

WHOLESALE ELECTRICITY MARKET

PROCEDURE CHANGE PROPOSAL: AEPC_2019_06

REMOVAL OF RESOURCE PLANS AND DISPATCHABLE LOADS

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Australian Energy Market Operator Ltd ABN 94 072 010 327

www.aemo.com.au info@aemo.com.au

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EXECUTIVE SUMMARY

Change requested by:	AEMO
Date submitted:	8 May 2019
Type of Procedure Change Proposal:	Amendment
Market Procedures affected:	Balancing Facility Requirements
	Balancing Market Forecast
	Certification of Reserve Capacity
	Determination of DSM Dispatch Payment Tranches and Adjustments
	Settlement
	Determining Loss Factors

The publication of this Procedure Change Proposal and the accompanying call for submissions, commences the Procedure Change Process conducted by AEMO to consider proposed amendments to the Market Procedures for Balancing Facility Requirements, Balancing Market Forecast, Certification of Reserve Capacity, Determination of DSM Dispatch Payment Tranches and Adjustments, Settlement and Determining Loss Factors under the Wholesale Electricity Market (WEM) Rules.

On 29 October 2018, the Rule Change Panel published its final decision on AEMO's Rule Change Proposal: Removal of Resource Plans and Dispatchable Loads (RC_2014_06). The former Independent Market Operator (IMO) originally submitted the Rule Change Proposal on 28 January 2015. The Rule Change Proposal included the following key changes:

- Remove the concept of Resource Plans from the WEM Rules
- Remove the concept of the Dispatchable Load Facility Class from the WEM Rules
- Extend the STEM window by one hour
- Provide clarification of the STEM Submission parameter update process
- Remove the obligation for Market Participants to access STEM Auction results by a certain time, and for the market operator to contact Market Participants that could not access their STEM Auction results in the required timeframe
- Remove the requirement for Market Generators to provide Fuel Declaration updates

The Rule Change Panel decided to approve the proposed Amending Rules, as modified, following the second submission period. The proposed Amending Rules contained changes to Protected Provisions and were therefore required to also be approved by the Minister for Energy. The Minister approved the proposed Amending Rules on 26 November 2018.

The proposed Amending Rules come into effect on 1 July 2019. This Procedure Change Proposal addresses the necessary consequential changes to AEMO's Market Procedures, as required to be developed or amended under clause 2.10.3 of the WEM Rules.



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A summary of the changes to each of the Market Procedures are shown in the following table:

Market Procedure	Change
Balancing Facility Requirements	 Updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures) Removal of the reference to a Facility Resource Plan in step 4.1.2 to reflect changes required by RC_2014_06 Removal of redundant "Blank" clauses Removal of transitional arrangements related to market commencement Minor administrative changes including the addition of rule references and correction of step references
Balancing Market Forecast	 Updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures) Changes to define the equations for AEMO's spare capacity forecasts, as required by the gazettal of amendments to the Reserve Capacity Mechanism made by the Minister for Energy that commenced on 1 October 2017 Introduction of a requirement for AEMO to determine the Forecast Balancing Merit Order within the first 15 minutes of a Trading Interval to reflect changes required by RC_2014_06 Minor administrative changes
Certification of Reserve Capacity	 Updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures) Removal of references to Dispatchable Loads in section 7 to reflect changes required by RC_2014_06 Minor administrative changes
Determination of DSM Dispatch Payment Tranches & Adjustments	 Updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures) Removal of references to Dispatchable Load in the definition table to reflect changes required by RC_2014_06 Minor administrative changes including the addition of rule references and correction of step references
Settlement	 Updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures) Removal of references to Dispatchable Loads in sections 3.5 to 3.7 to reflect changes required by RC_2014_06 Updates to the STEM settlement process overview diagram to reflect changes required by RC_2014_06 Changes to update the procedure to reflect historical Rule Change Proposals and other gazetted amendments (e.g. removal of references to Verve Energy) Minor administrative changes including the addition of rule references and correction of step references



Market Procedure	Change
Determining Loss Factors	 Updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures)
	 Removal of the list of specific references services, instead to require Western Power to document the mapping of all applicable reference services under the approved access arrangement current at the time
	 Removal of reference to Dispatchable Loads in step 3.2.3 to reflect changes required by RC_2014_06
	 Minor administrative changes including the addition of rule references and correction of step references

AEMO considers the Market Procedures, if amended as proposed, would better achieve the Wholesale Market Objectives, as they provide the necessary process related information for AEMO and other Rule Participants to comply with the requirements of the Amending Rules approved in the Final Rule Change report for Rule Change Proposal RC_2014_06.

