



WEM Reform Market Readiness Report #1

5 August 2021

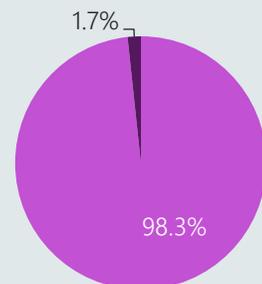
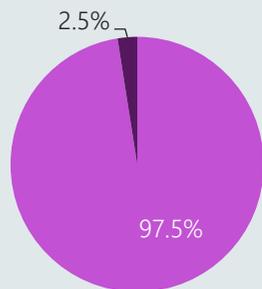
About this report

- The Market Readiness Report is intended to establish a baseline of WEM participant preparedness for the start of new market arrangements in the WEM – see [WEM Reform Program web page](#) - AEMO website
- In the initial phase (July to December 2021), readiness reporting focuses on:
 - the extent to which respondents have established readiness projects and commenced those projects (being outcomes related to general readiness criteria, appropriate to all types of WEM participants).
 - Identifying the areas where respondents anticipate the most significant effort and challenges.
- In the next phase (January 2022 onwards), readiness reporting will focus on respondent's progress in completing their readiness projects (which AEMO will be assessing by reference to specific readiness criteria, being criteria appropriate to specific sets of WEM participants – i.e. generator, retailer, network operator, etc).
- The first Market Readiness Survey was released on 30 June. Invitations were sent to registered market participants, excluding participants known to no longer be active. Where a single entity is known to control multiple participant registrations, a single invitation in respect of that organisation was issued. The Survey was supported by [Additional Guidance for Respondents](#).
- Participation in the survey is voluntary and the results reported here have been aggregated and anonymised.
- This Market Readiness Report will be published on AEMO's website.
- If you wish to make any comment or suggestion regarding the survey or this report, or wish to raise a concern, please contact mike.reid@aemo.com.au.

Participation rate

Statistic	Value	Comment
Survey invitations issued	53	Note multiple participantIDs aggregated in one invitation where appropriate
Identifiable survey opens	31 (58%)	
Completed responses	24 (45%)	Excludes one response completed anonymously
Generation coverage	+97.5%	Measured either by energy or capacity

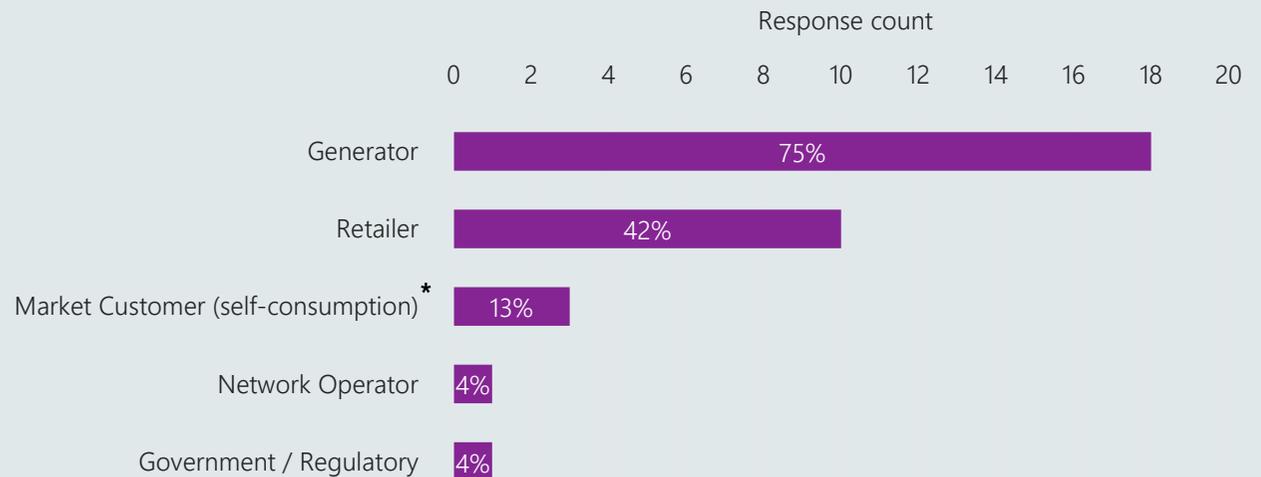
- Fewer than half of invitees responded
- Responses covered most of the energy and capacity in the market
- A high level of participation among larger retailers was observed
- Quantifying coverage of other participant types, in particular retailers, raises commercial confidentiality issues
 - AEMO will continue to investigate suitable approaches to measuring retailer participation



