

WEM Reform Market Readiness Report No.3

7 June 2022



About this report

- The Market Readiness Report is intended to monitor WEM participant preparedness for the start of new market arrangements in the WEM, in accordance with the [Market Readiness Engagement and Reporting Strategy](#)

Prior to July 2022

Readiness reporting focuses on:

- Measuring the extent to which respondents have established and commenced internal readiness work programs
- Identifying the areas where respondents anticipate the most significant effort and challenges.

From July 2022 onward

Readiness reporting will measure each respondent's progress against Specific Readiness Criteria

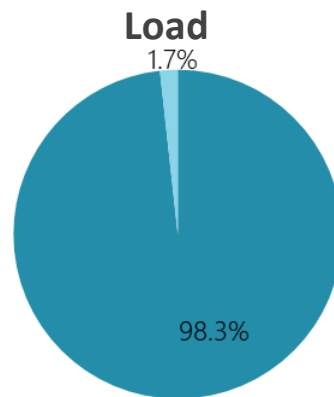
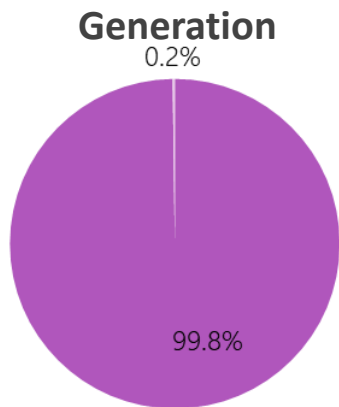
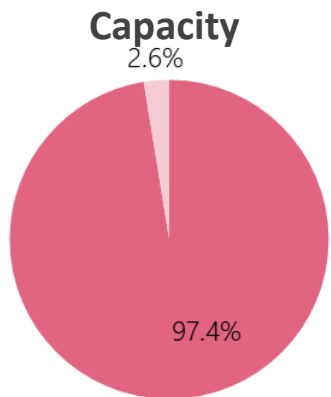
- The Specific Readiness Criteria will inform more granular and more targeted questions, to gauge each respondent's progress in delivering outcomes of relevance to their particular business and facilities
- Different sets of criteria will be specified for different types of entity; market participant, network operator, system operator and regulatory authority.

- Previous Market Readiness Surveys were released in June 2021 (Reported July 2021) and January 2022 (Reporting March 2021)
- The third Market Readiness Survey was released on 29 April 2022 and supported by [Additional Guidance for Respondents](#).
- Survey invitees were identified as follows.
- All registered market participants, noting AEMO excluded market participants known to no longer be active.
 - Where a common organisation is affiliated with multiple market participants, a single invitation in respect of that organisation was issued.
- 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.
- For any queries or suggestions related to the report or survey, please contact wa.ets@aemo.com.au.

Participation



- 65% of survey invitees responded (c.f. 60% from Survey 2)
- 7 new respondents, 4 respondents to Survey 2 did not respond to Survey 3
- Responses covered most of the energy generated, capacity credits and energy consumed in the market
 - Market Generator coverage by capacity slightly up (97.4% compared to 97.0% in Survey 2)
 - Market Generator coverage by energy slightly up (99.8% compared to 98.3% in Survey 2)
 - Market Customer coverage up significantly (98.3% compared to 89% in Survey 2)



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

■ Energy generated by respondents
 ■ Energy generated by non-respondents

■ Energy purchased by respondents
 ■ Energy purchased by non-respondents

| Statistic | Value | Comment |
|---------------------------|----------|--|
| Survey invitations issued | 46 | Note multiple participantIDs aggregated in one invitation where appropriate (62 participantIDs covered by an invitation) |
| Completed responses | 30 (65%) | Response rate based on completion of unique invitations. |
| Generation coverage | >97% | Share of 2021 portfolio measured either by energy or capacity |
| Consumption coverage | 98% | Aggregated consumption metered across all NMIs assigned to Survey respondents as share of total energy supplied (2021). |

