



Economic Regulation Authority

Procedure Change Report: ERA triggering the SESSM

(EEPC_2024_04)

27 November 2024

Acknowledgement of Country

At the ERA we value our cultural diversity and respect the traditional custodians of the land and waters on which we live and work.

We acknowledge their continuing connection to culture and community, their traditions and stories. We commit to listening, continuously improving our performance and building a brighter future together.

Economic Regulation Authority

Level 4, Albert Facey House

469 Wellington Street, Perth WA 6000

Telephone 08 6557 7900

Email info@erawa.com.au

Website www.erawa.com.au

This document can also be made available in alternative formats on request.

National Relay Service TTY: 13 36 77

© 2024 Economic Regulation Authority. All rights reserved. This material may be reproduced in whole or in part provided the source is acknowledged

Contents

1.	Introduction	1
1.1	Amending Rules for FCESS cost review	1
1.2	Procedure change process	1
1.3	The procedure change report	2
2.	Consultation Process	3
2.1	Notification to the Market Advisory Committee	3
2.2	Public consultation period	3
3.	Amendments to the WEM Procedure	4
4.	ERA's assessment	5
4.1	Consistency with Electricity Industry Act 2004, WEM Regulations, WEM Rules and Wholesale Market Objectives.....	5
4.2	Commencement of the WEM Procedure.....	5

List of appendices

Appendix 1 WEM Procedure (in track changes)	6
Appendix 2 WEM Procedure (clean)	7
Appendix 3 Submissions received	8

1. Introduction

Under the Wholesale Electricity Market (WEM) Rules, the Supplementary Essential System Services (procurement) Mechanism (SESSM) is designed to facilitate the entry of ESS providers in the Frequency Co-optimised ESS (FCESS) markets to resolve capacity shortfalls or inefficient market outcomes.

The SESSM is triggered in response to certain events occurring in the FCESS markets. Both AEMO and the ERA can trigger the SESSM. AEMO may only trigger the SESSM when the amount of accredited FCESS capacity or participating FCESS capacity falls below specific thresholds defined in the Wholesale Electricity Market (WEM) Rules. The ERA may only trigger the SESSM when, pursuant to a review by the Coordinator of Energy 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 FCESS markets or the Wholesale Market Objectives.¹

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

1.1 Amending Rules for FCESS cost review

On 8 August 2024, Energy Policy WA (EPWA) published an exposure draft of proposed Amending Rules for FCESS Cost Review.³ These rules have a consequential impact on the ERA's investigation of market behaviour. The relevant Amending Rules are as follows:

- Deletion of 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.
- Removal of the 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.
- Amendment to 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.

On 29 October 2024, the proposed Amending Rules for FCESS Cost Review were gazetted.⁴ Schedule 2 of the gazetted Amending Rules commenced on 20 November 2024.

1.2 Procedure change process

On 13 September 2024, the ERA initiated the procedure change process for the *WEM Procedure: ERA Triggering the SESSM* to incorporate the changes arising from EPWA's exposure draft for FCESS cost review.⁵ The ERA's Procedure Change Proposal identified the

¹ Wholesale Electricity Market Rules, 20 November 2024, Rule 3.15A.2 ([online](#)).

² Wholesale Electricity Market Rules, 20 November 2024, Rule 3.15A.5 ([online](#)).

³ Energy Policy WA, Exposure Draft of FCESS Cost Review Amendments ([online](#)).

⁴ Energy Policy WA, WEM Amendment (FCESS Cost Review) Rules 2024 ([online](#)).

⁵ Economic Regulation Authority, 13 September 2024, Notice of changes to ERA WEM Procedures, ([online](#)).

consequential amendments proposed to the WEM Procedure. The ERA published the Procedure Change Proposal on its website and issued a call for stakeholder submissions.⁶

The public consultation period was open for 20 Business Days as required under WEM Rule 2.10.7. The public consultation period closed on 14 October 2024.

WEM Rule 2.10.10 requires the preparation of a Procedure Change Report on the Procedure Change Proposal. The ERA has prepared this Procedure Change Report and the accompanying amended WEM Procedure as part of the procedure change process for the *WEM Procedure: ERA Triggering the SESSM*.

1.3 The procedure change report

The ERA must publish a Procedure Change Report that contains the matters outlined in WEM rule 2.10.13 as follows:

- the wording of the proposed WEM Procedure or amendment to or replacement for the WEM Procedure;
- the reason for the proposed WEM Procedure or amendment to or replacement for the WEM Procedure;
- all submissions received before the due date for submissions, a summary of those submissions, and the ERA's response to the issues raised in those submissions;
- a summary of the views expressed by the Market Advisory Committee and, if the Market Advisory Committee has delegated its role to consider the Procedure Change Proposal to a Working Group under clause 2.3.17(a), a summary of the views expressed by that Working Group;
- whether any advice from the Market Advisory Committee regarding the Procedure Change Proposal reflects a consensus view or a majority view, and, if the latter, any dissenting views included in or accompanying the advice and how these views have been taken into account by the ERA;
- a proposed date and time for the WEM Procedure or amendment or replacement to commence.

