

Meeting Agenda

Meeting Title: Market Advisory Committee

Date: Wednesday 8 August 2018

Time: 12:30 PM – 3:15 PM

Location: Training Room No. 2, Albert Facey House
469 Wellington Street, Perth

Item	Item	Responsibility	Duration
1	Welcome	Chair	5 min
2	Meeting Apologies/Attendance	Chair	5 min
3	Minutes from Previous Meeting	Chair	5 min
4	Actions Items	Chair	5 min
	(a) ERA Secretariat: Internal Governance Arrangements (Action Item 6/2018)	ERA	10 min
5	MAC Market Rules Issues List	Chair	15 min
6	Update on the Network and Market Reform Program (presentation – no paper)	PUO	30 min
7	Working Groups		
	(a) AEMO Procedure Change Working Group Update	AEMO	5 min
	(b) Establishment of the MAC Working Groups to support the WEM Reform Program	Chair	5 min
8	Rule Changes		
	(a) Overview of Rule Change Proposals	Chair	5 min

Item	Item	Responsibility	Duration
	(b) Update on Outage Rule Change Proposals (RC_2013_15 and RC_2014_03) (presentation – no paper)	RCP Support	25 min
	(c) Pre-Rule Change Proposal – RC_2018_04 (Manifest Error in the Deferral of Dates for the 2018 Reserve Capacity Cycle)	RCP Support	10 min
	(d) Pre-Rule Change Proposal – RC_2018_05 (Market data access and use)	ERA	15 min
9	Treatment of Storage Facilities in the Wholesale Electricity Market	RCP Support	5 min
10	AEMO Allowable Revenue Submission (AR4)	AEMO	15 min
11	General Business	Chair	5 min

Next Meeting: 12 September 2018

Please note, this meeting will be recorded.

Minutes

Meeting Title:	Market Advisory Committee (MAC)
Date:	13 June 2018
Time:	12:35 PM – 3:35 PM
Location:	Training Room No. 2, Albert Facey House 469 Wellington Street, Perth

Attendees	Class	Comment
Stephen Eliot	Chair	
Matthew Martin	Minister's Appointee – Small-Use Consumer Representative	
Martin Maticka	Australian Energy Market Operator (AEMO)	
Mehdi Toufan	System Management	Proxy for Dean Sharafi
Sara O'Connor	Economic Regulation Authority (ERA) Observer	
Will Bargmann	Synergy	
Douglas Thomson	Network Operator	Proxy for Margaret Pырchla
Jacinda Papps	Market Generators	To 2:25 PM
Shane Cremin	Market Generators	
Andrew Stevens	Market Generators	
Wendy Ng	Market Generators	
Patrick Peake	Market Customers	
Geoff Gaston	Market Customers	
Erin Stone	Market Customers	Proxy for Steve Gould
Peter Huxtable	Contestable Customers	

Apologies	Class	Comment
Dean Sharafi	System Management	
Steve Gould	Market Generators	
Margaret Pырchla	Network Operator	

Also in attendance	From	Comment
Jenny Laidlaw	RCP Support	Presenter, Minutes
Richard Cheng	RCP Support	Presenter
Adrian Theseira	ERA	Presenter
Aditi Varma	Public Utilities Office (PUO)	Presenter
Stuart Featham	AEMO	Observer
Paul Elliott	AEMO	Observer
Clayton James	AEMO	Observer
Matthew Fairclough	AEMO	Observer
Steven Kruit	PUO	Observer
Thomas Coates	PUO	Observer
Ignatius Chin	Energy Market Consulting associates	Observer
Matthew Bowen	Jackson McDonald	Observer
Ben Williams	Synergy	Observer
Angelina Cox	Synergy	Observer
Noel Schubert		Observer
Laura Koziol	RCP Support	Observer
Greta Khan	RCP Support	Observer

Item	Subject	Action
1	Welcome	
	The Chair opened the meeting at 12:35 PM and welcomed members and observers to the 13 June 2018 MAC meeting.	
2	Meeting Apologies/Attendance	
	The Chair noted the attendance as listed above.	
3	Minutes from Previous Meeting	
	Draft minutes of the MAC meeting held on 9 May 2018 were circulated on 25 May 2018.	
	Mr Patrick Peake considered that if the connection of new Generators increased the largest contingency above the output of the largest single Generator (as anticipated by Mr Dean Sharafi in his presentation to the MAC on 9 May 2018), then the additional Spinning Reserve costs should not be socialised. Mr Peake questioned whether the problem was caused by the way in which the new Generators were connected, and if so, whether those Generators should be liable for the additional Spinning Reserve	