Respondent types

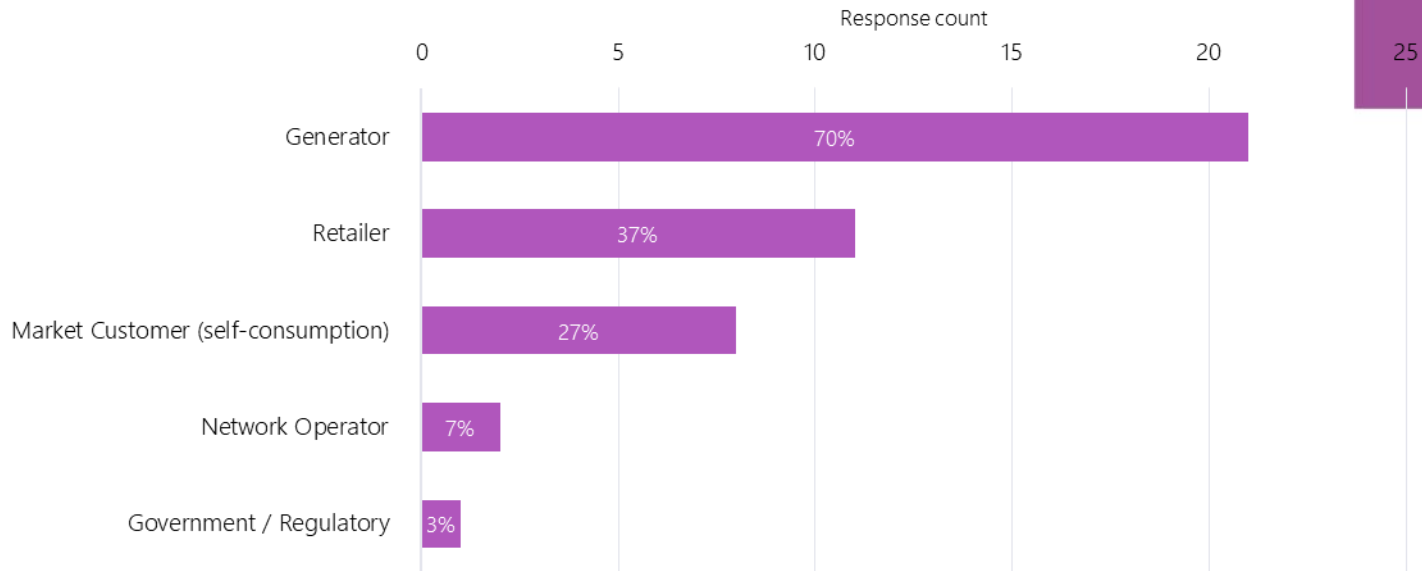
Market Generators

- 21 of 30 respondents were generators
- 9 facilities that dispatched in 2021 were not covered by a response:
 - These facilities account for only 0.2% of total energy generated.
 - 2 participants account for almost all of the capacity not covered by a response

Market Customers

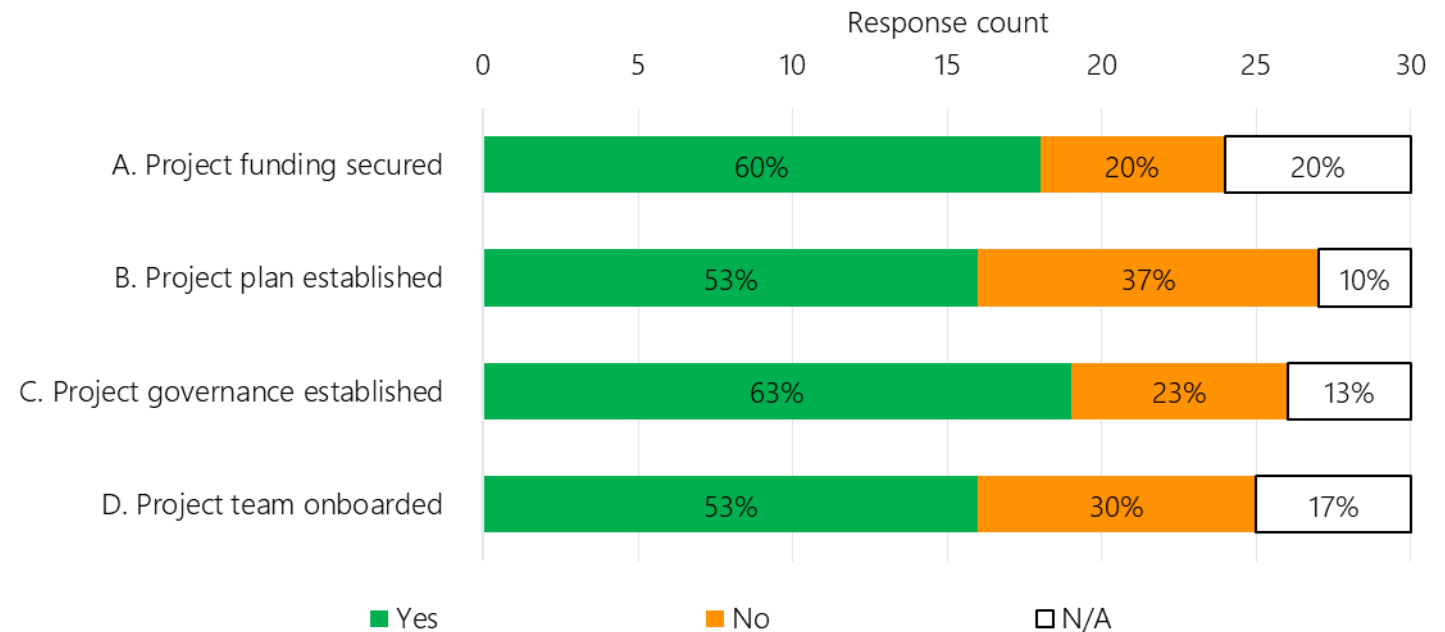
- Around two thirds of total respondents
- 5 Market Customers did not respond, including 2 previous respondents
- 4 large industrial users responded – market customers that are not retailers