AEMO held a meeting of the AEMO Procedure Change Working Group on 2 May 2019. Market Participants did not raise any material issues with the proposed amended procedures.

AEMO invites stakeholders to suggest alternative options or drafting where they consider that these would improve the procedures, or better meet the Wholesale Market Objectives stated in section 122(2) of the *Electricity Industry Act 2004* and clause 1.2.1 of the WEM Rules. AEMO also asks stakeholders to identify any unintended adverse consequences of the proposed amended procedures.

Stakeholders are invited to submit written responses on the proposed Market Procedures by 5:00 PM (Australian Western Standard Time) on 6 June 2019, in accordance with the call for submissions published with this paper.



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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.

Under clause 2.10.3 of the WEM Rules, if an Amending Rule requires AEMO to develop new Market Procedures or to amend or replace existing Market Procedures, then AEMO is responsible for the development, amendment, or replacement of Market Procedures so as to comply with the Amending Rule.

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 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 section 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	8 May 2019
Submissions due on Procedure Change Proposal	6 June 2019
Procedure Change Report published	25 June 2019
Proposed commencement of amended Market Procedures	1 July 2019

Prior to the due date for submissions, 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

This Procedure Change Proposal addresses the necessary consequential changes to six Market Procedures as a result of the Rule Change Proposal: Removal of Resource Plans and Dispatchable Loads (RC_2014_06). The relevant procedures are: Balancing Facility Requirements, Balancing Market Forecast, Certification of Reserve Capacity, Determination of DSM Dispatch Payment Tranches and Adjustments, Settlement and Determining Loss Factors. The Rule Change Panel's final decision on RC_2014_06 implemented the following key amendments:

- Remove the concept of Resource Plans from the WEM Rules, as the primary purpose of Resource
 Plans no longer existed, due to the evolution of the market's operations, and yet they continued to
 place a significant and unnecessary administrative burden on Market Generators and imposed
 costs on the market operator.
- Remove the concept of the Dispatchable Load Facility Class from the WEM Rules, as the Dispatchable Load provisions are confusing for stakeholders, potentially open to gaming and likely to prove unworkable in practice. AEMO considered the cost of addressing the issues with Dispatchable Loads would be significant and the potential benefits low.
- Extend the STEM window by one hour to provide more time for Market Participants to rectify any issues or correct any errors that may affect their STEM Submissions.
- Provide clarification of the STEM Submission parameter update process that the market operator is required to follow to allow continual updates to be made in real-time whenever it accepts a new STEM Submission.
- Remove the obligation for Market Participants to access STEM Auction results by a certain time, and for the market operator to contact Market Participants that could not access their STEM Auction results in the required timeframe on the basis that this requirement only existed because the auction results were an input into Resource Plans, which were proposed to be removed.
- Remove the requirement for Market Generators to provide Fuel Declaration updates, as these are now provided through the BMO.

This Procedure Change Proposal addresses the necessary consequential changes to AEMO's Market Procedures, as required to be developed or amended under clause 2.10.3 of the WEM Rules, specifically related to the following Market Procedures:

- Balancing Facility Requirements;
- Balancing Market Forecast;
- Certification of Reserve Capacity;
- Determination of DSM Dispatch Payment Tranches and Adjustments;
- Settlement; and
- Determining Loss Factors.

Clause 7A.1.6 of the WEM Rules (as in effect from 1 July 2019) provides the requirement for the Market Procedure: Balancing Facility Requirements:

7A.1.6. AEMO must develop a Balancing Facility Requirements Market Procedure specifying:

- a) technical and communication criteria that a Balancing Facility, or a type of Balancing Facility, must meet, including:
 - i. Facility quantity parameters and limits for participation in the Balancing Market;





- *ii. the manner and forms of communication to be used while participating in the Balancing Market, including receiving Dispatch Instructions; and*
- iii. ramp rate limitations; and
- *b) the type of conditions AEMO may impose under clause 7A.1.11(b) and the manner and circumstances in which they may be imposed and lifted.*

The current version of the Market Procedure: Balancing Facility Requirements commenced on 18 April 2017.

