

# Minutes of Industry Workshop

<b>MEETING TITLE</b>	Industry workshop on operational aspects of the new rule change process proposed in the Electricity Market Review's position paper on the Rule Change Assessment Panel
<b>MEETING NO</b>	Friday 31 July 2015
<b>DATE</b>	9:35 AM to 11:45 AM
<b>TIME</b>	IMO Board Room, Level 17, 197 St Georges Terrace, Perth WA
<b>LOCATION</b>	Industry workshop on operational aspects of the new rule change process proposed in the Electricity Market Review's position paper on the Rule Change Assessment Panel

Attendees	Organisation
Fiona Wiseman	Alinta Energy
John Rhodes	Alinta Energy
Matt Bowen	Jackson MacDonald
Katherine McKenzie	Jackson MacDonald
Sarah Woenne	Public Utilities Office (PUO)
Natalia Kostecki	PUO
Ignatius Chin	Bluewaters Energy
Wendy Ng	ERM Power
Matt Pember	System Management
Adrian Theseira	System Management
Mia Threnoworth	Synergy
Patrick Peake	Perth Energy
Erin Stone	IMO
Ben Connor	IMO
Caroline Cherry	IMO

Item	Subject
1.	<p><b>Welcome</b></p> <p>Ms Fiona Wiseman opened the meeting at 9:35 AM and welcomed all participants to the industry workshop on operational aspects of the new rule change process proposed in the Electricity Market Review's position paper on the Rule Change Assessment Panel (RCAP).</p>
2.	<p><b>Overview of existing rule change process</b></p> <p>Ms Erin Stone provided an overview of how the current rule change processes operate, including both the Standard and Fast Track Rule Change Processes.</p> <p>The summary also provided information on how informal consultation, prior to a rule change being submitted into the formal process, currently operates.</p>
3.	<p><b>Overview of proposed rule change process</b></p> <p>Dr Natalia KostECKi noted that the key changes to the rules that are proposed will be required in order to enable the new RCAP to undertake its functions. The need for any other changes to the rules will be assessed based on feedback from industry as to whether improvements to the current processes are warranted, and be incorporated into the changes for the establishment of the RCAP.</p> <p>It was generally noted that the pre-rule change stage, the consultation with the Market Advisory Committee (MAC), has become invaluable.</p> <p>Dr KostECKi clarified that the proposed changes to the rules change process would see the following process included in the rules:</p> <ul style="list-style-type: none"> <li>• The pre-rule change stage become formalised, with the rule change process being deemed to commence at its initiation.</li> <li>• Consultation with MAC would become the first round of formal consultation.</li> <li>• All Rule Change Proposals submitted to the RCAP would automatically be entered into the process unless considered vexatious or frivolous.</li> <li>• Once the RCAP received the Rule Change Proposal it would then be provided to the MAC (or Gas Advisory Board) to be 'thrashed out' and it is at this point that the Amending Rules would be drafted.</li> <li>• Public consultation would then occur, which would be the second round of consultation overall. The public consultation would occur prior to the Draft Rule Change Report being released. No decision would be presented in the Draft Rule Change Report.</li> </ul>
4.	<p><b>General Discussion</b></p> <p>The following questions were raised on the proposed rule change process:</p> <ul style="list-style-type: none"> <li>• Ms Wiseman: Would the proposed process require an official submission from MAC?</li> <li>• Ms Wendy Ng: Are there specific timings envisaged for the process, and how long is MAC allowed to consider a Rule Change Proposal?</li> <li>• Mr Ignatius Chin: Can the MAC process be by-passed at all?</li> <li>• Mr John Rhodes: How would feedback be made known if someone is unable to attend a MAC meeting at which the rule change was to be discussed?</li> </ul> <p>Dr KostECKi noted that these issues were up for input from industry. Any changes to the rule change process should be to assist with clarity, transparency and accountability.</p> <p>Mr Matt Pember noted that not having timeframes for the informal MAC process allows industry to work through the issues more completely before it is put into the formal rule change process, which has fixed timeframes to comply with.</p>

Ms Stone noted that a decision point or criteria at which a proposal would either be progressed or not, would be needed.

