



Economic Regulation Authority

Procedure Change Proposal: ERA triggering the SESSM

(EEPC_2024_04)

13 September 2024

Economic Regulation Authority

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Invitation to make submissions

Submissions are due by 4:00PM WST, 14 October 2024

The ERA invites comment on this paper and encourages all interested parties to provide comment on the matters discussed in this paper and any other issues or concerns not already raised in this paper.

We would prefer to receive your [Procedure Change Submission](#) via our online submission form <https://www.erawa.com.au/consultation>. A copy of the submission form is provided in **Error! Reference source not found.** also.

You can also submit your [Procedure Change Submission](#) through:

Email: publicsubmissions@erawa.com.au

Post: Level 4, Albert Facey House, 469 Wellington Street, Perth WA 6000

Please note that submissions provided electronically do not need to be provided separately in hard copy.

All submissions will be made available on our website unless arrangements are made in advance between the author and the ERA. This is because it is preferable that all submissions be publicly available to facilitate an informed and transparent consultative process. Parties wishing to submit confidential information are requested to contact us at info@erawa.com.au.

For further information please contact

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1. Introduction

The ERA may only trigger the Supplementary Essential System Services Mechanism (SESSM) when, pursuant to a review by the Coordinator under clauses 3.15.1A or 3.15.1B or the ERA's monitoring pursuant to clause 2.16.9, it reasonably considers that Real-Time Market outcomes are not consistent with the efficient operation of the Real-Time Market in respect of Frequency Co-optimised Essential System Services or the Wholesale Market Objectives.¹

The ERA documents the process it will undertake to identify inefficient Real-Time Market outcomes in the ERA Triggering the SESSM Procedure.²

This procedure change proposal is published as part of the ERA's review of the *WEM Procedure: ERA triggering the SESSM* and outlines the ERA's proposed amendments for consultation.³

To conduct its review of the WEM Procedure, the ERA must:

- Ensure the WEM Procedure is consistent with the WEM Objectives, WEM Rules, the *Electricity Industry Act 2004* and *Electricity Industry (Wholesale Electricity Market Regulations 2004)*.⁴
- Follow the procedure change process outlined in the WEM Rules and WEM Procedure.^{5,6}

These obligations are summarised in section 1.1.1.

This paper is organised as follows:

- The rest of Chapter 1 summarises the current WEM Procedure, changes in the WEM design and the procedure change process.
- Chapter 2 outlines proposed changes to the WEM Procedure and the ERA's reasons for change. The draft proposed WEM Procedure is provided in tracked changes in Appendix 1.

All capitalised terms in this document are defined terms under the WEM Rules.

The ERA expects to complete its review of the WEM Procedure by 15 November 2024, so the updated WEM Procedure can take effect from 20 November 2024 in line with Energy Policy WA's (EPWA) proposed changes to the WEM Rules.

The ERA is seeking stakeholder feedback on the amendments proposed in this paper, including the draft new WEM Procedure provided in Appendix 2 and Appendix 3. The ERA will consider this feedback when developing the procedure change report and updated WEM Procedure, which will take effect on a date specified by the ERA.

¹ Wholesale Electricity Market Rules, 27 July 2024, 3.15A.2 ([online](#)).

² Wholesale Electricity Market Rules, 27 July 2024, 3.15A.5 ([online](#)).

³ To amend a WEM Procedure, the ERA must publish a procedure change proposal which includes the proposed replacement of the WEM Procedure and the reasons for the replacement. Wholesale Electricity Market Rules (WA), 27 July 2024, Rule 2.10.6, ([online](#)).

⁴ Wholesale Electricity Market Rules (WA), 27 July 2024, Rule 2.9.3(a), ([online](#)).

⁵ Ibid, Rule 2.10.

⁶ Energy Policy WA, 2021, WEM Procedure: Procedure Administration, ([online](#)).

1.1 The procedure change process

The ERA must publish a procedure change proposal that includes the proposed amended drafting for the WEM Procedure and the reasons for those amendments.^{7,8} Any person can make a submission to the ERA using the form provided in Appendix 1.⁹

The ERA may seek advice from the Market Advisory Committee (MAC) when conducting this review.¹⁰ The MAC may provide feedback to the ERA through meetings or by delegating its role to a working group of rule participants and other stakeholders.¹¹

After considering stakeholder feedback on its proposal, the ERA will publish a procedure change report that outlines:

- The wording of amendments to the WEM Procedure and the reasons for the amendments.
- All submissions received before the due date for submissions, a summary of these submissions, and the response of the ERA to the issues raised in those submission.
- A summary of the views expressed by the MAC or, if the MAC has delegated its role to consider the procedure change proposal to a working group, a summary of the views expressed by that working group.
- A proposed date and time for the amendments to commence, which must, in the ERA's opinion, allow enough time after the date of publication of the procedure change report for rule participants to implement the changes required.¹²

1.2 Changes to the WEM Rules

EPWA has published draft WEM Rules for consultation.¹³ These proposed rule changes affect the existing WEM Procedure ERA Triggering the SESSM document.

EPWA has identified several areas for change within the document. These include:

- Deletion of WEM Rule 2.16A.1 and 2.16A.2
- Inclusion of WEM Rule 2.16C.6A.

Each of these proposed changes are discussed in more detail in the next section, as are the way the ERA proposes to amend the ERA's Triggering the SESSM Procedure.

⁷ Wholesale Electricity Market Rules (WA), 27 July 2024, Rule 2.10.13, ([online](#)).

