
AEMO's response to market auditor's reports

November 2018

For audit period 1 July 2017 to 30 June 2018

Important notice

PURPOSE

AEMO has prepared this document in response to the Market Auditor's reports for the annual Wholesale Electricity Market and Gas Services Information audits conducted for the period 1 July 2017 to 30 June 2018, as at the date of publication.

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1. Background

The Wholesale Electricity Market (WEM) Rules and the Gas Services Information (GSI) Rules require AEMO to appoint a market auditor to conduct the WA electricity and gas market audits. The audits are compliance based reviews of AEMO's obligations under the WEM Rules and the GSI Rules and associated procedures.

The WEM Rules and the GSI Rules require two annual audits to be undertaken:

1. Audit 1 – WEM Electricity Compliance Audit; and
2. Audit 2 – GSI Gas Compliance Audit.

AEMO appointed Robinson Bowmaker Paul (RBP) to conduct the market audits for the period 1 July 2017 to 30 June 2018.

The final audit reports prepared by RBP can be found on AEMO's website at <http://aemo.com.au/Electricity/Wholesale-Electricity-Market-WEM/Compliance-and-audit> and should be read in conjunction with this report.

This report sets out the matters that AEMO accepts and does not accept (and reasons for those views) with respect to the final audit reports as required under clause 2.14.4(b) of the WEM Rules and rule 174(3) of the GSI Rules.

2. AEMO's response

2.1 Overview

AEMO accepts all of RBP's findings and recommendations with respect to final audit reports 1 and 2 with the exception of the two findings and recommendations contained in audit report 1, listed below.

Reference	Finding	Recommendation
17WEM2.11	There is room to better align the dispatch process with market objectives around economic efficiency.	No current action. In the long term, market dispatch timing will be addressed as part of market reform.
17WEM2.51	Lack of clarity over correct temperature for maximum facility capacity under Appendix 1(b)iii.	<ol style="list-style-type: none">1. Once rule change is complete, work with the Market Operations team to investigate whether the value under Appendix 1(b)iii (the sent-out capacity of the generator, expressed in MW) should all be 15 degrees and update the WEM Registration Technical Guide.2. Then ensure all capacity data is compliant.

2.2 Reasons

17WEM2.11

- J This audit finding was raised in the 2017 WEM Electricity Compliance Audit. The recommendation in that audit report involved investigating the feasibility of updating software to recalculate and issue Dispatch Instructions at 5 minute intervals.
- J AEMO accepted the recommendation and actioned two items to address the finding; a training module for Real Time Operations controllers regarding security contingencies and constraints, and a high level review of the feasibility of the system changes.
- J A training scenario regarding contingencies and constraints was developed and now forms part of the Real Time Operations controller assessments.
- J An investigation considered increasing the frequency of the Real Time Dispatch Engine (RTDE) from the current 10 minutes to 5 minute intervals. This investigation concluded that:
 - It is technically feasible to reduce the frequency to 5 minutes.
 - Such a change would double the manual process effort related to Dispatch Instructions for the marginal Facility and may have potential ramifications on control room processes.
 - The effort required to ensure no untoward IT consequences or settlement outcomes of such a change would be large given the essential nature of the automated dispatch engine.
 - There are many other competing projects which would require the same resources to deliver Market Reform, the System Management Systems Transfer, Rule Changes and other critical requirements.
 - The marginal improvement in market outcomes of such a change would be outweighed by other projects AEMO intends to deliver in the operational and Ancillary Services space.

- Market Reform will deliver this outcome in 2022, and therefore the window of benefit is low.
- Participants are focussing on the efficiencies from shorter gate-closure instead of such a change.
-)] Given the above, the benefits of such a change did not appear to outweigh the costs and missed other project opportunities that AEMO is prioritising. This action was closed early 2018.
-)] The auditor has kept this finding open, rated as an improvement opportunity, as they consider there is further opportunity to improve market outcomes through amending the RTDE to dispatch at 5 minute intervals.
-)] AEMO rejects this finding on the basis that it has investigated implementing issuing Dispatch Instructions at 5 minute intervals and whilst supportive that it could improve outcomes concluded that the potential participant consequences and resultant market implications need to be considered broadly and the WEM Reform program has this in scope to do that. AEMO considers this finding closed.

17WEM2.51

-)] This audit finding was raised in the 2017 WEM Electricity Compliance Audit. In this finding the auditor identified a lack of clarity relating to the relationship between Appendix 1(b)iii and 1(b)iv of the WEM Rules.
-)] AEMO accepted that finding and implemented a range of actions to address it including:
 - Requiring Market Participants to review and update their Standing Data in WEMS prior to 1 October 2017 to align with updated formats mandated by the WEM Rules and any required changes.
 - Prior to Market Participants updating their Standing Data in Wholesale Electricity Market Systems (WEMS), AEMO reconciled the ratio of the maximum capacity at 41 degrees Celsius to the maximum capacity at 15 degrees Celsius used in System Management Market Information Technology System with the data in WEMS.
 - Reviewing the process of incorporating de-rate curves and updating relevant internal procedures. Further, Market Participants were engaged in “investigating whether the value under Appendix 1(b)iii (the sent out capacity of the generator, expressed in MW) should all be 15 degrees and whether consequential updates were required to the WEM Registration Technical Guide”, and feedback provided was not in favour of this change. Therefore, the WEM Registration Technical Guide was not updated. It was noted at the time that pending Rule Change *RC_2014_03: Administrative Improvements to the Outage Process* would likely address this in the long term and it was decided not to proceed further.
-)] The auditor has kept this finding open, rated as a risk of non-compliance.
-)] AEMO rejects this finding on the basis that the work to close this finding was completed as part of the 2017 audit actions. Furthermore, AEMO has undertaken further review of the two appendices and considers that, while related, each serves a different purpose and refers to appropriate standards as defined in the [WEM Registration Technical Guide](#) . AEMO considers that the Standing Data item in Appendix 1(b)iii refers to the maximum sent-out capacity at 15 degrees while the Standing Data item in in Appendix 1(b)iv is a temperature-dependence curve completed on an ‘as generated’ basis. Given the different basis on which the two items are determined, the values do not require alignment. AEMO does not consider that this is a risk of non-compliance with the WEM Rules.