



Consultation on PoLR Procedures and WDRM Policy

Information Paper

Published: November 2022

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New South Wales | Queensland | South Australia | Victoria | Australian Capital Territory | Tasmania | Western Australia

Australian Energy Market Operator Ltd ABN 94 072 010 327

Executive Summary

The publication of this Information Paper commences the consultation process (Consultation) conducted by Australian Energy Market Operator (AEMO) to consider proposed changes (Changes) to:

- Procurer of Last Resort (PoLR) Cost Procedures (PoLR Procedures); and
- Wholesale Demand Response Mechanism (WDRM) Baseline Eligibility and Compliance Policy (WDRM Policy)

(together, the Procedures), in accordance with the National Electricity Rules (NER), pursuant to:

- National Electricity Amendment (Integrating energy storage systems into the NEM) Rule 2021 No. 13 (IESS (Integrating Energy Storage Systems) Rule).
- National Electricity Amendment (Removal of unaccounted for energy from liable load in the Retailer Reliability Obligation) Rule 2021 No. 16 (RRO UFE Rule).

AEMO has prepared this Information Paper to inform and initiate feedback by stakeholders in respect of the Changes.

In summary, the proposed Changes are:

- Changes in terminology to give effect to the IESS Rule.
- Changes in terminology to give effect to the RRO UFE Rule.
- Removal of references to 30-minute trading intervals that are no longer relevant.

AEMO invites stakeholders to:

- provide feedback and comments on this Information Paper, as well as the accompanying change-marked version of the Procedures; and
- identify any unintended adverse consequences of the Changes.

Stakeholders are invited to submit written responses on this Information Paper by **5pm Friday 18 November 2022**.

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1. Stakeholder Consultation Process

AEMO's stakeholder engagement program for the IESS initiative includes:

- This Consultation.
- IESS Working Group (IESS-WG) for affected participants and other related bodies.
- Discussion with individual stakeholders, as required.
- Dedicated webpage¹ and IESS mailbox IESS@aemo.com.au for stakeholder enquiries.
- Additional forums to be established in the second half of 2022 for the broader implementation of the NEM2025 Implementation Roadmap².

AEMO considers the Changes to be minor or administrative in nature:

- IESS Rule

The Changes make the Procedures consistent with and aligned to the NER as amended by the IESS Rule, including by inserting new NER clauses, updating existing material and providing additional clarity. The changes which AEMO makes to an existing procedure, guideline or other document like the Changes will generally be considered to be minor or administrative, if those changes:

1. do not change the substantive rights or obligations of participants;
2. do not require participants to incur any costs or change their systems;
3. are not expected to involve material cost for AEMO; and
4. are straightforward and not contentious in nature.

Accordingly, under NER 11.145.9(c), AEMO is not required to follow a process for amending the Procedures which may be specified in the NER.

- RRO UFE Rule

The Australian Energy Market Commission (AEMC) considers that the Changes are administrative.

NER 3.15.9A(m) allows AEMO to make minor and administrative amendments to the PoLR cost procedures without following the Rules consultation procedures.³

However, AEMO considers it important to request feedback on the Changes, in the interests of transparency.

¹ At <https://aemo.com.au/initiatives/major-programs/integrating-energy-storage-systems-project>.

² For current version of the Roadmap, see <https://aemo.com.au/consultations/industry-forums-and-working-groups/list-of-industry-forums-and-working-groups/reform-delivery-committee>.

³ AEMC, Removal of unaccounted for energy from liable load in the Retailer Reliability Obligation, Rule determination, 23 December 2021, page 3: https://www.aemc.gov.au/sites/default/files/2021-12/erc0333_-_removal_of_ufe_from_liable_load_in_the_rro_-_final_determination_23_december_2021.pdf

AEMO’s indicative timeline for the Consultation is as follows.

Deliverable	Indicative date
Change marked documents published	7 November 2022
Submissions due on change marked documents	18 November 2022
Final documents published	12 December 2022

Prior to the due date for submissions on the Information Paper, stakeholders can request a meeting with AEMO to discuss any issues in respect of the Changes, or more generally, via email IESS@aemo.com.au.

A glossary of terms used in this Information Paper is at Appendix A.

2. Background

On 2 December 2021, the AEMC made its Final Determination on the IESS Rule, to integrate storage and hybrid systems into the NEM. The IESS Rule takes a significant step toward a technology agnostic two-way market model for the NEM. These changes anticipate, and help prepare the NEM for, future steps being envisioned through the Energy Security Board’s (ESB’s) Post-2025 Market Design initiative.

To implement the IESS Rule, AEMO envisages:

- Initial Release of new registration and dispatch models on 31 March 2023.
- Final Release to complete the full implementation of the IESS Rule on 3 June 2024.

On 23 December 2021, the AEMC made its Final Determination on the RRO UFE Rule, to remove unaccounted for energy (UFE) from liable load in the Retailer Reliability Obligation (RRO).

2.1. Affected procedures

The Procedures are:

- The PoLR Procedures under NER 3.15.9A(l), which set out the mechanism by which AEMO calculates and allocates, recovers and rebates PoLR costs for liable entities under the Retailer Reliability Obligation (RRO).
- The WDRM Policy under NER 3.10.2, which establishes the methodology by which AEMO determines baseline eligibility and compliance under the WDRM, and sets out the thresholds for baseline methodology metrics.

2.2. Context for this consultation

The Changes are to the PoLR Procedures and WDRM Policy, for the purposes of the IESS Rule and the RRO UFE Rule.

Specifically, the Procedures now incorporate the new terminology, where relevant, as introduced into NER Chapter 10 by the IESS Rule and the updated under the RRO UFE Rule.

3. Drafting for proposed changes

To help stakeholders respond to this Information Paper, AEMO has also published the change-marked version of the PoLR Procedures and WDRM Policy which incorporate the Changes.

In summary, the Changes are:

- Changes in terminology to give effect to the IESS Rule.
- Changes in terminology to give effect to the RRO UFE Rule.
- Removal of references to 30-minute trading intervals that are no longer relevant.

Submissions on these and any other matters relating to the Procedures discussed in this Information Paper are invited by 5 pm Friday 18 November 2022.

Appendix A. Glossary

Term or acronym	Meaning
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator Limited
IESS	Integrated energy storage systems
NER	National Electricity Rules
PoLR	Procurer of Last Resort
RRO	Retailer Reliability Obligation
UFE	unaccounted for energy
WDRM	Wholesale demand response mechanism