■ Capacity credits held by respondents ■ Energy generated by respondents
■ Capacity credits held by non-respondents ■ Energy generated by non-respondents

Respondent types

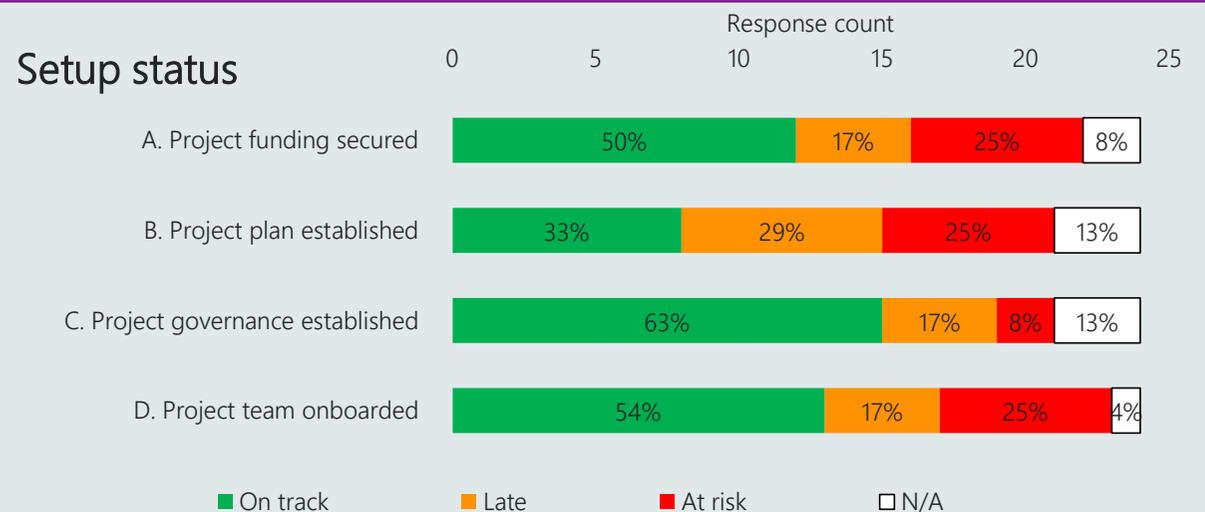
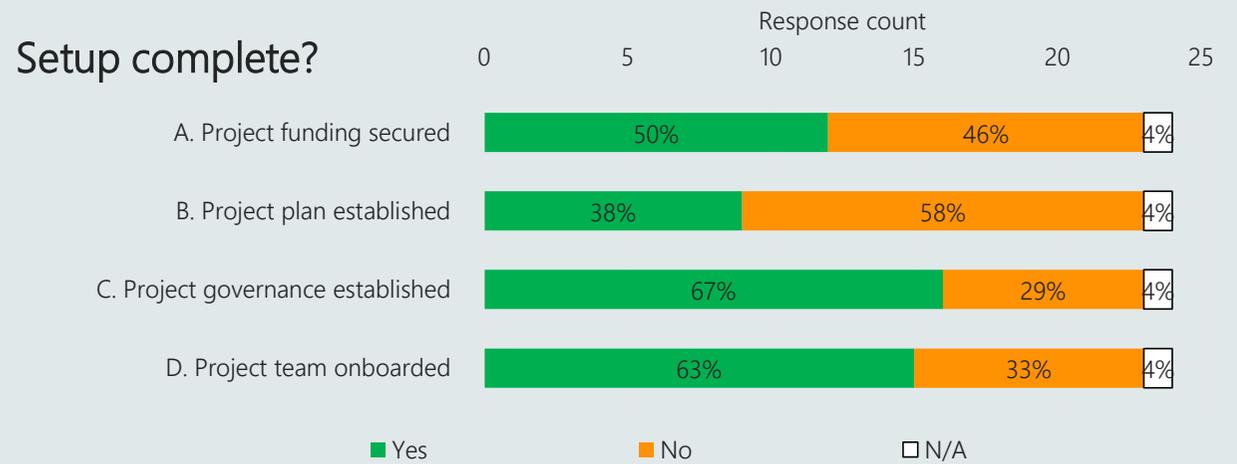
- Most of the respondents self described as **generators**
- Fewer than half self-described as **retailers**
- Only one large industrial user responded



*The survey gave respondent the option to nominate as Generator, Retailer, Market Customer (self consumption), Network or Government/Regulatory. Three respondents selected Market Customer (self consumption), of which two were small retail businesses. The intention had been to capture within this category large industrial-scale loads that directly participate in the market. AEMO will investigate the two unexpected responses and consider how best to clarify the intention for future surveys.

