



WHOLESALE ELECTRICITY MARKET

PROCEDURE CHANGE PROPOSAL: AEPC_2018_02

POWER SYSTEM OPERATING PROCEDURE: TOLERANCE
RANGES

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EXECUTIVE SUMMARY

The publication of this Procedure Change Proposal and accompanying call for submissions commences the Procedure Change Process conducted by AEMO to consider a proposed new Power System Operating Procedure: Tolerance Ranges under the Wholesale Electricity Market Rules (WEM Rules).

The proposed new Power System Operating Procedure is required by clause 2.13.6K of the WEM Rules which requires AEMO to document the procedure for determining and reviewing the annual Tolerance Range and any Facility Tolerance Ranges.

This Procedure Change Proposal includes this document, which outlines the reason for the proposed Market Procedure, and the proposed Market Procedure itself, which is available at:

http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2018_02.

AEMO invites stakeholders to suggest alternative options or drafting where they consider these would improve the procedure or better meet the Wholesale Market Objectives in section 122(2) of the *Electricity Industry Act 2004* (Electricity Industry Act) (and clause 1.2.1 of the WEM Rules).

Stakeholders are invited to submit written responses on the proposed Power System Operating Procedure by 5.00 pm Australian Western Standard Time (AWST) on 7 March 2018, in accordance with the call for submissions published with this Procedure Change Proposal.



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1. PROCEDURE CHANGE PROCESS

Section 2.10 of the WEM Rules outlines the Procedure Change Process.

AEMO may initiate the Procedure Change Process in respect of Market Procedures (including Power System Operation Procedures and the Monitoring and Reporting Protocol) for which it is responsible, by developing a Procedure Change Proposal. Rule Participants may notify AEMO where they consider an amendment or replacement of an AEMO Market Procedure would be appropriate (Clauses 2.10.1 and 2.10.2).

If an Amending Rule requires AEMO to develop new Market Procedures or amend or replace existing Market Procedures, then AEMO is responsible for the development, amendment or replacement of Market Procedures to comply with the Amending Rule (Clause 2.10.3).

Under clause 2.9.3 of the WEM Rules, Market Procedures:

- (a) must:
 - i. be developed, amended or replaced in accordance with the process in the WEM Rules;
 - ii. be consistent with the Wholesale Market Objectives; and
 - iii. be consistent with the WEM Rules, the Electricity Industry Act and the WEM Regulations; and
- (b) may be amended or replaced in accordance with section 2.10 of the WEM Rules and must be 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 Wholesale Market Objectives 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.

AEMO has published this Procedure Change Proposal in accordance with the Procedure Change Process in clause 2.10 of the WEM Rules.

AEMO's indicative timeline for this consultation is outlined below. Dates may be adjusted depending on the number and complexity of issues raised in submissions and any meetings with stakeholders.

Process Stage	Indicative date
Procedure Change Proposal published	6 February 2018
Submissions due on Procedure Change Proposal	7 March 2018
Procedure Change Report published	4 May 2018
Proposed commencement of new Market Procedure	7 May 2018

Prior to the submissions due date, stakeholders may request a meeting with AEMO to discuss the issues and proposed changes raised in this Procedure Change Proposal.



2. BACKGROUND

2.1 Regulatory requirements

Clause 2.13.6K of the WEM Rules provides that:

2.13.6K. System Management must document the procedure for determining and reviewing the annual Tolerance Range and any Facility Tolerance Ranges in the Power System Operation Procedure, and System Management and Market Participants must follow that documented Power System Operation Procedure.

The proposed Power System Operating Procedure would be the one version of this Procedure. AEMO proposes to commence the new procedure on 7 May 2018 at a similar time as the publication of the Monitoring and Reporting Protocol and the removal of the PSOP: Monitoring and Reporting.

2.2 Context for this consultation

As part of the amalgamation of System Management and AEMO, the Power System Operating Procedures (PSOP) are being revised and updated. In general, AEMO is revising the Market Procedures to:

- (a) Remove any Power System Operating Procedures (PSOP) not required by WEM Rules.
- (b) Update all PSOPs to current AEMO standards.
- (c) Ensure PSOPs comply with obligations.
- (d) Ensure content in Procedures required because a WEM Rule requirement exists to include detail or process or AEMO requires obligation on itself or Participants.

