



**Economic Regulation Authority**

# Procedure Change Proposal: Economic Regulation Authority triggering the SESSM

(EEPC\_2023\_03)

21 June 2023

## **Economic Regulation Authority**

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## Invitation to make submissions

**Submissions are due by 4:00 pm WST, 18 July 2023**

Clause 2.10.7 of the WEM Rules provides that any person may make a submission to a Procedure Change Proposal.

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>

You can also submit a [Procedure Change Submission](#) form via:

Email: [publicsubmissions@erawa.com.au](mailto: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](mailto:info@erawa.com.au).

For further information please contact

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# 1. Introduction

The Wholesale Electricity Market (WEM) in the Western Australian South-West Interconnected System operates under the *Electricity Industry Act 2004*, Electricity Industry (Wholesale Electricity Market) Regulations 2004 and Wholesale Electricity Market Rules (WEM Rules).<sup>1,2,3</sup>

The Economic Regulation Authority is responsible for monitoring and enforcing compliance with the WEM Rules. In conducting its functions, the ERA aims to provide businesses and consumers with confidence that the WEM operates efficiently and effectively.<sup>4</sup>

The ERA may trigger the Supplementary Essential System Services Mechanism (SESSM) if the ERA 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 (clause 3.15A.2 of the WEM Rules).

The ERA maintains and implements a WEM Procedure that sets out the processes by which the ERA will identify inefficient Real-Time Market outcomes to determine whether to trigger the SESSM (clause 3.15A.5 of the WEM Rules).

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

## 1.1 Process to develop a new Procedure

The relevant WEM Rules are provided in detail in Appendix 1 and are summarised as follows:

- The ERA may initiate the Procedure Change Process by developing a Procedure Change Proposal (clause 2.10.1 of the WEM Rules).
- If an Amending Rule requires the ERA to develop new WEM Procedures or to amend or replace existing WEM Procedures, then the ERA is responsible for the development of, amendment of or replacement for, WEM Procedures to comply with the Amending Rule (clause 2.10.3 of the WEM Rules).
- The ERA will publish Procedure Change Proposals that it develops (clause 2.10.5B of the WEM Rules).
- A Procedure Change Proposal will include:
  - a. A proposed WEM Procedure or an amendment to or replacement for a WEM Procedure indicating the proposed amended words, or a proposed WEM Procedure (clause 2.10.6(a) of the WEM Rules).
  - b. The reason for the proposed WEM Procedure or an amendment to or replacement for a WEM Procedure or proposed WEM Procedure (clause 2.10.6(b) of the WEM Rules).
- At the same time as it publishes a Procedure Change Proposal notice, the ERA will publish a call for submissions on that proposal. The due date for submissions will be 20

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1 *Electricity Industry Act 2004* (WA), ([online](#)).

2 *Electricity Industry (Wholesale Electricity Market) Regulations 2004* (WA), ([online](#)).

3 Wholesale Electricity Market Rules (WA), 29 April 2023, ([online](#)).

4 Economic Regulation Authority. Statement of Strategic Intent, 2023-2025 ([online](#)).

Business days from the date the call for submissions is published (clause 2.10.7 of the WEM Rules).

## 1.2 WEM Procedure requirements

The ERA will document in a WEM Procedure the processes that it will undertake to identify inefficient Real-Time Market outcomes (clause 3.15A.5 of the WEM Rules). These processes may include:

- Comparing individual Facility offers of Frequency Co-optimised Essential System Services with:
  - a. Offers of Frequency Co-optimised Essential System Services from similar Facilities.
  - b. Expected or known costs for that Facility.
  - c. Offers from the same Facility in different time periods.
  - d. Historic offers of Frequency Co-optimised Essential System Services in the Real-Time Market.
  - e. The Frequency Co-optimised Essential System Services offer construction guideline published by the Economic Regulation Authority.
- Comparing existing Facility costs with potential new facility entrant costs.
- An analysis of the information received from expressions of interest forms submitted in accordance with section 3.15B.
- Comparing Frequency Co-optimised Essential System Services market outcomes with other relevant jurisdictions.

## 1.3 Consistency with the WEM Objectives

WEM Procedures must be (clause 2.9.3 of the WEM Rules):

- Developed, amended, or replaced in accordance with the process in the WEM Rules.
- Consistent with the Wholesale Market Objectives.
- Consistent with the WEM Rules, the *Electricity Industry Act 2004* and the WEM Regulations.
- Amended or replaced in accordance with section 2.10 of the WEM Rules where a change is required to maintain consistency with Amending Rules.

The WEM Objectives are in Appendix 1.

The proposed WEM Procedure: Guidance for Economic Regulation Authority triggering the SESSM, is consistent with the WEM Objectives.

