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15 March 2023

Aden Barker
Director, Electricity Network Regulation
EPWA-info@dmirs.wa.gov.au

Dear Mr Barker,

Proposed State Electricity Objective

Thank you for the opportunity to respond to Energy Policy WA's information paper, *Electricity Industry Amendment Bill: Consultation on the proposed State Electricity Objective*, published on 21 February 2023.

The Australian Energy Market Operator (AEMO) understands that the State Electricity Objective (SEO) will provide a consistent, overarching objective for Western Australia's electricity regulatory framework to resolve the current problem of separate but overlapping objectives across multiple legal instruments. AEMO welcomes this change, and the Project Eagle reforms more broadly, as the means of enabling a regulatory framework that will support the energy transition through stage 2 of the Energy Transformation Strategy.

AEMO considers that an explicit reference to security is required in the SEO. At the Transformation Design and Operation Working Group meeting on 28 February 2023, Energy Policy WA advised that the reference to power system reliability in the proposed SEO is intended to include power system security. While there is a clear relationship between reliability and security, these exist as separate concepts both in operation and under the Wholesale Electricity Market Rules (WEM Rules). For example, the WEM Rules apply separate definitions to Power System Security and Power System Reliability. Reliable and secure also exist as distinct operating states - the system can be secure, but not reliable (i.e. load shedding events to maintain security).

Energy Policy WA has advised that the SEO is intended to replace the Wholesale Market Objectives. While AEMO broadly supports the SEO, the WEM Rules and WEM Procedures were developed in the context of the current Wholesale Market Objectives, which include a technological neutrality limb, and exclude price and environmental limbs under the SEO. AEMO welcomes the opportunity to work with Energy Policy WA on detailed implementation matters to ensure a smooth transition process to the new SEO. We expect that this work will require a review of the WEM Rules and all WEM Procedures to ensure they are fit-for-purpose, with the potential for guidance to be required where the SEO limbs require balanced decision-making.

Should you have any queries about this submission, please contact Mena Gilchrist, Manager Regulatory Affairs at mena.gilchrist@aemo.com.au.

Yours sincerely,

DocuSigned by:

Martin Maticka

Martin Maticka

Group Manager – WA Market Development

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