ERA and Western Power both responded



Program Setup - Setup Completion

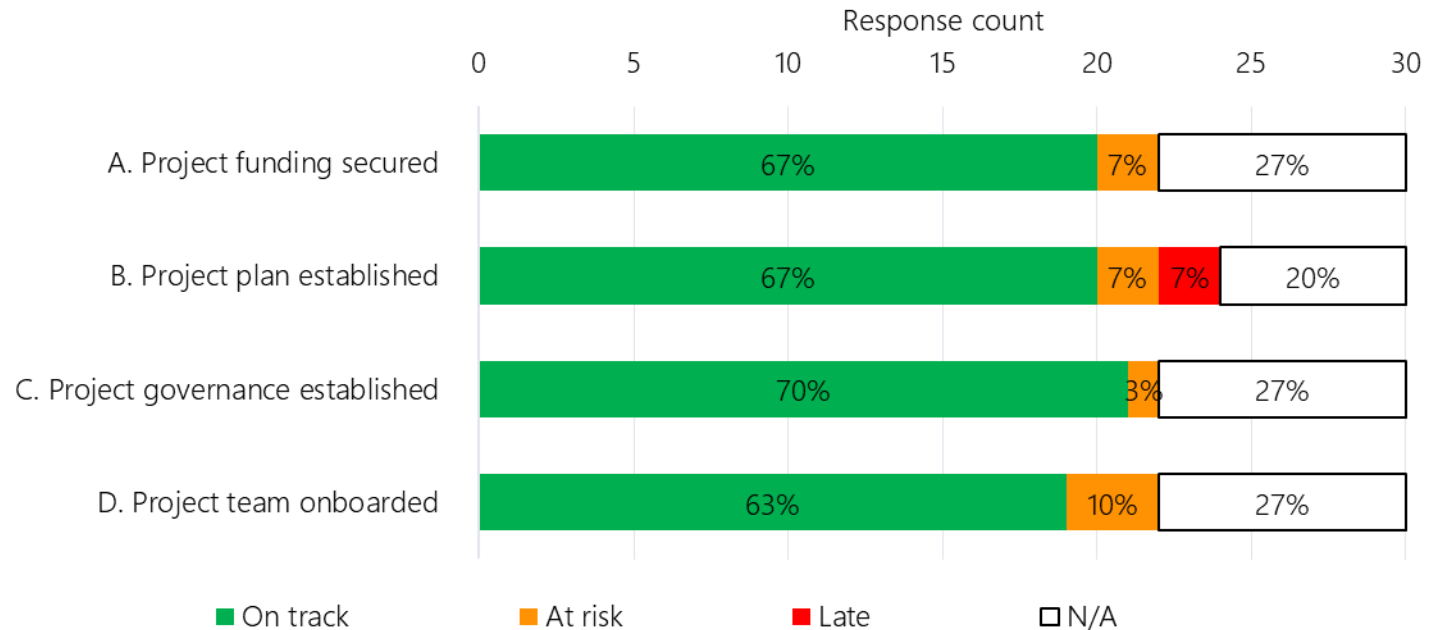
- ~55 to 65% of respondents report key program establishment tasks complete (compared to 65 to 70% at Survey 2)
- Deterioration in program establishment tasks has been driven by new respondents who were more likely to report “no” to these tasks and relatively small shifts down in “yes” counts due to revision of previous positions by some respondents
- 20 to 30%^(a) of respondents have not completed funding, governance and/or resourcing a program of work – most of these are smaller participants.
- Almost 40% of respondents have not established project plans – mostly recently engaged MPs, but includes some existing respondents citing external information gaps.
- 10 to 20% of respondents don’t regard these tasks as relevant to their preparations (compared to 15 to 25% in Survey 2)
- At least 3 respondents have changed their assessment of governance from “n/a” to “no”.



(a) Reporting simple percentage point changes

Program Setup - Setup Elements

- Funding, planning and governance setup reported “on track” by two thirds of respondents or more (compared to just under two thirds in Survey 2)
- Onboarding reported as “on track” by around 65% of respondents (compared to ~55% in Survey 2)
- Setup elements were reported “at risk” or “late” by relatively few respondents: Planning – 14% of respondents, Onboarding – 10%, Funding – 7%
- Small increases in count of “n/a” – consistent with some new respondents anticipating only a limited change impact (e.g. some large industrial consumers).