The matters contained within this Procedure Change Report meet the requirements of WEM Rule 2.10.13.

⁶ ERA, Procedure Change EEPC_2024_04: Review of the ERA Triggering the SESSM WEM Procedure ([online](#)).

2. Consultation Process

2.1 Notification to the Market Advisory Committee

The ERA notified the Market Advisory Committee (MAC) at the MAC meeting held on 5 September 2024 regarding the initiation of the relevant procedure change process and its intent to discuss the proposed amendments at a dedicated stakeholder forum.⁷ The ERA held the stakeholder forum on 19 September 2024.

The views presented by stakeholders both at the MAC meeting and the stakeholder forum were pertinent to the Offer Construction and Trading Conduct Guidelines that the ERA was also consulting on. No views were expressed in relation to the amendments to the *WEM Procedure: ERA Triggering the SESSM*.

2.2 Public consultation period

The public consultation period on the *WEM Procedure: ERA Triggering the SESSM* was conducted from 13 September – 14 October 2024. No submissions were received during this period.

⁷ Energy Policy WA, 5 September 2024, Market Advisory Committee meeting minutes, ([online](#))

3. Amendments to the WEM Procedure

The table below provides a summary of the changes to the *WEM Procedure: ERA Triggering the SESSM*.

Table 1: Amendments to the WEM Procedure and the reason for change

Amendments to the WEM Procedure: ERA Triggering the SESSM	Reason for change(s)
1.2.1 – correction to reference.	Corrected reference to the “WEM Regulations” referred to in paragraph 1.2.4 of the Procedure.
1.6.2 – convention explanation added	Added an explanation of how conventions, such as headings and explanation boxes, are used in the WEM Procedure to keep it consistent with other ERA WEM Procedures.
2.1.3 – Adding reference to WEM Rule 2.16C.5	<p>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.</p> <p>WEM Rule 2.16.9 does not incorporate inefficient market outcomes resulting from Irregular Price Offers under WEM Rule 2.16C.5.</p> <p>Adding reference to WEM Rule 2.16C.5 ensures that the ERA can use information related to Irregular Price Offer investigations.</p>
2.1.5 – Replacing reference to WEM Rule 2.16A.1 with WEM Rule 2.16C.6A	<p>The Amending Rules 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.</p> <p>Replacing reference to WEM Rule 2.16A.1 with WEM Rule 2.16C.6A ensures consistency with the Amending Rules. Further changes to this section provide clarity to Market Participants regarding formulation of price offers.</p>
2.1.6 – Deleted	Deleting this section from the WEM Procedure as the trading conduct obligations are already outlined in the WEM Rules and repeating this in the WEM Procedure is unnecessary. Note this has resulted in a change to the numbering of the sections in the Procedure.
2.1.8 – Adding the reference to WEM Rule 2.16C.9(a)	The proposed change incorporates additional factors that the ERA can consider when determining inefficient market outcomes. These additional factors are listed in WEM Rule 2.16C.9(a).
2.1.9(e) – amended to align with WEM Rules	Amended wording to be consistent with WEM Rule 2.16C.9.
2.1.10	Updated to include any information received from expression of interests submitted under WEM Rule 3.15B.
2.1.11 – amended to align with WEM Rules	<p>Addition of 2.1.11(a)(v) to be consistent with the WEM Rule 3.15A.5(a)(v).</p> <p>Added reference to WEM Rule 3.15A.5 to be consistent with the presentation in the Procedure.</p>

4. ERA's assessment

4.1 Consistency with *Electricity Industry Act 2004*, WEM Regulations, WEM Rules and Wholesale Market Objectives

The ERA considers that the amended Procedure is consistent with the:

- *Electricity Industry Act 2004* (WA)
- *Electricity Industry (Wholesale Electricity Market) Regulations 2004* (WEM Regulations)
- WEM Rules
- Wholesale Market Objectives.

This is because the amendments ensure that the WEM Procedure remains consistent with the relevant WEM Rules.

4.2 Commencement of the WEM Procedure

The ERA proposes to commence the amended *WEM Procedure: Triggering the SESSM* at 8:00 AM on 20 November 2024. This WEM procedure does not place any obligations on Rule Participants and as such the ERA does not consider any Rule Participants will be negatively impacted by the proposed commencement date and time.

The ERA has existing processes in place to ensure it is able to discharge its obligations in accordance with the amended WEM Procedure by the proposed commencement date and time.

Appendix 1 WEM Procedure (in track changes)

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

Appendix 2 WEM Procedure (clean)

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

Appendix 3 Submissions received

No submissions were received in relation to the *WEM Procedure: ERA triggering the SESSM*.