Clauses 7A.3.3 and 7A.3.4 of the WEM Rules (as in effect from 1 July 2019) provide the requirement for the Market Procedure: Balancing Market Forecast:

- 7A.3.3. AEMO must document in the Balancing Forecast Market Procedure the processes it must follow when:
 - a) determining Forecast BMOs and providing them to System Management;
 - b) preparing and publishing Balancing Forecasts; and
 - c) assigning priority to Facilities in the case where there is a tie in a Forecast BMO or Forecast LFAS Merit Order.
- 7A.3.4. AEMO must document in the Balancing Forecast Market Procedure in accordance with the following principles:
 - a) to the extent reasonably practicable, Balancing Forecasts must use the latest information available to AEMO; and
 - b) Balancing Forecasts must provide Market Participants with information upon which to make an assessment regarding their Balancing Submissions and whether to update a Balancing Submission.

The current version of the Market Procedure: Balancing Market Forecast commenced on 18 April 2017.

Clauses 4.9.10 and 4.28C.15 of the WEM Rules provide the requirement for the Market Procedure: Certification of Reserve Capacity:

- 4.9.10. AEMO must document the procedure that:
 - a) Market Participants must follow in the process of applying for Certified Reserve Capacity; and
 - *b)* AEMO must follow in processing applications for Certified Reserve Capacity, including how Certified Reserve Capacity is assigned and Reserve Capacity Obligation Quantities are set,

in a Market Procedure. AEMO and Market Participants must follow that documented Market Procedure when Market Participants are applying for Certified Reserve Capacity and when AEMO is processing those applications.

4.28C.15. AEMO must document the process for applying for and approving Capacity Credits in accordance with this clause 4.28C in a Market Procedure, and AEMO and Market Participants must follow that documented Market Procedure.

The current version of the Market Procedure: Certification of Reserve Capacity commenced on 1 October 2017.





Clauses 6.17.6B and 6.17.6F of the WEM Rules provide the requirement for the Market Procedure: Determination of DSM Dispatch Payment Tranches and Adjustments:

- 6.17.6B. AEMO must develop a Market Procedure that details the methodology to calculate the Tranche 2 DSM Dispatch Payment and the Tranche 3 DSM Dispatch Payment for each Demand Side Programme.
- 6.17.6F. AEMO must document the procedure it follows in making the adjustment referred to in clause 6.17.6E, and Rule Participants, including AEMO, must follow the documented Market Procedure.

The current version of the Market Procedure: Determination of DSM Dispatch Payment Tranches and Adjustments commenced on 1 October 2017.

Clause 9.2.1 of the WEM Rules provides the requirement for the Market Procedure: Settlement:

9.2.1. AEMO must document the settlement process, including the application of taxes and interest, in the Settlement Procedure, and AEMO and Market Participants must follow that documented Market Procedure.

The current version of the Market Procedure: Settlement commenced on 18 April 2017.

Clause 2.27.17 of the WEM Rules provides the requirement for the Market Procedure: Determining Loss Factors:

2.27.17. AEMO must, with the assistance of Network Operators, document the standards, methodologies, classification systems and procedures to be used in determining Loss Factors in the Market Procedure for Determining Loss Factors.

The current version of the Market Procedure: Determining Loss Factors commenced on 30 November 2015.

AEMO has developed and reviewed the proposed amended Market Procedures as a whole to ensure compliance with the relevant provisions in the *Electricity Industry Act*, Regulations and WEM Rules (as in force and as decided to be amended).

2.2. Context for this consultation

Under clause 2.10.3 of the WEM Rules, if an Amending Rule requires AEMO to develop new Market Procedures or to amend or replace existing Market Procedures, then AEMO is responsible for the development, amendment, or replacement of Market Procedures so as to comply with the Amending Rule.

On 29 October 2018, the Rule Change Panel published its final decision on the former Independent Market Operator's Rule Change Proposal: Rule Change Proposal: Removal of Resource Plans and Dispatchable Loads (RC_2014_06). The Rule Change Panel's final decision was to implement the following key changes:

- Remove the concept of Resource Plans from the WEM Rules, as the primary purpose of Resource
 Plans no longer existed, due to the evolution of the market's operations, and yet they continued to
 place a significant and unnecessary administrative burden on Market Generators and imposed
 costs on the market operator.
- Remove the concept of the Dispatchable Load Facility Class from the WEM Rules as the
 Dispatchable Load provisions are confusing for stakeholders, potentially open to gaming and likely
 to prove unworkable in practice. AEMO considered the cost of addressing the issues with
 Dispatchable Loads would be significant and the potential benefits low.
- Extend the STEM window by one hour to provide more time for Market Participants to rectify any issues or correct any errors that may affect their STEM Submissions.
- Provide clarification of the STEM Submission parameter update process that the market operator is required to follow to allow continual updates to be made in real-time whenever it accepts a new STEM Submission.