Program Setup – Comments

“Although funding is secured for WEM Reform activities, the extent of changes resulting from WEM Reform and the associated cost is still unknown.”

“Do not anticipate to need a project plan”

“[Respondent’s] project plan is still in progress due to the limited tangible information that is available. [Respondent] will be unable to monitor progress against proposed changes that are yet to be revealed”

“[work program] Will be covered under normal BAU governance”

Program Setup

“Business as usual staff are implementing reform in addition to their day job.”

“The project resources are being confirmed and will be onboarded in the coming months to fit the project schedule.”

“[Respondent] is unable to determine if additional resources will be required given the limited information that has been provided”

Early Execution

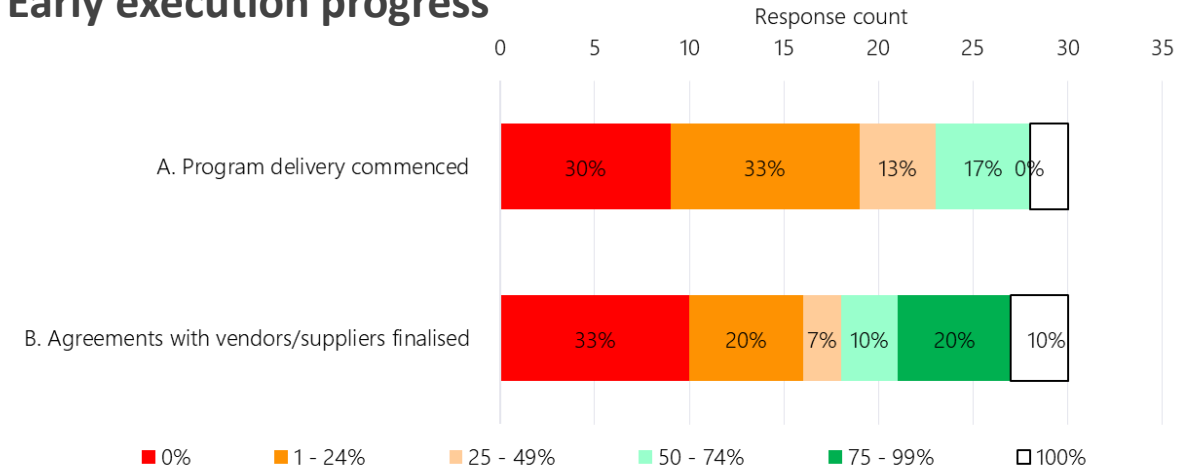
Commencement of delivery

- 70% of respondents have commenced execution (compared to 80% for Survey 2). This deterioration was driven by new respondents.
- 67% of respondents report their early program execution is “on track” (up 7% points since Survey 2)
- 15% report this is “at risk” or “late” (down 15% points since Survey 2).

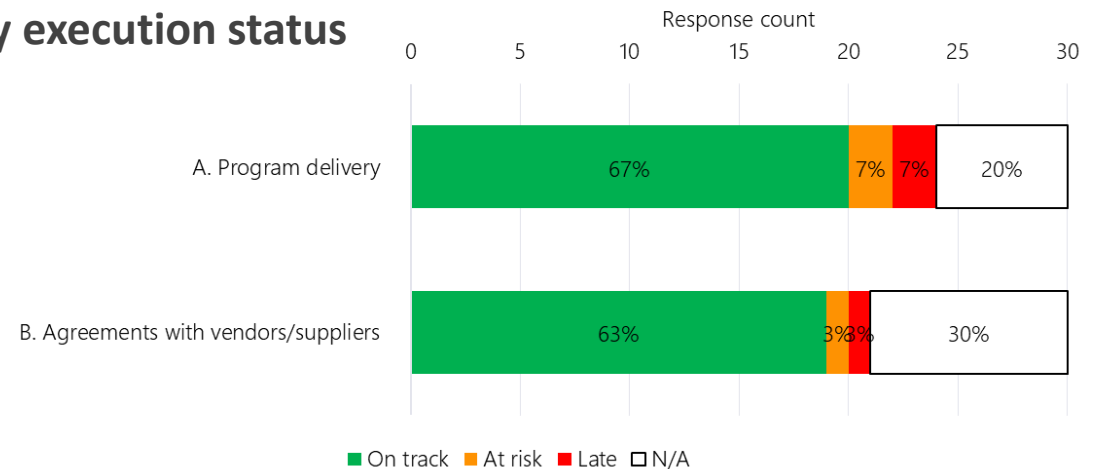
Vendor / Supplier agreements

- More respondents (10 to 30%) have completed or almost completed vendor/supplier agreements (compared to 5 to 15% for Survey 2)
- 30% of respondents report these “n/a”. Of the remaining 70%, most reported as “on-track” (up slightly since Survey 2)
- 10 respondents (33%) report no progress vendor/supplier agreements, of which: 8 report this work as “n/a”, 1 reports as “on track” and 1 reports as “at risk” (compared to 3 “at risk” for Survey 2).

