S AR6 SUBMISSION

Energy Policy WA welcomes the opportunity to provide comments related to the Economic Regulation Authority (ERA) Draft Determination of the Australian Energy Market Operator's (AEMO's) allowable revenue and forecast capital expenditure proposal for the period 1 July 2022 to 30 June 2025 (AR6).

Energy Policy WA is interested, in particular, in those elements of AR6 that relate to key actions arising from the State Government's Energy Transformation Strategy (ETS). Specifically, those elements related to the ongoing implementation of the Wholesale Electricity Market (WEM) Reform Program and Stage 2 of the ETS.

Energy Policy WA does not consider it is appropriate to comment on specific aspects of the ERA's determination of prudent and efficient allowable revenue and capital expenditure forecasts for AEMO. However, as we are responsible for leading the delivery of the ETS, we would like to highlight some key elements of the ETS work program that are relevant to AR6.

We support the sentiment expressed by the ERA, AEMO and several market participants through the AR6 process so far, regarding the importance of effective delivery of the existing WEM Reform program. This includes the introduction of security constrained economic dispatch, new essential system services and revised frameworks for power system operation.

These reforms deliver the 'Foundation Regulatory Frameworks' work stream of Stage 1 of the ETS, and have been developed with significant input and effort from many parties, including AEMO. It is essential that they are successfully implemented by 1 October 2023 to deliver benefits for consumers and to establish the foundational market and system frameworks which we will need to build on as the power system transition continues.

The integration of Distributed Energy Resources (DER) into the WEM is another key work program from Stage 1 of the ETS, which is gathering pace. Energy Policy WA is working closely with AEMO and industry stakeholders to establish the implementation plan and develop the detailed design for DER integration in the WEM. This work is essential to ensure power system challenges are identified and managed in a timely manner, as well as to enable the longer-term benefits to customers of effective DER integration.

AEMO's ongoing input will be required in completing the activities related to the implementation of Stage 1 of the ETS and progressing the activities in Stage 2 of the ETS, and I would like to highlight some key areas of work in which AEMO's expertise, rules drafting and timely data provision will be necessary, including:

- the completion of the various Tranches of WEM Amending Rules necessary for the implementation of the WEM Reform, including Tranche 6 which is due to be completed at the end of 2022;
- the very important reviews of the Reserve Capacity Mechanism, and the Market Fees and Essential System Services Cost Allocation respectively, which are currently underway¹;
- implementation of an improved end-to-end Framework for Power System Security and Reliability Standards, as outlined by the Energy Transformation Taskforce, which will be enabled through proposed legislative and regulatory reforms²;
- the review of the market power mitigation strategy for the reformed WEM, which has now commenced; and
- ongoing collaboration and analysis by Energy Policy WA, AEMO and Western Power to understand emerging power system and network challenges arising from the transition to variable renewable and distributed energy sources, such as the recent 'Low Load' work and ongoing evolution of contingency planning and management arrangements as part of the 'keeping the lights on' ETS Stage 2 work stream.

The planned updates to market settlement arrangements to introduce five-minute settlements (5MS) into the WEM by October 2025 is also included in Stage 2 of the Western Australian Government's ETS, announced in July 2021³. We will require significant input from AEMO to support the planning and design of this complex reform, and early input from AEMO and industry stakeholders will be critical to ensure a fit-for-purpose implementation of 5MS in the WEM.

AEMO is in unique position to provide its experience, knowledge, skills and wealth of information to ensure the success of the ongoing reforms and reviews, and the design and implementation of changes to rules, other regulatory instruments and necessary system changes. Further, the WEM Rules require both AEMO and the ERA to facilitate and implement decisions by the Coordinator and the Minister regarding the evolution and development of the WEM and the WEM Rules.

¹ Information is available on the Market Advisory Committee web pages at [Market Advisory Committee \(www.wa.gov.au\)](http://www.wa.gov.au)

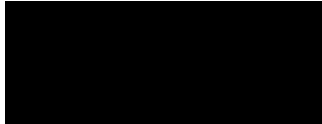
² Refer to the Energy Transformation Taskforce Information Paper at [Power System Security and Reliability Standards Framework \(www.wa.gov.au\)](http://www.wa.gov.au) and Energy Policy WA's website for information on Project EAGLE [Energy and Governance Legislation Reform \(www.wa.gov.au\)](http://www.wa.gov.au)

³ Available at [Energy-Transformation-Strategy-Stage2-July2021.pdf \(www.wa.gov.au\)](http://www.wa.gov.au)

While a focus on minimising costs for consumers is very important, it is also important that AEMO is adequately funded to effectively undertake the above roles for the long term benefit of consumers.

If you have any questions regarding the content of this letter, please contact Ms Dora Guzeleva on (08) 6551 4606 or at dora.guzeleva@energy.wa.gov.au.

Yours sincerely



Jai Thomas
A/COORDINATOR OF ENERGY

28 April 2022