



WHOLESALE ELECTRICITY MARKET

PROCEDURE CHANGE REPORT: AEPC_2018_02

POWER SYSTEM OPERATION PROCEDURE: TOLERANCE
RANGES

Published: **April 2018**





© 2018 Australian Energy Market Operator Limited. The material in this publication may be used in accordance with the copyright permissions on AEMO's website.



EXECUTIVE SUMMARY

Purpose

The publication of this Procedure Change Report, and the accompanying Power System Operation Procedure, completes the Procedure Change Process conducted by AEMO to consider a new Power System Operation Procedure: Tolerance Ranges (Procedure) under the Wholesale Electricity Market Rules (WEM Rules).

Proposed amendments

The proposed new Procedure has been developed in accordance with 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.

Consultation

A draft version of the Procedure was presented to the AEMO Procedure Change Working Group meeting held on 19 December 2017. Minor changes to improve clarity were recommended by stakeholders. 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_02) and issued a notice calling for submissions on 6 February 2018.

The submission period closed on 7 March 2018 with submissions received from the Economic Regulation Authority and Alinta Energy. Stakeholders generally supported the new Procedure with qualifications based on issues needing resolution. AEMO has responded to matters identified.

AEMO's decision

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

Next steps

The new Power System Operation Procedure: Tolerance Ranges will commence at 8:00 AM on 21 April 2018.



CONTENTS

EXECUTIVE SUMMARY	1
Purpose	1
Proposed amendments	1
Consultation	1
AEMO's decision	1
Next steps	1
1. BACKGROUND	3
1.1 Regulatory requirements	3
1.2 Context	3
1.3 Procedure Change Process and timetable	3
2. PROPOSED PROCEDURE CHANGE	4
2.1 Detail of the proposed procedure change	4
2.2 Proposed drafting	4
3. CONSULTATION PROCESS	5
3.1 Market Advisory Committee or Working Group	5
3.2 Public workshop	5
3.3 Submissions received during consultation period	5
4. AEMO'S ASSESSMENT	9
4.1 Further changes to the Procedure	9
4.2 Consistency with Electricity Industry Act, WEM Regulations, and WEM Rules	9
4.3 Consistency with Wholesale Market Objectives	9
4.4 Implementation of the Procedure	9
4.5 AEMO's decision and commencement	9



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

Clause 2.13.6K of the WEM Rules requires AEMO to document the procedure for determining and reviewing the annual Tolerance Range and any Facility Tolerance Ranges. This clause 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 Procedure would be the first version (superseding the information that was previously contained in the Power System Operation Procedure: Monitoring and Reporting with respect to Tolerance Ranges). AEMO proposes to commence the new Procedure on 21 April 2018 at a similar time as the publication of the Monitoring and Reporting Protocol and the removal of the Power System Operation Procedure: Monitoring and Reporting.

1.3 Procedure Change Process and timetable

On 6 February 2018, AEMO published a Procedure Change Proposal (AEPC_2018_02) for the Power System Operation Procedure: Tolerance Ranges and issued a call for submissions, which are available at http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2018_02.

The proposal was progressed using the Procedure Change Process specified in clause 2.10 of the WEM Rules with submissions required by 7 March 2018.



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 proposed new Power System Operation 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 clause 2.13.6G to review the Tolerance Range and the requirement for consultation before determining a new Tolerance Range or Facility Tolerance Range (clauses 2.13.6D and 2.13.6E), and the Procedure has been structured to reflect this.

In particular, the following changes were proposed:

- (a) The Tolerance Range formula will be removed from the Procedure and published on the Market Web Site.
- (b) The role of the Economic Regulation Authority (ERA) in reassessing Facility Tolerance Ranges has been included.

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_02.

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. 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. Minor changes to improve clarity were recommended by stakeholders. 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. A MAC meeting was not convened 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_02) and issued a notice calling for submissions on 6 February 2018.

The submission period closed on 7 March 2018, with submissions received from the ERA and Alinta Energy.

Stakeholders generally supported the new Procedure, with qualifications based on issues needing resolution. The ERA supported AEMO's intention to remove the Tolerance Range formula from the Procedure.

AEMO has provided responses to matters identified.

Copies of submissions received during the submission period are available at http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2018_02.

3.3.1 Specific comments and AEMO's responses

Procedure title

The ERA commented on the title of the Procedure.

The ERA considers that the title of the draft procedure should be amended from Power System Operating Procedure to Power System Operation Procedure, so that the terminology is consistent with the WEM Rules and also consistent with the suite of other System Management Market Procedures.

AEMO's response

AEMO will amend the Procedure by amending the title as suggested.

Compliance with Tolerance Ranges

Alinta Energy commented on step 1.3.2(c).

Alinta considers that there is no obligation on Market Participants to comply with the Tolerance Range and any Facility Tolerance Ranges that apply to them. The obligation is for Market Participants to comply



with clauses 7.10.1 or 3.21 of the WEM Rules, and if they do not comply with these rules, AEMO is obligated to report any breaches outside the tolerances to the ERA. Given this, Alinta considers that step 1.3.2(c) should be deleted.

AEMO's response

Clause 7.10.1 requires (subject to a number of exemptions in clause 7.10.2, including an exemption for the Tolerance Range/Facility Tolerance Range in clause 7.10.2(b)(i)) that a Market Participant comply with the most recently issued Dispatch Instruction. AEMO agrees with Alinta's comments that Market Participants are not required to comply with the Tolerance Range itself. As such, AEMO will amend the Procedure, deleting step 1.3.2(c).

Dynamic annual Tolerance Range

Alinta Energy commented on step 2.1.2.