Program setup - quantitative

- Most respondents have established their work programs or made good progress
- Governance and staffing are better progressed than funding and planning
- More than half consider project planning to be late or at risk.



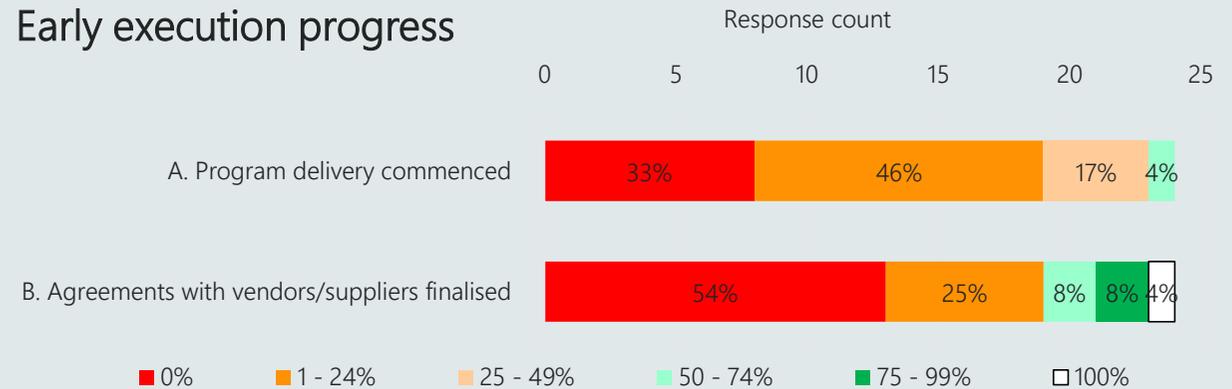
Program setup - qualitative



Early execution - quantitative

- Most respondents have made limited progress towards executing early stages of their work programs
- Most respondents have commenced their work programs
- A third are yet to start
- Despite limited progress, more than 40% regard their execution as on-track (relative to what could reasonably be expected?)

Early execution progress



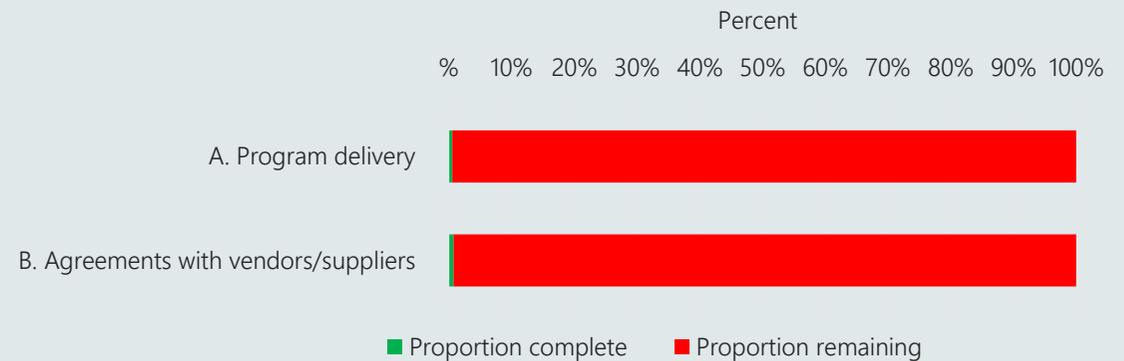
Early execution status



Early execution - quantitative

- With 15 months until go-live, participants have progressed 1% of their internal work programs
- Significant variation is observed between participants
- This assessment of progress is unweighted – that is, no adjustment is made for the size and scope of individual respondents.