Early execution progress



Early execution status



Early Execution – Comments

“Whilst [Respondent] has progressed in this area, there has not been additional information to work with since the last questionnaire.”

“[Early implementation has commenced] for the known items, including trading system build and procurement of more granular and frequent wind forecasts.”

“Tender for software completed. No contract awarded.”

“waiting on specifications for bilateral and STEM [before commencing retail systems development]”

Early Execution

“We may not be using a vendor. Have ability to develop internally.”

“[Respondent] is undertaking a process of training for staff to be ready for the WEM Reform commencement. The addition of the Reformer portal will assist [Respondent] in this”

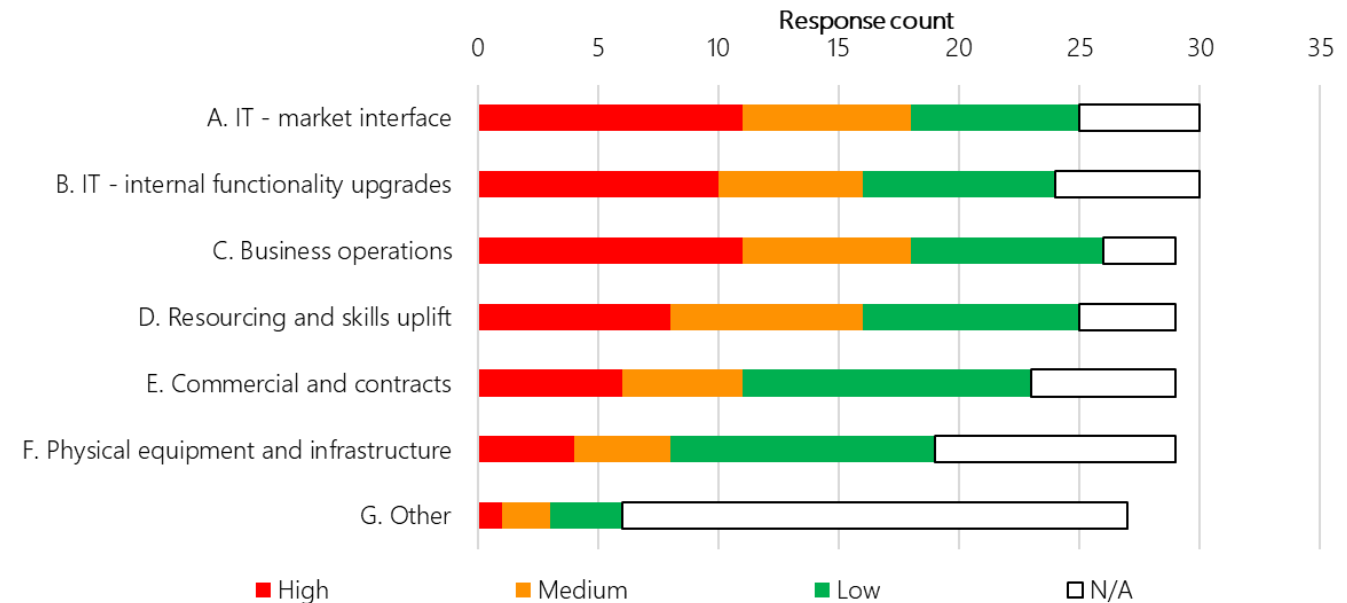
“[Respondent] has identified resourcing uplift requirements and has budget approval for this. Current labour market is providing challenges for filling some of these roles.”

“COVID-19 is already impacting resource availability with [Respondent], increases in cases are expected and will continue to have short-term and in some cases notable impacts to delivery (volume).”

Risk Areas - Impact

- There continues to be widely varying feedback on risk of work in various areas that is not completed.
- Overall, changes in ratings suggest respondents continue to improve their awareness of the changes required.
- IT changes (A and B) and Business operations (C) are the areas most likely to be rated “high” impact
- Compared to Survey 2:
 - Overall “high” impact ratings increased. Mixed trends for “medium” and “low” impact ratings
 - IT changes (A and B) and Business operations (C) had more “high” impact ratings (+3, +2 & +1 respectively)
 - Business operations (C) had significantly more “medium” and fewer “low” impact ratings (+6 and -4 respectively)
 - Resourcing had more “high”^(a) and “low” ratings (+4 & +4 respectively)
 - Commercial and Contracts (E) had more “high”^(b) ratings (+4)
 - Other (G) is less relevant or concerning for more respondents (+1 “low” +1 “n/a” and +3 non-responses)

