



# WHOLESALE ELECTRICITY MARKET

## PROCEDURE CHANGE REPORT: AEPC\_2018\_01

MARKET PROCEDURE: MONITORING AND REPORTING  
PROTOCOL

Published: **XX** 2019





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# EXECUTIVE SUMMARY

## Purpose

The publication of this Procedure Change Report, and the accompanying Market Procedure, completes the Procedure Change Process conducted by AEMO to consider a new Market Procedure, the Monitoring and Reporting Protocol (Procedure) under the Wholesale Electricity Market (WEM) Rules.

## Proposed amendments

The proposed new Procedure has been developed in accordance with clauses 2.15.6A and 2.15.6B of the WEM Rules, which requires the Monitoring and Reporting Protocol to state how AEMO will implement its obligations for supporting the Economic Regulation Authority in monitoring Rule Participant compliance with the WEM Rules and Market Procedures.

## Consultation

A draft version of the Procedure was presented to the AEMO WEM Procedure Change Working Group meeting held on 19 December 2017. Stakeholders did not suggest any amendments to the Procedure. Details of this forum are available at: <http://aemo.com.au/Stakeholder-Consultation/Industry-forums-and-working-groups/WA-Forums/WEM-APCWG>.

No public workshops were held in relation to this Procedure Change Proposal.

AEMO published the Procedure Change Proposal (AEPC\_2018\_01) and issued a notice calling for submissions on 29 January 2018.

The submission period closed on 26 February 2018 with submissions received from Alinta Energy, Perth Energy, Western Power and Synergy. Western Power supported the Procedure as written, while other stakeholders in general supported the proposed Procedure, though indicated issues requiring resolution.

Following engagement with the ERA, AEMO extended the consultation period for 20 business days, closing on 10 January 2019, with submissions received from Alinta Energy and Perth Energy. AEMO has responded to matters identified.

## AEMO's decision

AEMO's decision is to accept the Procedure as amended following the consultation periods. AEMO considers that the new Procedure is consistent with the Wholesale Market Objectives, the Electricity Industry Act, the WEM Regulations and the WEM Rules.

AEMO has sought the approval of this Procedure from the ERA under clause 2.15.6A of the WEM Rules.

## ERA decision

The ERA has decided to approve this Procedure under clause 2.15.6A of the WEM Rules.

## Next steps

The new Market Procedure: Monitoring and Reporting Protocol will commence at 8:00 AM on **XX XX** 2019.



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# 1. BACKGROUND

## 1.1 Regulatory requirements

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

## 1.2 Context

On 1 July 2016 the Minister revised AEMO's obligations in terms of monitoring compliance with the WEM Rules. Previously, System Management was responsible for monitoring compliance and alleging breaches to the Independent Market Operator. The new obligations see AEMO supporting the ERA to monitor compliance. The new rules introduced the requirement for AEMO to develop a Monitoring and Reporting Protocol, which is a Market Procedure, but for which approval from the ERA must also be sought. The rules also specified alternate arrangements prior to the development of the Monitoring and Reporting Protocol.

AEMO has obtained the approval of the ERA for the Procedure as required by clause 2.15.6A of the WEM Rules.

Clauses 2.15.6A and 2.15.6B of the WEM Rules require AEMO to detail AEMO's processes for supporting the Economic Regulation Authority in monitoring Rule Participant compliance with the WEM Rules and Market Procedures. These clauses provide that:

- 2.15.6A. AEMO must develop and implement a Monitoring and Reporting Protocol and seek the approval of the Economic Regulation Authority for that Monitoring and Reporting Protocol.*
- 2.15.6B. The purpose of AEMO's Monitoring and Reporting Protocol is to state how AEMO (including in its capacity as System Management) will implement its obligations under these Market Rules to support the Economic Regulation Authority 's monitoring of Rule Participants' behaviour for compliance with the Market Rules in accordance with clauses 2.13.9A and 2.13.6, and with Market Procedures (including the Power System Operation Procedures) developed by AEMO.*

The proposed Procedure would be the first version. AEMO proposes to commence the new Procedure on **XX XX 2019**.

## 1.3 Procedure Change Process and Timetable

On 29 January 2018, AEMO published a Procedure Change Proposal (AEPC\_2018\_01) for the Market Procedure: Monitoring and Reporting Protocol and issued a call for submissions, which are available at:

[http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2018\\_01](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2018_01).

The proposal was progressed using the Procedure Change Process specified in clause 2.10 of the WEM Rules with submissions required by 26 February 2018, subsequently extended to 10 January 2019.