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	<p>costs. Mr Peake suggested that these points should be considered by the Minister's Wholesale Electricity Market (WEM) reform program (WEM Reform Program).</p> <p>Mr Ben Williams asked RCP Support to check whether Mr Sharafi, during the same presentation, had advised that AEMO's current practice was to enable enough Spinning Reserve to cover 70 percent of the largest contingency, even if this was more than 70 percent of the largest Generator's output. Mr Matthew Fairclough confirmed that this was AEMO's current practice.</p> <p>Mr Williams requested, if Mr Sharafi made this statement during the 9 May 2018 meeting, that RCP Support include it in the meeting minutes. Mr Williams considered it was important to note that the problem raised by Mr Sharafi is an existing problem. (Note: RCP Support found no record of Mr Sharafi making this statement on the meeting tapes and therefore has not amended the minutes.)</p> <p>Subject to Mr Williams' request, the minutes were accepted as a true record of the meeting.</p>	
	<p>Action: RCP Support to review the minutes of the 9 May 2018 MAC meeting with respect to Mr Williams' request for clarification, circulate any additional changes for out of session approval, and then publish the minutes on the Rule Change Panel's (Panel's) website as final.</p>	<p>RCP Support</p>
4	<p>Actions Arising</p>	
	<p>The closed action items were taken as read.</p>	
	<p>Action 19/2017: Open – to be progressed as part of the WEM Reform Program.</p>	
	<p>Action 33/2017: On hold until early 2019.</p>	
	<p>Action 6/2018: The Chair advised that the ERA intended to provide an update on this action item at the 8 August 2018 MAC meeting.</p>	
	<p>Action 8/2018: To be addressed under agenda item 6(c).</p>	
	<p>Action 9/2018: To be addressed under agenda item 6(a).</p>	
	<p>Action 10/2018: Open. Mr Matthew Martin noted that the PUO would explain how it intended to complete the action item under agenda item 6(b).</p>	
	<p>Action 11/2018: Completed. The Chair noted that the PUO's advice was incorporated into the paper that was to be discussed under agenda item 10(c).</p>	
	<p>Action 12/2018: Completed. The Chair advised that the feedback provided by stakeholders was to be discussed under agenda item 10(b).</p>	

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	Action 13/2018: Open. The Chair advised that RCP Support would provide an update under agenda item 10(b).	
5	Update on AEMO's Market Procedures	
	The MAC noted the update on AEMO's Market Procedures.	
6(a), 6(b), 6(c)	Update on the Network and Market Reform Program; Change to Section 1.20 (AEMO Funding); Terms of Reference for MAC Working Groups	
	Mr Martin noted that the PUO was working through the results of modelling undertaken by Ernst & Young (EY) on the impacts of implementing a constrained network access regime in the WEM. The PUO had found some issues that had delayed the process. The PUO now expected to publish EY's report in July 2018, and to provide a more detailed update at the MAC meeting on 11 July 2018.	
	Mr Martin and Ms Aditi Varma gave an update to the MAC on the WEM Reform Program. A copy of the presentation is available on the Panel's website.	
	The following points were discussed.	
	<ul style="list-style-type: none"> • Ms Varma noted the PUO was currently consulting with the Reserve Capacity Mechanism (RCM) Reference Group on a proposed new pricing curve for the RCM. The PUO was also conducting individual discussions with several Market Participants, and preparing a draft recommendations report for the Minister. The PUO expected to release the draft report in July 2018 for a four-week consultation period before it is finalised for submission to the Minister. 	
	<ul style="list-style-type: none"> • Ms Varma requested that stakeholders send her any feedback they had on the scope of the proposed WEM Reform Program tranches as set out in slides 5 and 6 of the presentation. In particular, Ms Varma sought feedback on what should or should not be included in the tranches, and whether any elements should be moved to another tranche. 	
	<ul style="list-style-type: none"> • In response to a question from Ms Jenny Laidlaw, Ms Varma and Mr Martin clarified that the proposed requirement for members of the Power Systems Operation Working Group (PSOWG) and Market Design and Operation Working Group (MDOWG) to be able to carry out impact analysis related to the provision of mainly qualitative advice about the type and scale of impact of proposed changes on participants. 	
	<ul style="list-style-type: none"> • In response to a question from Ms Wendy Ng, Ms Varma advised that the PUO was not proposing to limit the size of the Working Groups. Mrs Jacinda Papps noted that the power system operation experts in an organisation were not 	