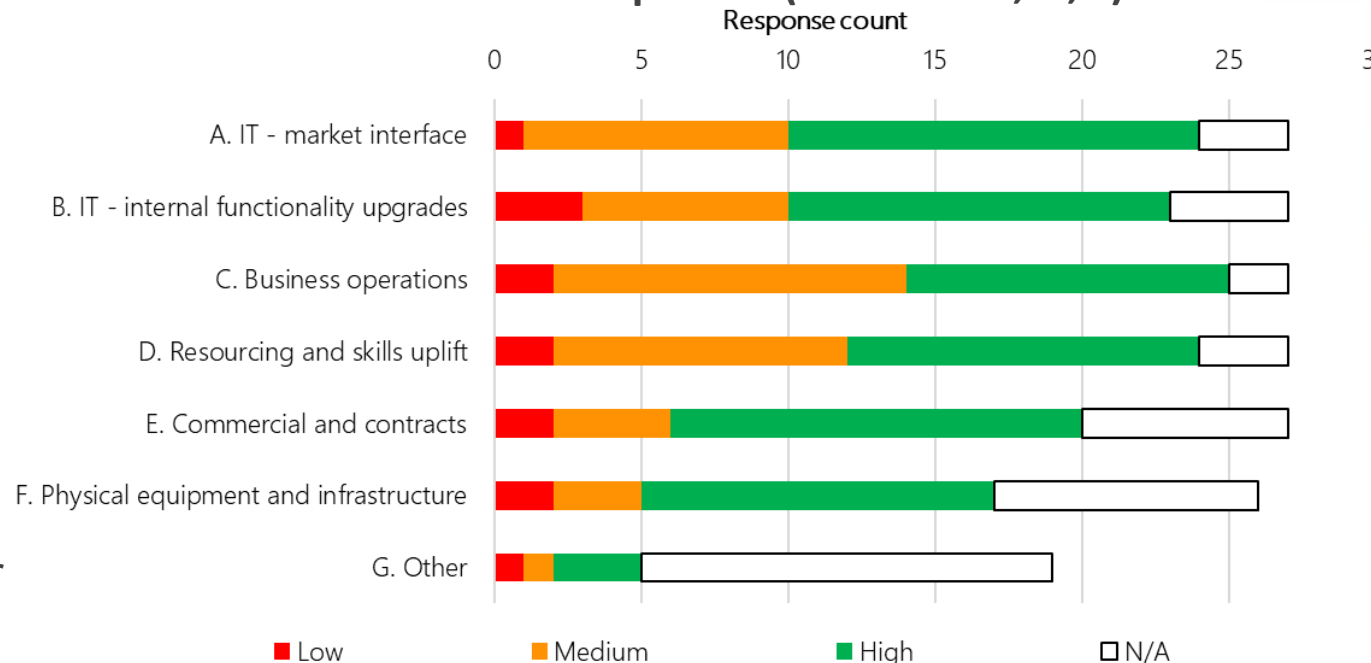
Magnitude of impact if not completed (counts of L,M,H)



Risk Areas - Confidence

- The majority of respondents continue to express “**high**” or “**medium**” confidence in successful completion across all areas.
 - 5 responses indicated “**low**” confidence in successful completion for any area (compared to only 2 responses in Survey 2)
 - Internal IT (B) recorded the most “**low**” confidence ratings (3), with comments relating to the availability of technical information from AEMO.
 - Increased count of “**high**” confidence ratings in areas A (+5), B (+4) and D (+4) with similar decreases in “**medium**” ratings
- The risk ratings and the comments supporting them are consistent with respondents continuing to develop a better understanding of the work required.