- Remove the obligation for Market Participants to access STEM Auction results by a certain time, and for the market operator to contact Market Participants that could not access their STEM Auction results in the required timeframe on the basis that this requirement only existed because the auction results were an input into Resource Plans, which were proposed to be removed.
- Remove the requirement for Market Generators to provide Fuel Declaration updates as these are now provided through the BMO.

The Minister for Energy approved the proposed Amending Rules on 26 November 2018 to come into effect on 1 July 2019.

2.3. Consultation to date

Draft versions of the proposed amended Market Procedures were presented at the 'AEMO WEM Procedure Change' workshop held on 2 May 2019.

Stakeholders from Alinta Energy, the Australian Energy Council, Bluewaters Power, Collgar, ERM Power, Kleenheat, Metro Power, Perth Energy, Synergy, Transalta and Western Power attended the workshop and did not raise any material issues with the proposed amended procedures.

Minor changes and formatting corrections were suggested and the relevant procedures have been updated accordingly.

Details of the AEMO WEM Procedure Change workshop are available at: <u>http://aemo.com.au/Stakeholder-</u> <u>Consultation/Industry-forums-and-working-groups/WA-Forums</u>.

3. PROPOSED PROCEDURE CHANGE

3.1. Detail of the proposed procedure change

The following sections provide an overview of the key changes that were made to each of the affected Market Procedures.

3.1.3. Balancing Facility Requirements

This procedure is proposed to be amended to remove the reference to a Facility Resource Plan in step 4.1.2 of the procedure as required by RC_2014_06.

In addition, AEMO proposed minor amendments including:

- updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures);
- removal of "Blank" clauses; and
- minor administrative changes, including correcting rule and step references.

AEMO proposes to commence the proposed amended Market Procedure on 1 July 2019 in line with the commencement date for the associated WEM Rules.





3.1.4. Balancing Market Forecast

This procedure is proposed to be amended to:

- define the equations for AEMO's spare capacity forecasts, as required by the gazettal of amendments made by the Minister for Energy that commenced on 1 October 2017; and
- introduce a requirement for AEMO to determine the Forecast BMO within the first 15 minutes of a Trading Interval, as required by RC_2014_06.

In addition, AEMO proposes minor amendments to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures).

AEMO proposes to commence the proposed amended Market Procedure on 1 July 2019 in line with the commencement date for the associated WEM Rules.

3.1.5. Certification of Reserve Capacity

This procedure is proposed to be amended to remove references to Dispatchable Loads in section 7 of the procedure as required by RC_2014_06.

In addition, AEMO proposes minor amendments to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures).

AEMO proposes to commence the proposed amended Market Procedure on 1 July 2019 in line with the commencement date for the associated WEM Rules.

3.1.6. Determination of DSM Dispatch Payment Tranches and Adjustments

This procedure is proposed to be amended for the removal of references to a Dispatchable Load in the definition table of the procedure, as required by RC_2014_06.

In addition, AEMO proposes minor amendments including:

- updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures); and
- minor administrative changes, including correcting rule and step references.

AEMO proposes to commence the proposed amended Market Procedure on 1 July 2019 in line with the commencement date for the associated WEM Rules.

3.1.7. Settlement

This procedure is proposed to be amended to:

- remove references to Dispatchable Loads in sections 3.5 to 3.7 of the procedure, as required by RC_2014_06;
- update the STEM Settlement Process Overview diagram in section 2.1 to reflect changes in STEM times, as required by RC_2014_06; and
- update the procedure for previous Rule Change Proposals and other gazetted amendments, such as removal of references to Verve Energy.

In addition, AEMO proposes minor amendments including:

- updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures); and
- minor administrative changes, including correcting rule and step references.





AEMO proposes to commence the proposed amended Market Procedure on 1 July 2019 in line with the commencement date for the associated WEM Rules.

3.1.8. Determining Loss Factors

This procedure is proposed to be amended to:

- remove the list of specific references services, instead to require Western Power to document the mapping of all applicable reference services under the approved access arrangement current at the time; and
- remove the reference to Dispatchable Loads in step 3.2.3 of the procedure, as required by RC_2014_06.

In addition, AEMO proposes minor changes and amendments including:

- updates to reflect AEMO's latest Market Procedure template (including formatting, contents, and procedure administration steps in section 1 to be consistent across all procedures); and
- minor administrative changes, including correcting rule and step references.