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	<p>necessarily the people who were highly skilled in assessing rule or procedure changes. Ms Varma agreed and noted that the proposal was to allow up to two representatives from each organisation in each Working Group, and to allow each organisation to change their representatives depending on the subject matter under consideration from meeting to meeting.</p>	
	<ul style="list-style-type: none"> • In response to a question from Ms Laidlaw, Ms Varma advised that AEMO and the PUO would endeavour to circulate meeting papers for the Working Groups between three and five days before each meeting. 	
	<ul style="list-style-type: none"> • The Chair provided an overview of the rules around the formation of MAC Working Groups. The Chair sought MAC members' views on the proposal for the Chair of each Working Group to be delegated the task of accepting and declining nominations in accordance with selection criteria in the Working Group's terms of reference. The MAC raised no concerns with this approach or any other aspects of the proposal. 	
	<ul style="list-style-type: none"> • The MAC agreed that the PUO and AEMO should develop the draft terms of reference for the PSOWG and MDOWG in line with their proposal, and provide the drafts to RCP Support for circulation to the MAC. MAC members agreed to provide their comments within a week of receiving the drafts. 	
	<ul style="list-style-type: none"> • Ms Varma noted the PUO and AEMO proposed to have the Working Groups ready to start work by July 2018. 	
	<ul style="list-style-type: none"> • Mrs Papps asked if more detail about the scope of work for GHD's ancillary services review could be provided to the MAC. Ms Varma replied that the scope of work generally covered the high level issues listed in slide 11 of the PUO's presentation. Ms Varma noted that Working Group members would be able to raise additional issues for discussion with the consultant. 	
	<ul style="list-style-type: none"> • Ms Varma clarified that the first objective of the ancillary services review listed in slide 11 should be to identify the types of ancillary services the WEM requires, not the types of technologies. 	
	<ul style="list-style-type: none"> • Mr Peake asked whether GHD's review covered how ancillary services should be procured. Ms Varma replied that the PUO had asked GHD to provide a direction as to how the different ancillary services should be procured. Mr Martin added that consideration would also be given to how to best transition to the eventual procurement arrangements. 	
	<ul style="list-style-type: none"> • In response to a question from Mrs Papps, Ms Varma advised that the GHD's final report was expected by December 2018. 	
	<ul style="list-style-type: none"> • Mr Williams asked whether recommendations on how to implement new ancillary services markets would be made before 	

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	<p>or after the proposed economic assessment. Ms Varma replied that the PUO envisaged two stages to the process.</p>	
	<ul style="list-style-type: none"> ○ The first step was to determine whether the current ancillary services are adequate, and whether any new types of ancillary services are required. This might lead to rule changes to implement new ancillary services, and may include changes to the registration framework. ○ The second step was to look at the transition to competitive ancillary services markets, which would require some level of cost-benefit assessment to determine transition timing. Mr Clayton James added that it may be possible to make other technical changes and/or develop some of the required technical specifications before a full economic assessment was undertaken. 	
	<ul style="list-style-type: none"> ● In response to a question from Mrs Papps, Ms Varma advised that the PUO has asked GHD to assess other recent studies, including what is being undertaken in the National Electricity Market (NEM), to determine their applicability to the WEM. Mrs Papps noted that some of the currently proposed NEM rule changes may not be suitable for the WEM. 	
	<ul style="list-style-type: none"> ● Mr Noel Schubert noted that usually the WEM had only two Generators providing LFAS, whereas in some small isolated systems all Generators move up and down in proportion to their ability and size. Mr Schubert considered that while there may be commercial implications, this was a technical solution that could be adopted to better accommodate variable renewable generation. 	
	<ul style="list-style-type: none"> ● In response to a question from Mr Andrew Stevens, Mr Mehdi Toufan advised that AEMO had submitted its 2018 Ancillary Services Report to the ERA for review. 	
	<ul style="list-style-type: none"> ● Mr Williams asked whether GHD would be looking at the capability of existing Facilities to provide any new ancillary services that were identified. Mr Williams suggested there were already enough Facilities to provide the required services, but the appropriate price signals need to be established. Ms Varma replied that this would be considered as part of the GHD review. 	
	<ul style="list-style-type: none"> ● Ms Ng asked whether AEMO was considering changes to the SWIS Operating States. Mr James replied that some of the underlying mechanisms in the WEM, such as the current High Risk and Emergency Operating States, might need to be modified to better support security constrained dispatch. The changes may involve augmentation of the existing Operating States rather than their replacement. 	