## 2. PROPOSED PROCEDURE CHANGE

This section details the changes that AEMO proposed when the call for submissions was published.

### 2.1 Detail of the proposed procedure change

The new Procedure details AEMO's processes for:

- (a) Supporting the ERA in monitoring Rule Participant compliance with the WEM Rules and Market Procedures.
- (b) Reporting alleged breaches that it becomes aware of to the ERA.

### 2.2 Proposed drafting

AEMO published a draft of the proposed Procedure for consultation. The Procedure as drafted is available at:

[http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2018\\_01](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2018_01).

AEMO did not provide a marked-up version of the Procedure as it is new.



## 3. CONSULTATION PROCESS

### 3.1 Market Advisory Committee or Working Group

The Market Advisory Committee (MAC) has delegated its advisory role with respect to AEMO Procedure Change Proposals to the AEMO Procedure Change Working Group (APCWG), in accordance with clause 2.3.17(a) of the WEM Rules, and accordingly the MAC did not review the Procedure Change Proposal. A draft version of the Procedure was presented to the APCWG meeting held on 19 December 2017. Stakeholders did not suggest any amendments to the Procedure. Details of this forum are available at: <http://aemo.com.au/Stakeholder-Consultation/Industry-forums-and-working-groups/WA-Forums/WEM-APCWG>.

In accordance with clause 2.10.9 of the WEM Rules, AEMO notified the MAC once the Procedure Change Proposal was published and noted that the Rule Change Panel would convene a meeting of the MAC should two or more members request it. The MAC did not convene a meeting for this Procedure.

### 3.2 Public Workshop

No public workshops were held in relation to this Procedure Change Proposal.

### 3.3 Submissions received during consultation period

AEMO published the Procedure Change Proposal (AEPC\_2018\_01) and issued a notice calling for submissions on 29 January 2018.

The submission period closed on 26 February 2018 with submissions received from Alinta Energy, Perth Energy, Western Power and Synergy. Western Power supported the Procedure as written, while other stakeholders generally supported the proposed Procedure, though raised specific issues.

Following the initial consultation period, matters were raised resulting in amendments to the Procedure. Further engagement with the ERA has also been undertaken since this time. AEMO considered it prudent to allow stakeholders to review and comment on the amended Procedure before formally requesting approval from the ERA. As such, AEMO extended the original consultation period for a further 20 business days, closing on 10 January 2019. Further submissions were received from Alinta Energy and Perth Energy.

AEMO has provided responses to all matters identified.

Copies of submissions received during the submission period are available at:

[http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2018\\_01](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2018_01).

#### 3.3.1 Specific comments and AEMO responses to the first round of submissions

Respondent	Step	Comment	AEMO response
Synergy	2.2	Synergy considers that the Procedure does not specify AEMO's processes for assisting the Economic Regulation Authority under clause 2.15.6C(a).	AEMO considers that clause 2.15.6C(a) of the WEM Rules (read in context) requires a high-level overview of AEMO's processes for assisting the Economic Regulation Authority. AEMO considers that it has met this requirement and does not propose to make any changes to step 2.2 of the Procedure.



Synergy	2.2	Synergy requests that the Procedure includes details of information exchanged with the ERA.	AEMO considers that clause 2.15.6C(b) of the WEM Rules (read in context) requires a high-level overview of AEMO’s process for the provision of information to the ERA. The requirement is to specify a “process” rather than “information”. AEMO has provided an overview of its “direct monitoring” and “support for monitoring” processes that, taken together, comprise AEMO’s overall process for the provision of information to the ERA. AEMO considers that it has met the clause 2.15.6C(b) requirement and does not propose to make any changes to step 2.2 of the Procedure.
Alinta Energy		Alinta Energy is concerned that the Market Procedure will commence prior to the ERA approving it.	AEMO proposes to seek the approval of the ERA for the Procedure under clause 2.15.6A of the WEM Rules before publishing the Procedure Change Report. Under this process the ERA will approve the Procedure before it commences.
Alinta Energy	1.1.1	Alinta Energy considers that this step should also refer to clauses 2.15.6B and 2.15.6C.	AEMO will amend step 1.1.1 of the Procedure to include references to clauses 2.15.6B and 2.15.6C of the WEM Rules.
Alinta Energy	2.2.3(a)	AEMO gathers a broad range of information on Rule Participant behaviour, including information that is not mandated by the WEM Rules. Alinta Energy considers that this information should not form part of the information AEMO uses in its direct monitoring process.	AEMO (when referring an alleged breach to the ERA) only provides the ERA with information that is relevant to the specific alleged breach. AEMO will modify step 2.2.3(c) of the Procedure to state that, in referring an alleged breach to the ERA, AEMO will only provide information or data that is relevant to the specific alleged breach.
Alinta Energy	2.2.3(b)	Alinta Energy considers that the processes detailed in this step should be set out in greater detail. Alinta Energy particularly considers that the “variety of other information, sources and tools it uses” should be defined.	AEMO considers that clause 2.15.6C(a) of the WEM Rules (read in context) requires a high-level overview of AEMO’s processes for assisting the ERA. AEMO uses a range of tools, systems and information sources when carrying out its WEM functions. AEMO considers that a detailed description of each tool, system and information source would be of little benefit to stakeholders. It may constrain AEMO’s ability to respond to WEM developments. AEMO considers that it has met the clause 2.15.6C(a) requirement. However to assist stakeholders, AEMO has provided some examples in a footnote to this paragraph.