Implied progress across all participants (unweighted)



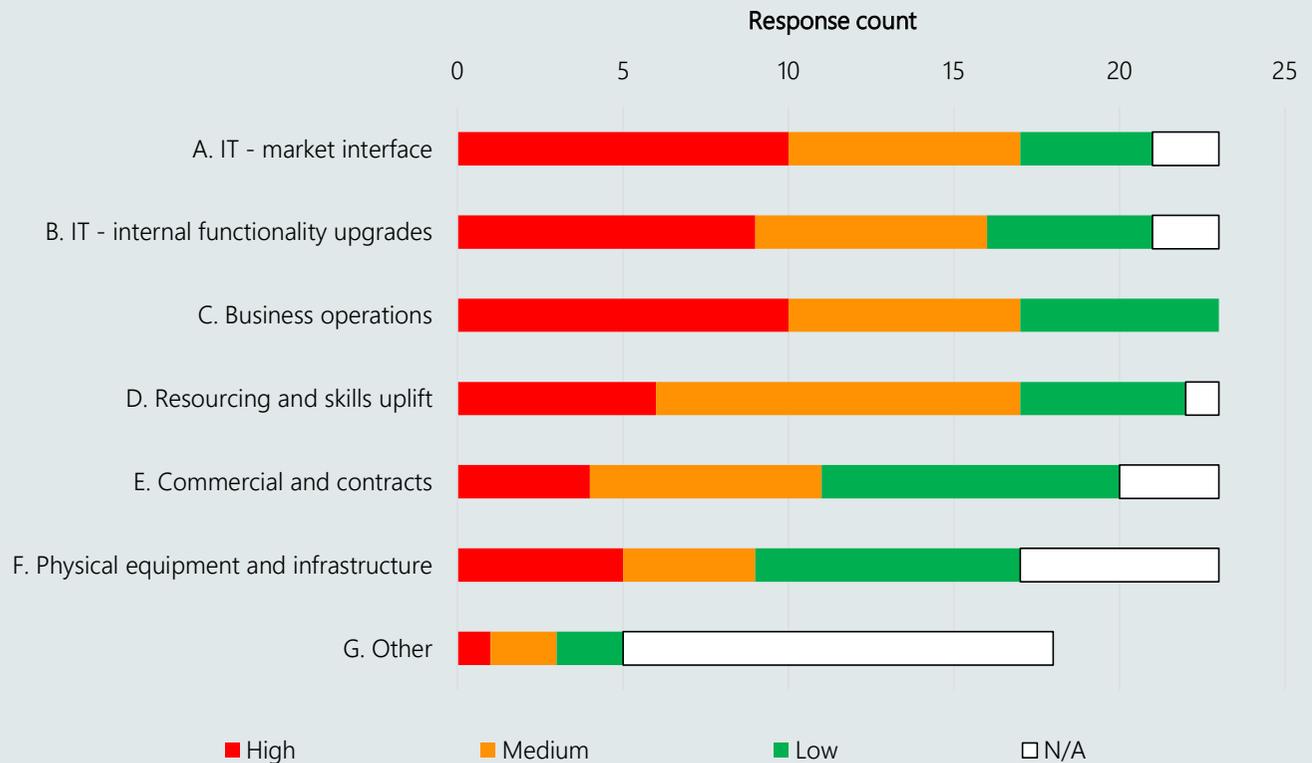
Early execution - qualitative



Risk areas - Impact

- Responses indicate widely varying sentiments as to the magnitude of impacts if work in different areas is not completed
- A to C were the areas most likely to be rated high impact.
- Area D was rated high or medium impact as frequently has the first three
- Areas E and F were rated low or medium risk by large majorities
- Relatively few respondents nominated other impact areas.