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	<p>Mr James noted the intent was not simply to adopt the NEM security and reliability frameworks, but to identify the problems and determine the best solutions.</p>	
	<ul style="list-style-type: none"> • Mr Peake considered that the growth of domestic and commercial solar installations on feed-in tariffs was driving many of the current problems in the WEM. Mr Peake asked whether the WEM Reform Program would look at potential changes to the rules and feed-in tariffs for rooftop solar. Mr Martin replied that these issues did not fall within the scope of the WEM Reform Program, but were being considered by a separate section of the PUO, with which the WEM Reform Program team was working closely. • Ms Varma noted that a consortium of Sapere, Merz Consulting and Robinson Bowmaker Paul has been appointed to assist the PUO with the new security constrained market design. Once the MDOWG is established, the PUO intends to discuss with that Working Group how it will work with the consultants on the market design. • In response to questions from Ms Ng, Mr Martin confirmed that the purpose of the Strategic Consultative Group was to provide advice to the WEM Reform Coordination Committee (Coordination Committee) to inform their considerations, and that the Coordination Committee would not directly interact with the MDOWG and PSOWG. The MAC Working Groups will provide advice to the MAC; the MAC in turn will provide advice to the PUO and AEMO, which will be funnelled by the PUO to the Coordination Committee. • In response to a question from Ms Erin Stone, Mr Martin confirmed that the Coordination Committee would provide oversight of the WEM Reform Program and advice to the PUO and AEMO. • Mr Matthew Bowen asked if similar governance arrangements would apply to the Network Access Program. Mr Martin replied that this was not the PUO's intention. There was some discussion about the need for integration between the Network Access Program and the WEM Reform Program, the potential benefits of extending the scope of the Coordination Committee to cover the Network Access Program, and whether Western Power should be represented on the Coordination Committee. • Mr Martin confirmed that the PUO would publish a draft of the AEMO funding rule changes by 18 June 2018, using a similar process to that employed for the rule changes that abolished the Independent Market Operator (IMO). The consultation period would be one week. 	

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6(d)	<p>Deferral of the 2018 Reserve Capacity Cycle</p> <p>Mr Martin noted that the PUO had provided advice to the Minister regarding extension of timeframes for the 2018 Reserve Capacity Cycle, and was awaiting the Minister’s decision. If the decision was to delay the Reserve Capacity Cycle, then the PUO proposed to circulate draft Amending Rules for a short consultation period using the same mechanism as for the AEMO funding rule changes, before the Amending Rules are made using the Minister’s temporary rule-making powers.</p> <p>Mr Martin explained that the latest timeframes for the Generator Interim Access (GIA) solution mean that the next round of access offers under the GIA solution will not be made by Western Power until the end of 2018, rather than mid-2018 as previous expected. The PUO had received a formal request to consider an extension to the 2018 Reserve Capacity Cycle to help accommodate the access offer delay.</p> <p><u>In response to a question from Mr Shane Cremin, Mr Martin indicated that the PUO looked at the impact to industry rather than the Wholesale Market Objectives when developing its advice to the Minister.</u></p>	
7	<p>Update on the Review of the Relevant Level Methodology</p> <p>Ms Sara O’Connor gave an update to the MAC about progress on the ERA’s current review of the Relevant Level Methodology. A copy of the presentation is available on the Panel’s website.</p> <p>Ms O’Connor clarified that the presentation reflected the initial thoughts of the ERA Secretariat, and the ERA was yet to take any formal positions in relation to the review.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> • Ms O’Connor noted that the ERA intended to commence its next review of the Benchmark Reserve Capacity Price and Energy Price Limit methodologies in the fourth quarter of 2018. • Mr Williams noted the presentation did not address the fact that Intermittent Generators were not exposed to Capacity Cost Refunds and were not required to undertake Reserve Capacity Tests. Mr Williams considered these advantages should be taken into account when reviewing how Intermittent Generators were certified, to avoid the inequitable treatment of Intermittent Generators and other capacity providers. Ms O’Connor agreed that the ERA should take these factors into consideration in its review. • Mr Schubert noted a suggestion that was made at the stakeholder working group meeting, to refer to the ‘capacity 	