Ms Ng noted that there are some rule changes that do require lengthy discussions due to the complexity of the issue, for example the Reserve Capacity Mechanism changes that took more than two years in development.

Mr Ben Connor noted that the costs as well as the benefits of formalising the pre rule change process would need to be considered, specifically the loss of flexibility.

Ms Wiseman questioned whether there would be a way of removing a rule change from the revised formal process. Dr Kostecki responded that there would have to be.

Ms Stone noted that formalising the consultation process with MAC would increase the administrative burden. Dr Kostecki noted that if the process is formalised then it becomes a reviewable process. Ms Stone noted that the views and opinions of the MAC are currently included in both the Draft and Final Rule Change Reports, as well as being documented in the MAC minutes themselves.

Ms Ng asked where in the proposed first round of consultation the threshold test is applied. Dr Kostecki responded that the threshold test would occur prior to the proposal being provided to the MAC.

Ms Wiseman questioned whether anybody knew what happens in the NEM with the Australian Energy Market Commission (AEMC). Mr Chin responded that the AEMC do undertake informal discussion, and that they also use forums and discussions with formal panels such as their Reliability Panel. It was also noted that the AEMC would be required to progress a rule change if it was put into a formal process.

Mr Patrick Peake asked what would happen if two independent rule change proposals, dealing with the same issue, were submitted into the process. Ms Wiseman responded that for the certification of intermittent generators two proposals were put forward and the IMO combined these proposal.

***Attendees agreed that the current informal consultation process with MAC should be retained as informal, but that there may be merit in documenting the current process in the rules so as to ensure that the:***

- ***current process is better documented and understood;***
- ***MAC's stated remit covers providing advice on potential reforms to the Market Rules (prior to these being formally submitted); and***
- ***MAC's advice is able to be expressly considered by the rule maker when making draft and final decisions on Rule Change Proposals.***

Ms Wiseman asked whether the RCAP required advice from the MAC on every single Rule Change Proposal, noting that this would be an appropriate decision for the RCAP to make. Ms Stone noted that it would be possible to have the RCAP refer proposals to the MAC similarly if they could be perceived to be controversial.

Mr Pember noted that if a proposal does not go to MAC, the MAC members still have the opportunity to comment through submissions to the public consultation process, which must be considered in the rule change process. Ms Stone added that currently the rules provide for two MAC members to request to discuss a Rule Change Proposal at a meeting if it has not already been discussed.

Ms Stone noted there was also the ability to organise workshops on the rule changes which may be necessary depending on the content of the proposed changes.

Ms Wiseman stated that consideration by the MAC of a Rule Change Proposal under the Fast Track Rule Change Process may need to be discretionary so as to ensure changes that are urgently required (and meet the fast track criteria\_ are not unnecessarily delayed. Ms Stone highlighted that the Fast Track Rule Change Process was used for changes that were urgently required including for system or market security, or administrative in nature

including fixing typographical and manifest errors. This raised the issue that if urgent, there may not be time to take a Rule Change Proposal to MAC, and if administrative, it may be a waste of MAC's time.

Mr Pember stated that it should be the discretion of the RCAP to refer whether a rule change goes to MAC. Dr Kostecki noted that the RCAP could potentially refer a Rule Change Proposal to the MAC at any stage of the rule change process and perhaps it needn't be prior to formal submission.

**Attendees agreed that consultation with MAC should be retained as discretionary on the basis that:**

- **there is an opportunity for MAC members or the RCAP to request that MAC discuss a Rule Change Proposal; and**
- **this would not necessarily be pragmatic in all instances.**

Ms Ng noted that an improvement could be made to the current process noting that the Standard Rule Change Process requires two rounds of consultation which may be unnecessary if industry has agreed with the proposed changes at the Draft Rule Change Report stage. Ms Ng suggested that perhaps this process could become more streamlined and that if there were no disagreements with the Draft Rule Change Report then the second round of consultation could be shortened or even become discretionary.

Ms Wiseman noted that establishing appropriate triggers for the further consultation would be important. Dr Kostecki noted that the PUO would welcome comments on those criteria. Ms Stone noted that the IMO had an internal set of criteria that it used to determine whether the decision should be delegated by the IMO Board to the CEO that the IMO could share with the PUO and that these considerations would be similar, for example, number and nature of submission, Protected Provisions, number and nature of discussions MAC, impact on Market Participants. Mr Matt Bowen suggested that the trigger could simply be that any one participant requested a further round for consultation. This was largely supported by attendees.