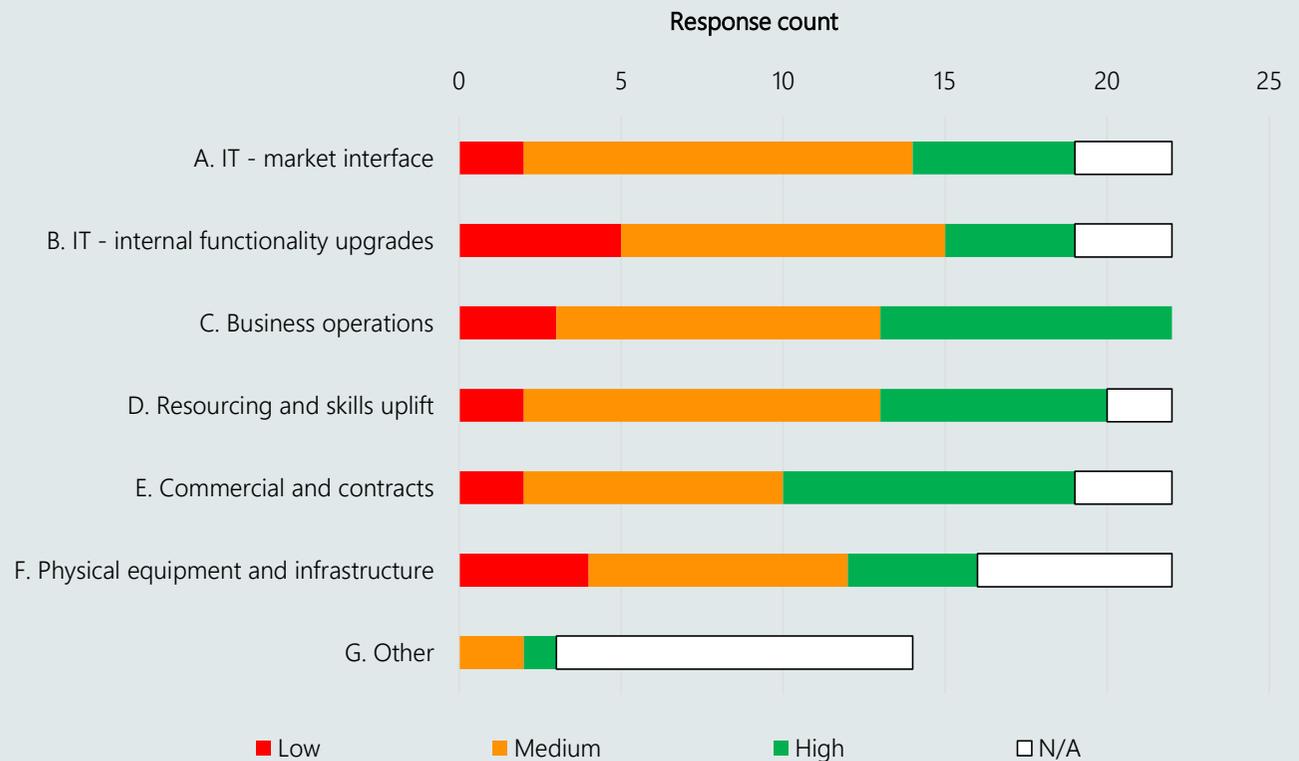
Magnitude of impact if not completed (counts of L,M,H)



Risk areas - Confidence

- Few respondents indicated low confidence in successful completion for any area.
- B received lowest confidence ratings (resourcing, time)
- F received 4 low confidence ratings (GPS, IT, information)
- E elicited reasonable confidence

Confidence in successful completion (counts of L,M,H)