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



Risk Areas – Overall Scores

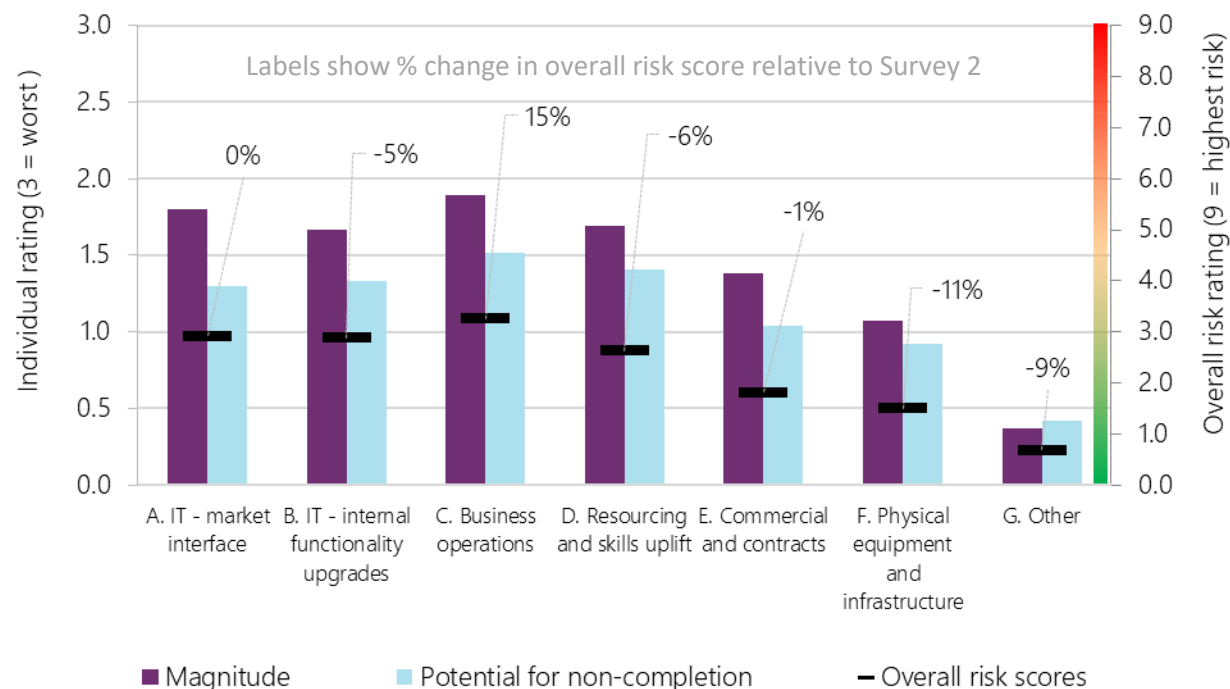
Overall risk scores

- Calculated for each impact area (see inset “How we calculate implicit risk scores”) and plotted (see chart to right)

Compared to Survey 2:

- There has been a reduction in most risk scores reflecting an improved market readiness position:
 - Reduced or stayed steady in most areas (-11% for F. to -0% for A.)
 - Business Operations (Area C) was the exception (overall risk score increased by 15%)
- Reduction in most areas likely reflects the fact that most new respondents reasonably anticipate a smaller scope of work (e.g. small retailers and large industrial consumers) relative to existing respondents
- Increase for Business Operations mostly reflects the increase in “medium” impact ratings – particularly an upgrade from “low” by four market participants.