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	<p>certification methodology for Intermittent Generators' instead of the 'Relevant Level Methodology'.</p> <ul style="list-style-type: none"> Ms O'Connor noted that a webpage for the review has been established on the ERA's website and she would arrange for a link to that webpage to be circulated with the draft MAC minutes. (Note: the webpage is https://www.erawa.com.au/electricity/wholesale-electricity-market/methodology-reviews/relevant-level-methodology.) 	
8(a)	Overview of Rule Change Proposals	
	The MAC noted the overview of Rule Change Proposals.	
8(b)	Development of ERA Pre-Rule Change Proposals	
	<p>Mr Adrian Theseira consulted with the MAC regarding the ERA's plan to develop a Rule Change Proposal to address issues relating to data use restrictions and the short run marginal cost (SRMC) investigation process. A copy of the presentation used by Mr Theseira to facilitate the discussion is available in the meeting papers on the Panel's website.</p>	
	The following points were discussed.	
	<ul style="list-style-type: none"> Mr Stevens asked what specific data the ERA needed but did not currently have access to. Mr Theseira replied that outage data was a good example of the problem; currently the ERA only has access to the real time outage data published on AEMO's public website, and cannot see the full version history of Outage records. Mr Theseira noted that while the ERA has powers under section 51 of the <i>Economic Regulation Authority Act 2003</i> to obtain information and documents, it would prefer to access the data it requires under the Market Rules rather than rely on other powers. Mr Stevens considered that while participants may want to understand more clearly what additional information (if any) would become available to the ERA, most would not object to the proposed changes. 	
	<p>The MAC supported the ERA's plan to develop a Pre-Rule Change Proposal and present it to the MAC for consideration at a future meeting.</p>	
9	Rule Change Prioritisation	
	<p>The Chair led a discussion about the order of business for progressing the open Rule Change Proposals, and Perth Energy's recent request that the urgency rating of the Rule Change Proposal: Implementation of 30-Minute Balancing Gate Closure (RC_2017_02) be increased from Medium to High.</p>	

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	<p>The Chair noted that the two Rule Change Proposals assigned an order of zero in the meeting paper (Reduction of the prudential exposure in the Reserve Capacity Mechanism (RC_2017_06) and New Notional Wholesale Meter Manifest Error (RC_2018_01)) were nearly complete, with one awaiting Ministerial approval and the other awaiting commencement.</p>	
	<p>The next highest priorities were Removal of Resource Plans and Dispatchable Loads (RC_2014_06), Provision of Network Information to System Management (RC_2014_10), Administrative Improvements to the Outage Processes (RC_2014_03) and Omnibus Rule Change (RC_2014_07). The four proposals were assigned an order of 1 based on a combination of their urgency ratings and their fit with current resource availability. These were followed by Outage Planning Phase 2 – Outage Process Refinements (RC_2013_15) (order 2) and RC_2017_02 (order 3). The Chair suggested it would be preferable to progress the two outage-related Rule Change Proposals close to one another to avoid unnecessary IT costs.</p>	
	<p>The Chair noted that a large amount of work, including a workshop and several MAC presentations, had already been undertaken for RC_2014_03. However, it had since become clear that there are some potential overlaps between the outage-related Rule Change Proposals and the WEM Reform Program, and so RCP Support was questioning what elements of those Rule Change Proposals should be progressed and what should be deferred to the WEM Reform Program.</p>	
	<p>The Chair sought input from AEMO on its ability to progress RC_2014_06, RC_2014_03 and RC_2013_15, before seeking comments from the MAC on the proposed order of business and Perth Energy's request regarding RC_2017_02.</p>	
	<p>The following points were discussed.</p> <ul style="list-style-type: none"> <li data-bbox="320 1505 1214 1756">• Mr Stevens asked how far the outage Rule Change Proposals had progressed. Ms Laidlaw replied that RCP Support was working on a call for further submissions for RC_2014_03 when it was advised by AEMO of the potential conflict. RCP Support was waiting on AEMO to advise what the points of conflicts were and what elements of the proposals would not be practical to progress at this time. <li data-bbox="320 1783 1214 1957">• In response to a question from Ms Ng, the Chair advised that RCP Support was currently working on the Draft Rule Change Report for RC_2014_06, and intended to discuss the proposal with the Panel at its meeting on 21 June 2018. Ms Ng strongly supported the retention of a High priority for RC_2014_06. 	