**Attendees agreed that there could be merit in reviewing whether a second round of consultation could:**

- **become discretionary; or**
- **be abridged,**

**to reduce the overall length of the rule change process, subject to an appropriate trigger for additional consultation being agreed.**

Ms Wiseman noted that any changes to the rule change process should be accompanied by changes to the procedure change process on the basis that the IMO uses principles based drafting and that therefore the detail is often in the procedures rather than the rules. Ms Stone agreed and noted that more recently the IMO had moved to a process that allowed consultation of the Rule and Procedure Change Proposals in parallel for this reason.

Ms Wiseman asked if the PUO proposed for the RCAP to make decisions on procedures as well as rules. Ms Stone noted that procedures were not always linked to rule changes and were often quite technical and operational in nature and highlighted that this was primarily why the IMO Board delegated this function to the CEO and why MAC had delegated this function to a working group. Dr Kostecki noted that procedures had not been considered as the position paper was proposing to make only the minimal changes to the rules necessary to accommodate the RCAP. Attendees discussed the importance of the rule and procedure change process being run in parallel for reformist packages and noted that this may become difficult where separate decision making bodies existed rules and procedures.

	<p>Attendees agreed that if there was process improvement needed under the current framework it was related to the procedure change process rather than the rule change process. In particular, Ms Wiseman noted there are no clear criteria for the approval of procedure changes outlined currently prescribed in the Market Rules. Mr Rhodes also noted concerns around the lack of clear timeframes for progressing procedure changes currently. Mr Peake suggested that timeframes around the procedure change process, once expressly prescribed, could always be extended would place some discipline on the IMO and System Management and would be beneficial for the market.</p> <p><b>Attendees agreed that any changes to the rule change process should be minimal.</b></p> <p><b>Attendees agreed that the procedure change process could be improved, including for example placing timeframes around the process.</b></p> <p><b>Attendees agreed that the MAC should consider who the appropriate party to approve procedures would be (i.e. the IMO, RCAP or a combination of the two, for example under a delegation framework).</b></p> <p><b>Attendees agreed that the proposed approach needed to better consider the procedure change process, including for example how and when rule and procedure changes should be packaged together.</b></p> <p>Mr Peake asked whether the RCAP's decision with reasons would be made public. Dr Kostecki suggested that it should be. Ms Stone asked whether this would be in the form of accepting the secretariat's recommendations as its own (as the IMO Board now does) or whether it was expected that it would be more like the process for Ministerial approval in which the decision and reasons are outlined in a separate document. Mr Bowen said this had not yet been decided. Ms Stone noted that this may be an outworking of who was chosen to perform the secretariat services on the basis that if it was the IMO the advice would need to be independent and transparent, whereas if there is an independent secretariat established it may produce documents on behalf of the RCAP. Ms Wiseman noted that it was important that there was appropriate transparency of decision making established under the new RCAP processes.</p>
<p><b>5.</b></p>	<p><b>Actions arising</b></p> <p>It was agreed that Ms Wiseman and Ms Ng would present the key discussion points from the workshop at the next MAC meeting with a view to seeking the views of the MAC on the following:</p> <ul style="list-style-type: none"> <li>• Better defining the informal consultation process in the rules.</li> <li>• Including in the MAC's role consideration of documentation in the informal consultation process, including for example concept papers.</li> <li>• Options for truncating or abridging the second round of consultation under the current Standard Rule Change Process for non-controversial rule changes.</li> <li>• Whether compulsory consultation with the MAC for both the Standard and Fast Track Rule Change Process should be introduced.</li> <li>• Considering who should approve procedure changes and whether enhancements to the current procedure change process should be considered at this time.</li> </ul> <p>It was envisaged that the MAC's advice on these matters could then be presented through to the EMR Steering Committee as part of the formal consultation process on the position paper.</p>
<p><b>6.</b></p>	<p><b>Close:</b> Ms Wiseman closed the meeting at 11:45 AM.</p>