<b>Perth Energy</b>	Perth Energy considers that AEMO should state how AEMO assesses whether an event should be considered an alleged breach, including the criteria it applies.	AEMO considers that the purpose of the Procedure is to state how it supports the ERA’s compliance monitoring, investigation and enforcement functions. Clause 2.13.6A of the WEM Rules states that AEMO (in its System Management capacity and subject to clause 2.13.6B) “must report” any alleged breaches of the provisions referred to in clause 2.13.9 or the Power System Operation Procedures to the ERA (in accordance with the Procedure). Clause 2.13.9C states that AEMO “must notify” the ERA (in accordance with the Procedure) if it becomes aware of an alleged breach of the WEM Rules (other than a provision referred to in clause 2.13.9). AEMO has no discretion under the WEM Rules with respect to alleged breaches based on materiality grounds or otherwise.
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### 3.3.2 Specific comments and AEMO responses to the second round of submissions

Respondent	Step	Comment	AEMO response
<b>Alinta Energy and Perth Energy</b>	2.2.5; 3.1.8 and 3.1.3(f)	Alinta Energy and Perth Energy consider that the processes detailed in these steps should outline how AEMO will treat information considered confidential or commercial. Alinta Energy and Perth Energy consider that any information provided to the ERA should not extend beyond records required to be kept by AEMO under the Market Rules and Market Procedures.	<p>AEMO considered the submissions within the context of clause 2.15.6B (AEMO’s obligation to support the ERA in its compliance function). The WEM Rules do not qualify the information the ERA may request under clauses 2.13.12 and 2.13.13. To the extent that AEMO qualifies this information within the Monitoring and Reporting Protocol, this may potentially be inconsistent with the ERA’s powers under the WEM rules.</p> <p>Under clause 10.2 of the WEM Rules, the ERA is entitled to receive information under every confidentiality class. This includes all market related information and documents produced or exchanged in accordance with the Market Rules or Market Procedures.</p>



## 4. AEMO'S ASSESSMENT

### 4.1 Further changes to the Procedure

While submissions were received, AEMO has not revised the Market Procedure.

### 4.2 Consistency with, Electricity Industry Act, WEM Regulations, and WEM Rules

The new 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.

### 4.3 Consistency with Wholesale Market Objectives

The steps outlined in this new Procedure describe AEMO's processes for supporting the Economic Regulation Authority in monitoring Rule Participant compliance with the WEM Rules and Market Procedures.

AEMO considers that the steps are drafted in a way that is consistent with 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.

### 4.4 Implementation of the Procedure

The Procedure was developed in accordance with clauses 2.15.6A and 2.15.6B of the WEM Rules.

This Procedure does not require system changes by AEMO.

The Procedure will not require Rule Participants to implement any procedural or system amendments before commencement.

Consequently, AEMO considers that the commencement at 8:00 AM on **XX XX 2019** will allow Rule Participants sufficient time from the date of publication of this Procedure Change Report to ensure compliance.

### 4.5 AEMO's decision and commencement

AEMO's decision is to accept the Procedure as amended following the consultation period. The ERA have approved this Procedure under clause 2.15.6A of the WEM Rules. The new Monitoring and Reporting Protocol will commence at 8:00 AM on **XX XX** 2019.

AEMO has made this decision on the basis that the new Procedure:

- Is consistent with the Wholesale Market Objectives.
- Is consistent with the Electricity Industry Act, WEM Regulations and WEM Rules.
- Has the general support of submissions received during the consultation period.

The new Monitoring and Reporting Protocol is available at:

[http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC\\_2018\\_01](http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2018_01).