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	<ul style="list-style-type: none"> Mr Stevens suggested that both RC_2014_06 and the outage Rule Change Proposals should be progressed as soon as possible. Mr Stevens considered that while there may be interactions between the outage Rule Change Proposals and the WEM Reform Program, these did not necessarily constitute conflicts; and the proposals should proceed if they would bring net benefits over the next 2-4 years, even if they were eventually replaced by the Minister's reforms. Mr Martin Maticka noted that RC_2017_06 and RC_2018_01 would require a significant amount of IT work and input from AEMO's operational team. AEMO was very supportive of the removal of Resource Plans, as they were an operational burden for AEMO as well as a problem for Market Participants. AEMO was investigating when it would be able to implement RC_2014_06 without creating resourcing conflicts with the implementations of RC_2017_06 and RC_2018_01. 	
	<p>Mr Maticka noted that a review of outage definitions fell within the scope of the WEM Reform Program. Mr Maticka also noted that AEMO was currently working on a project to transition the remaining Western Power systems used by System Management to AEMO. AEMO expected to complete this project by mid-2019. Until this time, AEMO would need to request Western Power to make any changes to System Management's Market Information Technology System (SMMITS) that are required to implement RC_2014_03 and/or RC_2013_15. This could delay the transition process and result in large additional costs to the market.</p>	
	<p>AEMO intended to talk to Western Power about what it would cost to make the necessary amendments to SMMITS and how that work might affect the transition project.</p>	
	<ul style="list-style-type: none"> Mr Stevens asked whether the outage Rule Change Proposals included changes to Commissioning Test processes. Mr Maticka replied that AEMO needed to undertake further analysis because some elements of the proposals could be easier to progress as they do not require IT changes. However, at this stage AEMO was unable to commit to any time frames associated with the outage Rule Change Proposals. Mr Stevens asked when AEMO would complete its evaluation of the outage Rule Change Proposals. Ms Laidlaw advised that AEMO had committed to provide its evaluation results to RCP Support by 29 June 2018. There was some discussion about the costs and benefits of making the proposed outage changes before the transition of systems from Western Power to AEMO and/or before the 	

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	<p>implementation of the Minister's broader reforms; and about the issues that were delaying the progression of the proposals.</p>	
	<ul style="list-style-type: none"> • Mr Peake gave a brief overview of Perth Energy's request to increase the urgency rating of RC_2017_02 to High. A copy of Perth Energy's submission is available in the meeting papers on the Panel's website. • In response to a question from Mr Peter Huxtable, Ms Laidlaw confirmed that if the outage Rule Change Proposals were deferred then RC_2017_02 would be the next proposal progressed by the Panel, unless another Rule Change Proposal with a High urgency rating was submitted. • Mr Toufan reiterated the comments made in AEMO's first period submission on RC_2017_02 that AEMO would be able to reduce Balancing Gate Closure to 90 minutes using its current systems and processes, but would require major changes (including Facility bidding) to support 60 minutes, and the implementation of co-optimisation to support 30 minutes. • Mr Toufan presented a graph comparing System Management's demand forecasting errors (shown in green for each day of period between 14 May 2018 and 10 June 2018) with the forecasting errors of Intermittent Generators. A copy of the graph is available on the Panel's website. Mr Toufan suggested that gate closure was not the only issue and there was an opportunity to consider how to make Market Participant's forecasts more accurate as well. • Ms Laidlaw noted that RCP Support discussed the technical system barriers to reducing gate closure with AEMO on 11 June 2018; and suggested that the discussion needed to be continued off-line. Ms Laidlaw noted that the Panel would need to understand very clearly the specific technical reasons for the 90 minute limit. • In response to a question from Ms Stone, Mr Toufan advised that the limitations were systems-related and also related to System Management's ability to manage the power system. Ms Stone suggested that options to resolve any technical issues should also be identified and considered. • There was some discussion about when a change to a 90-minute Balancing Gate Closure could be implemented. Mr Fairclough believed that AEMO's submission included implementation timeframes but could not recall the specific details. • The Chair gave an overview of the analyses RCP Support might need to undertake to assess the net benefits of RC_2017_02. Mr Will Bargmann considered that the Chair's comments 	