Risk areas - quantitative

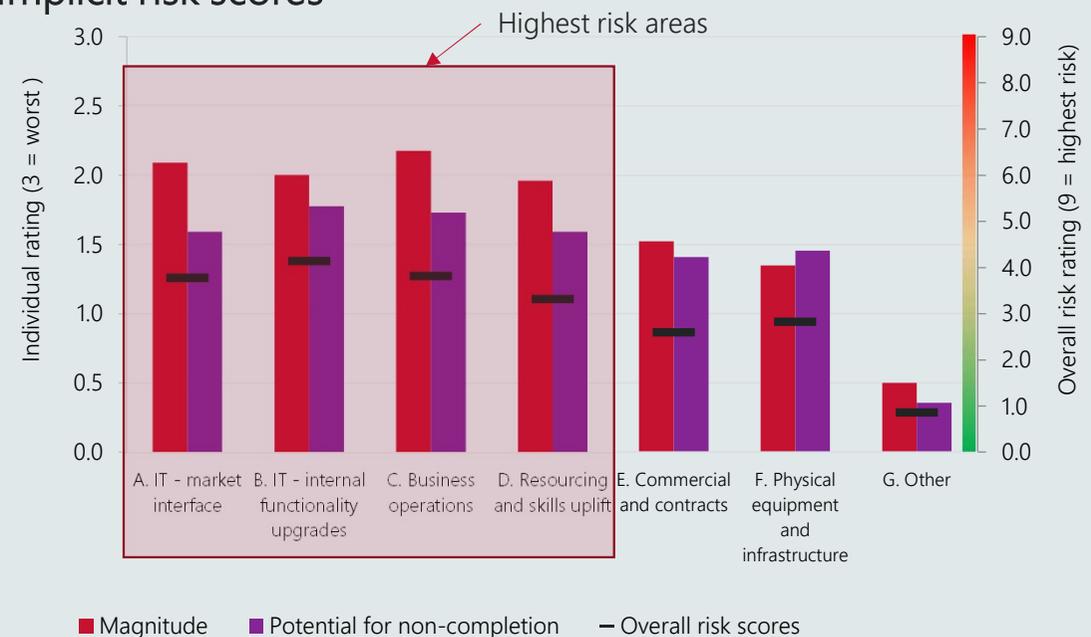
Overall risk ratings

- Respondent's magnitude and confidence ratings in each impact area were combined to produce implied risk scores.
- Confidence ratings were inverted to represent potential for non-completion
- Overall risk score (Right Hand Axis) is the multiple of magnitude and potential for non-completion scores.

Key themes identified in respondent explanations:

- Unknown unknowns, time, insufficient information, internal and external resource contention
- Similar to A
- Complex interdependencies; significant review required
- Recruiting / procuring expertise itself requires detailed understanding, internal and external resource contention
- Time, dependency on the off-taker to be ready to negotiate, price uncertainty, changes to reference node
- Typically linked to GPS or IT
- Treatment of intermittent loads, compliance reviews

Implicit risk scores



Note: The diverse explanations provided for participant assessments of impacts and confidence in each area suggests that these assessments are likely to change considerably with further information and as they see further progress from AEMO.

Risks - timing

Respondents raised strong concerns and described large risks related to the timeframe for the WEM Reform



Risks – Delivery of technical information

Respondents emphasised risks connected to the provision of technical information by AEMO. These stressed the importance of both timeliness and sharing information in a structured way.

"[We] highlight the lack of a consolidated database for WEM reform related information. Currently information is **scattered** between various webpages and sometimes only sent to attendees of specific market forums. This poses huge risk to **participants of missing potentially vital information**"

"We are having difficulty even identifying from the **deluge of technical information** being provided to us by the multitude of AEMO sections/groups as to what is even required of our company to prepare for the coming market changes"

Information
Delivery

"There is a tight development timeframe and it hinges on AEMO being able to **deliver the relevant specifications** in a timely manner."

"[Participant] is deeply concerned with current progression of the WEM Reform program and the **lack of useable information** provided to participants to date"

Key Insights

- **Strong engagement with reform.** A large majority of the most significant market participants are engaged with the WEM Reform process
- **Progress in establishing work programs.** Most respondents have established work programs or made good progress towards doing so, while a large minority have yet to establish such programs.
- **Engagement ≠ progress.** Included among those who have not established reform work programs are some apparently engaged participants. Planning and business case development are particularly impaired by information and knowledge gaps.
- **Execution of work programs remains in a very early stage.** 15 months out from the WEM Reform go-live, participants have progressed, on average, around 1% of their work programs.
- **Participants highlight significant barriers to establishing and progressing work programs.** These include:
 - Waiting on detailed interface specifications
 - deficits in some participants' understanding of the WEM
 - Internal and external competition for skilled resources in IT, commercial and operational areas
- **Work program risk assessments remain preliminary.** Participant assessments of where their key readiness risks lie appear relatively basic. As AEMO has limited visibility of individual participant work programs, this may delay the identification of suitable specific readiness criteria to use in monitoring participant readiness in the next phase starting beginning of 2022.

Next steps

- General readiness
 - The next Market Readiness Survey is due to be released September, and the next iteration of this report in October 2021
 - The survey will again focus on the general readiness of WEM participants and seek their views on key readiness risks.
- Specific readiness
 - AEMO, in consultation with the Readiness Working Group will consider what specific readiness criteria may be appropriate for different types of WEM participant
 - The aim is to release the first readiness survey on specific criteria in early 2022.
 - This timeline is partially dependent on WEM participants being able to inform AEMO's assessment of key readiness risks within participant work programs