AEMO proposes to commence the proposed amended Market Procedure on 1 July 2019 in line with the commencement date for the associated WEM Rules.

3.2. Proposed drafting

AEMO has published a draft of the proposed amended Market Procedures for Balancing Market Forecast, Certification of Reserve Capacity, Determination of DSM Dispatch Payment Tranches and Adjustments, Settlement and Determining Loss Factors, incorporating the changes AEMO proposes for consultation with stakeholders.

Clean and change-marked versions are available at: <u>http://www.aemo.com.au/StakeholderConsultation/Consultations/AEPC 2019 06</u>.

3.3. Wholesale Market Objective assessment

The steps outlined in the proposed amended Market Procedures describe how Rule Participants will implement their obligations under the WEM Rules.

AEMO considers that the steps are drafted in a way that does not change the objectives of the WEM Rules. Moreover, they provide critical information about how each Rule Participant may meet its obligations under the WEM Rules, thereby increasing procedural transparency and certainty.

As a result, AEMO considers that the Market Procedures, as proposed to be amended, are consistent with the Wholesale Market Objectives as follows:

Market Procedure	Objectives met	Reason
Balancing Facility Requirements	Consistent with all objectives	The proposed amendments will clarify the requirements for a Balancing Facility in the WEM by removing the reference to a Facility Resource Plan, aligning the procedure with the amended WEM Rules.
		This will eliminate unnecessary processes from the Market Procedure and therefore reduce administrative burden and the related unnecessary costs for Market Participants. The proposed amendments will also increase the clarity of the WEM Rules.





Market Procedure	Objectives met	Reason
Balancing Market Forecast	Consistent with all objectives	 The proposed amendments will increase the clarity of the forecasting process by providing additional detail with respect to: how AEMO will determine forecast spare capacity; and when AEMO must determine the Forecast BMO, under the amended WEM Rules.
Certification of Reserve Capacity	Better meets (a) and (d) Consistent with all objectives	The proposed amendments will clarify the application of the certification process by removing the reference to Dispatchable Loads, aligning the procedure with the amended WEM Rules. This will promote economic efficiency and contribute to minimising the long-term cost of electricity by eliminating a Facility Class that has provided no benefit to the WEM and imposes ongoing administrative and system costs on the market.
Determination of DSM Dispatch Payment Tranches and Adjustments	Consistent with all objectives	The proposed amendments will clarify the application of the determination of DSM dispatch payments by removing the reference to Dispatchable Loads, aligning the procedure with the amended WEM Rules.
Settlement	Better meets (a) and (b) Consistent with all other objectives	 The proposed amendments will: clarify the settlement process by removing the reference to Dispatchable Loads; amend timelines in relation to the STEM settlement process; and make minor administrative changes, to align the procedure with the amended WEM Rules. The proposed amendments will promote economic efficiency and encourage competition among generators and retailers by reducing the risks for Market Participants of not meeting the deadline for making a valid STEM Submission. The proposed amendments will promote economic efficiency by allowing AEMO to recover from Scheduling Day issues caused by errors in key input data and ensure the effective operation of the STEM Auction process. The proposed amendments will also increase the clarity of the WEM Rules.





Market Procedure	Objectives met	Reason
Determining Loss Factors	Better meets (a) and (d) Consistent with other objectives	 The proposed amendments will clarify the application of the determination of Loss Factors by: removing the list of specific references services, instead to require Western Power to document the mapping of all applicable reference services under the approved access arrangement at the time; and removing the reference to Dispatchable Loads, aligning the procedure with the amended WEM Rules. This will eliminate the need for the Market Procedure to be updated when the list of Western Power's reference services is amended from time to time, thereby reducing administrative burden and the related unnecessary costs. The proposed amendments will also increase the clarity of the WEM Rules.

4. SUMMARY OF MATTERS FOR CONSULTATION

AEMO invites stakeholders to suggest alternative options or drafting where they consider these would improve the procedure or better meet the Wholesale Market Objectives.

Stakeholders are invited to submit written responses on the proposed amended Market Procedures by 5:00 PM (Australian Western Standard Time) on 6 June 2019, in accordance with the call for submissions published with this paper.

Stakeholders with questions in relation to the proposed amended Market Procedures or this Procedure Change Proposal can contact AEMO via email to <u>wa.marketdevelopment@aemo.com.au</u>.

All correspondence in relation to this Procedure Change Proposal must be entitled "AEPC_2019_06 Removal of Resource Plans and Dispatchable Loads - [Name of the submitting company or individual]".