## 1.4 Stakeholder feedback

The ERA is interested in receiving stakeholder feedback on any aspect of this WEM Procedure. Stakeholders are encouraged to seek clarification or further details on the contents of the WEM Procedure.

To support the finalisation of this WEM Procedure the ERA is particularly interested in receiving responses to the following questions.

1. What further clarification, if any, do stakeholders require on how the ERA determines inefficient market outcomes and the process that the ERA may undertake to identify inefficient Real-Time Market outcomes?
2. What additional indicators can stakeholders propose that would assist the ERA to determine inefficient market outcomes?

## Appendix 1 Relevant WEM Rules

**As at 29 April 2023<sup>5</sup>**

### **WEM Rule 1.2.1**

The objectives of the market are:

- a. to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- b. to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- c. to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- d. to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- e. to encourage the taking of measures to manage the amount of electricity used and when it is used.

### **WEM Rule 2.9.3**

WEM Procedures:

- a. must:
  - i. be developed, amended or replaced in accordance with the process in these WEM Rules;
  - ii. be consistent with the Wholesale Market Objectives; and
  - iii. be consistent with these WEM Rules, the Electricity Industry Act and Regulations; and
- b. may be amended or replaced in accordance with section 2.10 and must be amended or replaced in accordance with section 2.10 where a change is required to maintain consistency with Amending Rules.

### **WEM Rule 2.10.1**

AEMO, the Economic Regulation Authority, the Coordinator or a Network Operator, as applicable, may initiate the Procedure Change Process by developing a Procedure Change Proposal.

### **WEM Rule 2.10.3**

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<sup>5</sup> Consolidated Companion version of the WEM Rules, 29 April 2023 ([online](#)).



If an Amending Rule requires AEMO, the Economic Regulation Authority, the Coordinator or a Network Operator to develop new WEM Procedures or to amend or replace existing WEM Procedures, then AEMO, the Economic Regulation Authority, the Coordinator or the Network Operator, as applicable, is responsible for the development of, amendment of or replacement for, WEM Procedures so as to comply with the Amending Rule.

**WEM Rule 2.10.6**

A Procedure Change Proposal must include:

- a. a proposed WEM Procedure or an amendment to or replacement for a WEM Procedure, indicating the proposed amended words, or a proposed WEM Procedure; and
- b. the reason for the proposed WEM Procedure or an amendment to or replacement for a WEM Procedure or proposed WEM Procedure.

**WEM Rule 2.10.7**

At the same time as it publishes a Procedure Change Proposal notice, AEMO, the Economic Regulation Authority, the Coordinator or the Network Operator, as applicable, must publish a call for submissions on that proposal. The due date for submissions must be 20 Business Days from the date the call for submissions is published. Any person may make a submission to AEMO, the Economic Regulation Authority, the Coordinator or the Network Operator, as applicable, relating to a Procedure Change Proposal. A Procedure Change Submission may be made using the Procedure Change Submission form maintained on the Coordinator's Website in accordance with clause 2.9.4.

**WEM Rule 3.15A.2**

The Economic Regulation Authority may only trigger the SESSM when, pursuant to a review by the Coordinator under clauses 3.15.1A or 3.15.1B or the Economic Regulation Authority'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

**WEM Rule 3.15A.2**

When the Economic Regulation Authority triggers the SESSM pursuant to clause 3.15A.2 it must publish:

- a. the reasons why it triggered the SESSM;
- b. the Frequency Co-optimised Essential System Services it determines to be procured through the SESSM;
- c. whether the Frequency Co-optimised Essential System Services are required for certain time intervals only (for example, day of week, time of year), or are required more generally; and
- d. an estimate of the difference between the cost of Frequency Co-optimised Essential System Services in the Real-Time Market and the Economic Regulation Authority's reasonable estimate of the cost of those Frequency Co-optimised Essential System Services if they were procured in an efficient Real-Time Market.

**WEM Rule 3.15A.5**

The Economic Regulation Authority must document in a WEM Procedure the process it will undertake to identify inefficient Real-Time Market outcomes pursuant to clause 3.15A.2, which may include, but is not limited to:

- a. comparing individual Facility offers of Frequency Co-optimised Essential System Services with:
  - i. offers of Frequency Co-optimised Essential System Services from similar Facilities;
  - ii. expected or known costs for that Facility;
  - iii. offers from the same Facility in different time periods;
  - iv. historic offers of Frequency Co-optimised Essential System Services in the Real-Time Market; and
  - v. the Frequency Co-optimised Essential System Services offer construction guidelines published by the Economic Regulation Authority;
- b. comparing existing Facility costs with potential new facility entrant costs;
- c. an analysis of the information received from expressions of interest forms submitted in accordance with section 3.15B; and
- d. comparing Frequency Co-optimised Essential System Services market outcomes with other relevant jurisdictions.