



# Notice

5 September 2024

## Changes to ERA WEM Procedures and Guidelines

### Offer Construction Guideline, Trading Conduct Guideline and Monitoring Protocol WEM Procedure

The ERA has proposed changes to its Wholesale Electricity Market (WEM) Procedures and Guidelines, following [Energy Policy WA's proposed amendments to WEM Rules under the FCESS Cost Review](#).

The ERA is consulting on the three draft WEM Procedures, two Guidelines and their related documents in two phases.

Name of the WEM Procedure/Guideline	Description of the document	Phase
<a href="#">Offer Construction Guideline</a>	Provides regulatory guidance to market participants on how to offer in the real time market and Short-Term Energy Market. Also provides guidance on the record keeping obligations of market participants.	Phase One (this consultation)
<a href="#">Trading Conduct Guideline</a>	Provides regulatory guidance on market participants' general trading obligations in the real time market and the Short-Term Energy Market	Phase One (this consultation)
<a href="#">WEM Procedure: Monitoring Protocol</a>	States how the ERA monitors behaviour and compliance of market participants with the WEM Rules	Phase One (this consultation)
WEM Procedure: ERA Triggering the SESSM	States how the ERA will assess inefficient market outcomes to trigger the Supplementary Essential System Services Mechanism (SESSM)	Phase Two (mid-September 2024)
WEM Procedure: Portfolio Determination	Explains how the ERA assess portfolios in the WEM	Phase Two (mid-September 2024)

Each draft WEM Procedure will be published with a Procedure Change Proposal - a document that outlines the ERA's proposed changes and the rationale behind each. The draft Guidelines will be accompanied by a draft report detailing the proposed changes and the rationale behind each.

## Invitation for submissions

The ERA invites interested parties to make submissions on the three documents included in phase one: the Offer Construction Guideline, Trading Conduct Guideline, and WEM Procedure: Monitoring Protocol.

Submissions close 4:00 pm (WST) Thursday, 3 October 2024.

Submissions can be lodged online using the form on our [Current Consultation webpage](#).

## Further information

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## Explanatory note

On 8 August Energy Policy WA (EPWA) published an [Exposure Draft for amending WEM Rules under FCESS Cost Review \(Exposure Draft\)](#). EPWA's expects to implement its proposed amendments to the WEM Rules on 20 November 2024. This requires the ERA to amend its supporting WEM Procedures and Guidelines to ensure consistency and clear guidance for market participants.

EPWA's proposed amendments will affect the ERA's monitoring and compliance functions, and the ERA's regulatory guidance to market participants on their general trading obligations. The proposed amendments include:

- Deletion of Rule 2.16A.1, with price offers into the real time market and Short Term Energy Market (STEM) to be covered by Rule 2.16C.5.
- Removing the requirement that a market participant had market power when formulating offers into the Real Time Market and STEM, for a breach of Rule 2.16C.5 to have occurred.
- Introducing a new term, an "economic price offer", which is an offer including no greater than the sum of all efficient variable costs.
- Defining "irregular price offers" as being inconsistent with economic price offers.
- Introducing a stop-the-clock provision for ERA to determine inefficient market outcomes when the ERA is waiting on information from market participants.
- Changing the portfolio determination process to include a new definition of Material Portfolios and Material Constrained Portfolios.

The ERA's WEM Procedures and Guidelines are subsidiary to the WEM Rules and provide guidance information for market participants on how to comply with the WEM Rules.

The ERA has published two Guidelines and one WEM Procedure for consultation:

- the Offer Construction Guideline
- Trading Conduct Guideline
- WEM Procedure: Monitoring Protocol.

The Offer Construction Guideline and Trading Conduct Guideline outline the ERA's interpretation of the rules regarding price offers and trading conduct in the real time market and STEM, while the Monitoring Protocol outlines how the ERA will conduct its activities in assessing market participant price offers and trading conduct.

Later this month, the ERA intends to publish two further WEM Procedures:

- WEM Procedure: ERA triggering the Supplementary Essential System Services Mechanism (SESSM)
- WEM Procedure: Portfolio Determination.

The revised Procedures are being published with a Procedure Change Proposal that outlines the proposed changes and the reasons for the changes.

The draft Guidelines are being released with a draft report detailing the proposed changes and the reasons for the changes.

## Timelines

The ERA is publishing the draft WEM Procedures, Guidelines and their related documents in two phases. Each amended document, related consultation period and expected final publication are provided in Table 1.

**Table 1: List of documents and relevant dates – Phase One and Phase Two**

Documents	Consultation period	Expected final publication
<b>Phase One</b>		
Draft Report - Offer Construction Guideline and Trading Conduct Guideline	5 September to 3 October 2024	6 November 2024
Offer Construction Guideline		
Trading Conduct Guideline		
Procedure Change Proposal: Monitoring Protocol		
WEM Procedure: Monitoring Protocol		
<b>Phase two</b>		
Procedure Change Proposal: The ERA Triggering the SESSM	13 September 2024 to 14 October 2024	15 November 2024
WEM Procedure: The ERA Triggering the SESSM procedure		
Procedure Change Proposal: Portfolio Determination		
Portfolio Determination Procedure		

The timelines in Table 1 are indicative only. The ERA's proposed changes to its Guidelines and Procedures depend on EPWA's proposed implementation timeline of its Exposure Draft amendments. Any delays or changes in EPWA's timelines may affect the ERA's timelines.

Although EPWA's proposed amendments are intended to be implemented on 20 November 2024, the ERA intends to publish final versions of Offer Construction Guideline, Trading Conduct Guideline and Monitoring Protocol WEM Procedure two weeks in advance of EPWA's intended implementation date, that is on 6 November 2024.

Publishing these documents on 6 November 2024 will provide time for market participants to understand ERA's regulatory guidance and processes, prior to the revised WEM Rules coming into effect on 20 November 2024.

The ERA will publish the Portfolio Determination Procedure and the ERA Triggering the SESSM Procedure on 15 November 2024.

All revised Procedures and Guidelines will take effect from 20 November 2024 in line with EPWA's intended implementation date for its proposed amendments to the WEM Rules.

## **Stakeholder engagement**

The ERA is seeking feedback on the draft WEM Procedures and Guidelines.

The ERA will also explain and present changes in the final documents to market participants and other stakeholders at the ERA's Energy Markets Forum on 14 November 2024.

## **Proposed changes**

The proposed changes are needed to ensure that the Guidelines and Procedures are consistent with EPWA's proposed amendments to the WEM Rules.

In the Offer Construction Guideline, efficient variable costs remain the benchmark for constructing offers in the STEM and the Real Time Market. EPWA's proposed amendments remove references to market power and consequently, the ERA has deleted this term in the Offer Construction Guideline to be consistent. Other proposed changes also include an example of FCESS cost allocation for generators with a lower enablement maximum than maximum capacity.

The ERA is proposing to amend the Offer Construction Guideline so that offers cannot include an allocation of runway costs for Contingency Reserve Raise as part of efficient variable costs. The runway method allocates contingency reserve costs to causers of contingencies, equivalent with the extent to which they have contributed to the procurement of Contingency Reserve Raise requirement.

The ERA understands that this is a complex issue and welcomes submissions from market participants on the matter.

The ERA is proposing minor changes to the Trading Conduct Guideline, which includes an example of how below cost offers can be inconsistent with EPWA's Exposure Draft if they manipulate or distort prices under WEM Rule 2.16A.3.

The changes being proposed in the Monitoring Protocol WEM Procedure refine wording in some sections and provide more detail to the ERA's process of recording and assessing suspected breaches.

More detailed information on the proposed changes is provided in the published documents.