Implicit risk scores



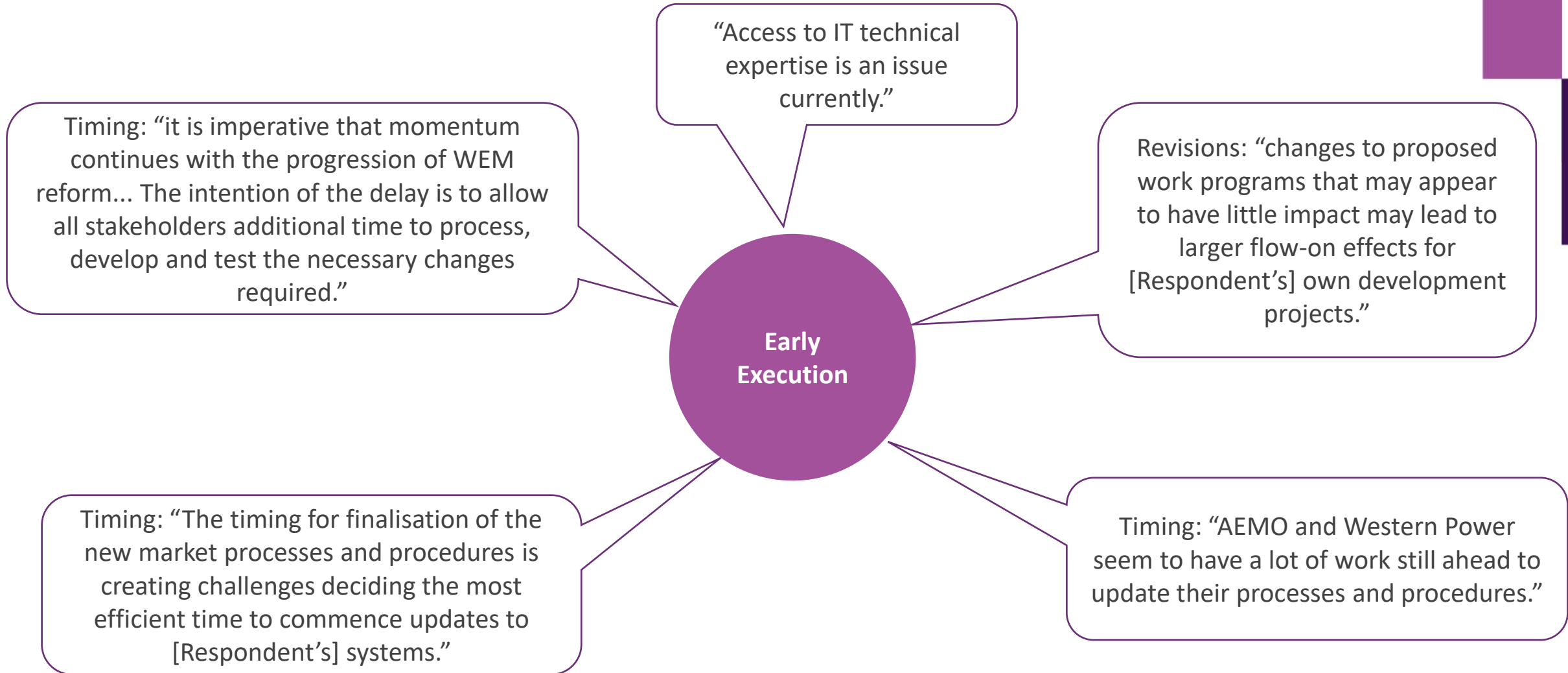
How we calculate implicit risk scores

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

Risk Areas – Key Themes

| Impact area | Themes identified |
|--|---|
| A. IT - market interface | De-risking delivery through third party systems; exposure to AEMO decisions or delivery (designs, timing, changes); concern about unknown unknowns; reasonable vendor options for some |
| B. IT - internal functionality upgrades | Concern about unknown unknowns, skills/resourcing challenges; de-risking delivery through third party systems; exposure to AEMO decisions or delivery (designs, timing, changes); reasonable vendor options for some |
| C. Business operations | Still requiring significant review; concern about unknown unknowns; exposure to AEMO decisions or delivery (e.g. systems dependencies, WEMP dependencies) |
| D. Resourcing and skills uplift | Challenges in ensuring each area of business understands requirements; recruitment challenges; outsourcing technical training highlight dependencies on changes to dispatch arrangements and GPS; timing challenges (must wait until systems developed) |
| E. Commercial and contracts | Most comments didn't anticipate significant change; interest in the transition of NCS to NC-ESS; risks remain unclear "as it will be dependent on counterparty" |
| F. Physical equipment and infrastructure | Reasonably comfortable that limited changes will be required or that requirements and works are in-hand; Exposure to AEMO timing; dependencies on GPS |
| G. Other | Dependencies on GPS; need to document new functions; |

Other themes



Key Insights



WEM Reform engagement continues to improve

- All large market participants continue to be strongly engaged with the WEM Reform process
- Most of the remaining smaller market participants are either engaged or starting to become engaged.



Slight deterioration in project establishment

- Slightly smaller proportion report establishment tasks complete, compared to Survey 2
- New respondents report work still to be done to complete key program establishment tasks.
- Most instances of “incomplete” concern Planning



Strong interest in dispatch changes

- Participants would like to confirm what changes if any they will need to make to dispatch
- Interested in procedures and specifications as well as guidance on how artefacts fit together



Skilled staff – a persistent constraint

- Some respondents report challenges with upskilling staff to understand the changes
- Some respondents are finding it difficult to recruit.
- Smaller respondents are more likely to try to implement changes using existing resources.



Other Challenges Identified

- More participants appear to recognise potentially significant changes (and are aware that they need to know more)
- Covid is causing short-term delays among some participants



Market Readiness position is stable

- Implied risk scores similar to Survey 2
- The only area where implied risk score worsened relates to Business Operations

Key Activities Looking Forward

Key delivery activities for the next 3 months include:

- Publish further draft technical specifications and guidance regarding WEMDE outputs, dispatch instructions and the WEMDE B2B platform; deliver an external WEMDE showcase.
- Deliver specifications and testing opportunities for Release 1 of the Outage submission system (Outage Plans) and progress Release 2 including network operator functionalities, forced outages API and Outage Intention Plans (OIP)
- Publish specifications for Settlements APIs (PASS and IRCR)
- Clarify and communicate scope and timing of interface specifications on a regular basis through WRIG.
- Progress RCM Phase 2 (implementing NAQ for the 2022 RC Cycle), targeting external release Sept 2022.
- Support participants in the development of their GMPs; support Western Power with development of guidelines; and ensure timely engagement on proposed GPS .
- Draft and consult on multiple WEM Procedures
- Review second exposure draft of Tranche 6 of the WEM Rules (when published) with the intention of advising the market of key implementation impacts ASAP.
- Implement market readiness reporting against specific readiness criteria to enhance depth and insights from industry reporting

Next steps

- Finalise and deploy Market Readiness Surveys and Reports based on Specific Readiness Criteria
 - As detailed in the [Market Readiness Engagement and Reporting Strategy](#), AEMO plans to base Market Readiness Survey 4 on Specific Readiness Criteria
 - The Specific Readiness Criteria will inform more granular and more targeted questions, to gauge each respondent's progress in delivering outcomes of relevance to their particular business and facilities
- AEMO is consulting on the specific readiness criteria in June
- Following feedback, AEMO will finalise the approach, code the survey and deploy Survey 4 late July 2022