Alinta's reading of steps 2.1.2 and 3.2.1 in the Procedure Change Proposal is that, going forward, the Tolerance Range will be determined by following a different mechanism to how it has previously been determined. Alinta notes that, on this reading, applying the factors in steps 2.1.2 and 3.2.1 will likely lead to a more dynamic annual Tolerance Range. Alinta considers that Market Participants benefit from certainty in this area, and therefore Alinta is not supportive of what it reads to be a more dynamic process to determining and reviewing Tolerance Ranges.

AEMO's response

In response to stakeholder comments at the APCWG, AEMO introduced step 2.1.2 to indicate the objective of the Tolerance Range. While this objective was used previously to determine the Tolerance Range, the objective was not described. In addition, AEMO previously determined the Tolerance Range using similar factors indicated in the existing Procedure (Power System Operation Procedure: Monitoring and Reporting) for the determination of Facility Tolerance Ranges. AEMO has now expressed these factors in step 3.2.1.

As such, AEMO's view is that the new Procedure has not introduced any further discretion over that which existed previously. AEMO understands the concerns regarding consistency, which benefit all Rule Participants, and would only propose a variation to the Tolerance Range if the review indicated that circumstances, such as a change in power system conditions, warranted such a change.

Directions from the ERA

The ERA commented on step 3.2.1(d).

The ERA considers that step 3.3.2 of the draft procedure requires amendment to ensure it is consistent with the current drafting of clause 2.13.6H, and that a corresponding update will be required to step 3.2.1(d) of the draft procedure concerning the review of the general Tolerance Range. The ERA considers that it will be necessary to delete step 3.2.1(d) as it refers to directions from the ERA that may be given under clause 2.13.6H. This clause is only applicable to Facility Tolerance Ranges and not the general Tolerance Range.

AEMO's response

AEMO will amend the Procedure by removing step 3.2.1(d).

Submissions from Rule Participants

Alinta Energy commented on step 3.2.3.



Alinta assumes that the reference to submissions received by Rule Participants in this step are those received under step 3.1.3. If so, it considers that there would be value in referring to this step for additional clarity.

AEMO's response

AEMO will amend the Procedure as suggested.

Consistency with WEM Rules

Alinta Energy commented on step 3.3.2.

Alinta does not consider this step to be consistent with the requirements in clause 2.13.6H of the WEM Rules, and considers that AEMO should remove the words “determine a Facility Tolerance Range or” from step 3.3.2.

AEMO's response

AEMO will amend the Procedure as suggested.

Right of review

The ERA commented on step 3.3.2.

The ERA considers that a rule change would be required to extend the right of review available under clause 2.13.6H.

AEMO's response

AEMO will amend step 3.3.2 as follows: “A Market Participant may request in writing that the Economic Regulation Authority (ERA) reassess a Facility Tolerance Range for that Market Participant's Facility [Clause 2.13.6H].”

Procedure for annual review

The ERA commented on step 3.3.

The ERA considers that step 3.3 does not appear to describe the procedure AEMO will use to annually review any Facility Tolerance Ranges.

AEMO's response

AEMO will amend the Procedure by including, at step 3.3.1, the items indicated in steps 3.2.1(a) to 3.2.1(e).

Direction from the ERA

Alinta Energy commented on steps 3.3.3 and 3.3.4.

Alinta considers that these steps are inconsistent. Alinta has interpreted step 3.3.3 as the ERA directing AEMO as to what the Facility Tolerance Range should be. When Alinta reads steps 3.3.3 and 3.3.4 together, it seems to Alinta that AEMO has interpreted the ERA direction as directing AEMO to redo the Facility Tolerance Range process.

Alinta considers that there would be value in reviewing and clarifying these steps.

AEMO's response

AEMO agrees with Alinta's conclusions. Clause 2.13.6H indicates the conditions under which the ERA may give a direction to AEMO to vary a Facility Tolerance Range. As such, AEMO will amend step 3.3.3 by replacing the words “as directed by the ERA” with “where directed to by the ERA, in accordance with



step 3.3.2". In addition, AEMO will amend step 3.3.4 by replacing the words "AEMO is directed by the ERA to vary a Facility Tolerance Range" with "as directed under step 3.3.3".

Consideration of issues raised

Alinta Energy commented on steps 4.1 and 4.2.

Alinta is broadly concerned that there is no explicit requirement for AEMO to consider any issues raised in submissions.

AEMO's response

AEMO will consider all issues raised in submissions, and considers steps 3.1.3 and 3.2.1 to provide sufficient requirement. However, AEMO agrees that the obligation could be stated more explicitly, and will vary step 3.1.3 accordingly.

Clarification of application of the Tolerance Range

Alinta Energy commented on step 4.1.1.

For clarity, Alinta suggests the following amendment to this step: "Where AEMO resolves in step 3.2.2 that the Tolerance Range ~~applying to all Facilities that are not subject to a Facility Tolerance Range~~ requires adjustment, AEMO must propose a new Tolerance Range."

AEMO's response

AEMO will amend step 4.1.1 of the Procedure by removing the words "applying to all Facilities".



4. AEMO'S ASSESSMENT

4.1 Further changes to the Procedure

AEMO has amended the Procedure as indicated in Section 3.3.1.

A tracked-changes version indicating these amendments is available at

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

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 the process for determining and reviewing the annual Tolerance Range and any Facility Tolerance Ranges.

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 clause 2.13.6K 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 commencement at 8:00 AM on 21 April 2018 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 new Power System Operation Procedure: Tolerance Ranges will commence at 8:00 AM on 21 April 2018.

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 Power System Operation Procedure: Tolerance Ranges is available at

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