The requirements of WEM Rule 2.13.6K are currently contained in the PSOP: Monitoring and Reporting, and the process detailed in this Procedure is based upon that. The PSOP: Monitoring and Reporting contains detail previously required by the WEM Rules, however during recent rule amendments the head of power for that Procedure was removed. As such, following the commencement of this Procedure, the PSOP: Monitoring and Reporting will be removed.

3. PROPOSED PROCEDURE CHANGE

3.1 Detail of the proposed procedure change

The proposed new Power System Operating Procedure is required by clause 2.13.6K of the WEM Rules which requires AEMO to document the procedure for determining and reviewing the annual Tolerance Range and any Facility Tolerance Ranges.

The WEM Rules differentiate between the annual requirement in WEM Rule 2.13.6G to review the Tolerance Range and the requirement for consultation prior to determining a new Tolerance Range or Facility Tolerance Range (WEM Rules 2.13.6D and 2.13.6E), and the Procedure has been structured to reflect this.

In particular, the following changes have been proposed:

- (a) The Tolerance Range formula will be removed from the Procedure and published on the Market Web Site.
- (b) The Economic Regulation Authority's (ERA) role in the process of determining and reviewing the Tolerance Range and Facility Tolerance Ranges has been added to the Power System Operating Procedure.

3.2 Proposed drafting

AEMO has published a draft of the proposed Market Procedure: Tolerance Ranges for consultation, which is available at: http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2018_02.
http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2017_01.

AEMO has not provided a marked-up version of the Procedure, because it is new.

3.3 Consultation to date

A draft version of the Market Procedure was presented at the AEMO WEM Procedure Change workshop held on 19 December 2017. Details of this forum are available at: <http://aemo.com.au/Stakeholder-Consultation/Industry-forums-and-working-groups/WA-Forums>.

Minor changes to improve clarity were recommended by stakeholders. In particular, AEMO has included in the Procedure an objective for the Tolerance Range and Facility Tolerance Ranges as well as clarified the circumstances in which AEMO may determine a Facility Tolerance Range.

The objective of the Tolerance Range and Facility Tolerance Ranges is to balance the requirement to comply with Dispatch Instructions and Operating Instructions, the costs imposed through compliance administration, and the operational impost on Market Participants by ensuring that only significant communications are received from AEMO regarding dispatch compliance.¹

3.4 Consistency with WEM Rules, Electricity Industry Act and WEM Regulations

The proposed new WEM Market Procedure has been reviewed as a whole by AEMO to ensure compliance with the relevant provisions in the:

- Electricity Industry Act.
- WEM Regulations.
- WEM Rules.

¹ This is based on the Independent Market Operator's Final Rule Change Report: The use of tolerance levels by System Management (RC_2009_22) from 18 June 2010; available at: <https://www.erawa.com.au/cproot/15936/2/Final%20Rule%20Change%20Report.pdf>.



3.5 Consistency with Wholesale Market Objectives

The steps outlined in this new Power System Operating Procedure describe the process for determining and reviewing the Tolerance Range and any Facility Tolerance Ranges.

AEMO considers that the steps are drafted in a way that does not change the objectives of the WEM Rules. As a result, AEMO considers that the new Procedure, as a whole, is consistent with the Wholesale Market Objectives.



4. CONSULTATION PROCESS

AEMO invites stakeholders to suggest alternative options or drafting where they consider these would improve the procedure or better meet the Wholesale Market Objectives in section 122(2) of the Electricity Industry Act (and clause 1.2.1 of the WEM Rules).

Stakeholders are invited to submit written responses on the proposed Power System Operating Procedure by 5.00 pm (AWST) on 7 March 2018, in accordance with the call for submissions published with this paper.

Stakeholders with questions in relation to the proposed Power System Operating Procedure or this Procedure Change Proposal can contact AEMO via email at wa@aemo.com.au.

All correspondence in relation to this Procedure Change Proposal must be entitled “AEPC_2018_02 Tolerance Ranges - [Name of the submitting company or individual]”.