⁸ The consultation period must be at least 20 business days. The ERA can extend the consultation period at its discretion by publishing a notice of extension. Wholesale Electricity Market Rules (WA), 27 July 2024, Rules 2.10.17 and 2.10.18, ([online](#)).

⁹ Wholesale Electricity Market Rules (WA), 27 July 2024, Rule 2.10.7, ([online](#)).

¹⁰ Ibid, Rule 2.10.9.

¹¹ Ibid, Rule 2.3.17.

¹² Wholesale Electricity Market Rules (WA), 27 July 2024, Rules 2.10.10 and 2.10.12B, ([online](#)).

¹³ Energy Policy WA, Exposure Draft of FCESS Cost Review Amendments ([online](#)).

2. Proposed amendments to the WEM Procedure

The ERA's proposed changes are required to align the WEM Procedure with the WEM Rules changes proposed by EPWA to be implemented on 20 November 2024.¹⁴

EPWA's proposed changes aim to improve the effectiveness of the market power mitigation framework and will have a bearing on ERA's investigation of market behaviour. The relevant proposed amendments are as follows:

- Deleting WEM Rule 2.16A.1, which requires market participants to offer prices reflecting only the costs that a market participant without market power would include in a profit maximising price offer.
- Removing the existing requirement in the WEM Rule 2.16A.2 for the ERA to infer if a Market Participant had market power at the time of constructing offers in the Real-Time Market or Short-Term Energy Market (STEM) as part of its determination whether an Irregular Price Offer occurred.
- Amending the definition of an Irregular Price Offer by making a reference to the newly defined term Economic Price Offer under WEM Rule 2.16C.6A
- Introducing the WEM Rule 2.16C.5 as the sole provision dealing with offers into the market. The rule prohibits making Irregular Price Offers which lead to inefficient market outcomes.

The table below provides a summary of the proposed changes and the relevant changes proposed in the ERA Triggering the SESSM Procedure.

Table 1: Proposed changes and reasoning for change

ERA Triggering the SESSM Procedure sections and change(s)	Reasoning for change(s)
2.1.3 – Adding reference to WEM Rule 2.16C.5	Currently section 2.1.3 states that the ERA can determine whether to trigger SESSM using information under ERA's investigation of market behaviour under WEM Rule 2.16.9. WEM Rule 2.16.9 does not incorporate inefficient market outcomes resulting from Irregular Price Offers under WEM Rule 2.16C.5. Adding reference to WEM Rule 2.16C.5 ensures that the ERA can use information related to Irregular Price Offer investigations.
2.1.5 – Replacing reference to WEM Rule 2.16A.1 with WEM Rule 2.16C.6A	EPWA's Exposure Draft proposes to delete WEM Rule 2.16A.1 which governs Market Participants' general trading obligations related to offers in the real time market and STEM. WEM Rule 2.16C.6A has been introduced to specify how Market Participants may offer in the real time market and STEM. Replacing reference to WEM Rule 2.16A.1 with WEM Rule 2.16C.6A ensures consistency with the proposed amendments in the Exposure Draft.
Deleting para 2.1.6	The conduct outlined in this paragraph is addressed in the Trading Conduct Guideline.

¹⁴ Energy Policy WA, Exposure Draft of FCESS Cost Review Amendments ([online](#)).

ERA Triggering the SESSM Procedure sections and change(s)	Reasoning for change(s)
2.1.9 – Adding the reference to WEM Rule 2.16C.9(a)	<p>The proposed change incorporates additional factors that the ERA can consider when determining inefficient market outcomes.</p> <p>These include (but are not limited to) STEM clearing price, reference trading price, energy uplift payments, quantities of energy scheduled in respect of Market Participants in the STEM auction or the dispatch of facilities in the real time market.</p>

Appendix 1

Anyone can make a submission relating to a Procedure Change Proposal, during the period indicated for public submissions.

Submissions must be made using the WEM Procedure Change Proposal submission form, which is published on EPWA's website and provided overleaf.¹⁵

¹⁵ Energy Policy WA, 2023, *WEM Procedure changes*, ([online](#)).

WHOLESALE ELCTRICITY MARKET

Submission to Procedure Change Proposal

EEPC_2024_04

WEM Procedure: ERA triggering the SESSM

Submitted by	
Name:	
Phone:	
Email:	
Organisation:	
Address:	
Date submitted:	

Submission

Clause 2.10.7 of the WEM Rules provides that any person may make a submission for a Procedure Change Proposal (including proposals developed by AEMO, the ERA, the Coordinator of Energy or a Network Operator) by completing this Procedure Change Submission form.

Submissions should be provided by email to the nominated contact in the call for submissions published with the Procedure Change Proposal.

Please provide your views on the Procedure Change Proposal, including any objections or suggested revisions.

Please provide an assessment whether the Procedure Change Proposal is consistent with the Market Objectives and the Wholesale Electricity Market Rules.

Please indicate if the Procedure Change Proposal will have any implications for your organisation (for example changes to your IT or business systems) and any costs involved in implementing these changes.

Please indicate the time required for your organisation to implement the changes, should they be accepted as proposed.

Appendix 2 – Proposed WEM Procedure (draft in tracked changes)

The proposed draft (in tracked changes) of the updated *WEM Procedure: ERA triggering the SESSM* (version 2) is available on the ERA's website ([online](#)).

Appendix 3 – Proposed WEM Procedure (clean draft)

The proposed draft of the updated *WEM Procedure: ERA triggering the SESSM* (version 2) is available on the ERA's website ([online](#)).

Appendix 4 Current WEM Procedure

The current *WEM Procedure: ERA triggering the SESSM* (version 1) is available on the ERA's website ([online](#)).