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	<p>indicated that RC_2017_02 should remain a Medium urgency Rule Change Proposal, on the basis that the net benefits may be large but need more analysis to determine. Mr Bargmann considered that the proposed amendments would introduce a number of inefficiencies that require further analysis.</p>	
	<ul style="list-style-type: none"> <li data-bbox="320 472 1222 689">• Ms Laidlaw noted that RCP Support would also need to consider what gate closure times should apply to the Balancing Portfolio. Mr Stevens considered that Synergy could choose to bid on an individual Facility basis at any time. Mr Williams disagreed, on the basis of advice provided by AEMO that it would be difficult to remove coal plant from the Balancing Portfolio, if not impossible. <li data-bbox="320 712 1222 965">• Mr James noted that the Power System Operations workstream of the WEM Reform Program was working on various improvements to demand forecasting, for example providing greater transparency of alternative forecasts and error rates. These enhancements fell within the first tranche of the WEM Reform Program and might provide some benefit in the shorter term. <li data-bbox="320 987 1222 1279">• There was some discussion about the likely impact of the GIA generators on forecast accuracy, the incentives for Intermittent Generators to submit accurate forecasts, and the current inability of Intermittent Generators to update their forecasts after Balancing Gate Closure. Ms Laidlaw noted that one of the open Rule Change Proposals (RC_2014_06) included a change to allow Intermittent Generators to continue to update their Balancing Submission forecasts after Balancing Gate Closure. <li data-bbox="320 1301 1222 1554">• The Chair asked for views on whether the urgency rating of RC_2017_02 should be increased to High. After some discussion the Chair clarified that the Panel, following its assessment of RC_2017_02, could decide to accept the Rule Change Proposal, accept the proposal in an amended form (which might involve a 60 or 90 minute gate closure), or reject the proposal. <li data-bbox="320 1576 1222 1830">• Mr Stevens considered that the two outage Rule Change Proposals are well progressed and so should be treated as the highest priority after RC_2014_06, provided that interaction issues did not negate the benefits of the proposals. Mr Stevens noted that if the outage Rule Change Proposals could not be progressed then RC_2017_02 would be the next Rule Change Proposal to be progressed in any event. <li data-bbox="320 1852 1222 1993">• There was some discussion about the need to consider the Balancing Portfolio's gate closure times as part of RC_2017_02, the role of the Balancing Portfolio in real-time dispatch, the relationship between gate closure and efficient dispatch of the 	

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	<p>Balancing Portfolio, and options to avoid excessive constrained off compensation under a reduced gate closure scenario.</p> <p>The MAC agreed that RC_2014_03 and RC_2013_15 should be assigned the next highest priority after RC_2014_06, subject to clarification of the interactions with the WEM Reform Program; and that RC_2017_02 should retain its current Medium urgency rating.</p>	
10(a)	Update on the MAC Issues List	
	<p>The Chair sought comments on the proposed approach to managing the MAC Market Rules Issues List (Issues List) set out in the meeting paper for this agenda item.</p> <p>Mr Williams suggested that the proposed Issues List update to the MAC should show any changes from the previous MAC meeting to the three sub-lists in red. Ms Laidlaw replied that RCP Support intended to indicate updates to the lists in this way.</p> <p>The MAC supported the proposed approach to managing the Issues List in future.</p> <p>No questions or concerns were raised regarding the content of the Issues List provided in the meeting papers.</p>	
10(b)	MAC Market Rules Issues List - Treatment of Storage in the Wholesale Electricity Market	
	<p>Ms Laidlaw noted that Mr Schubert, Mr Bowen, Western Power, Community Electricity and Synergy provided responses to RCP Support's request for further feedback on the 9 May 2018 MAC discussion paper "Treatment of Storage Facilities in the Wholesale Electricity Market".</p> <p>Ms Laidlaw noted that RCP Support has made some changes to the draft summary in response to the feedback received, including:</p> <ul style="list-style-type: none"> • addition of services that could be provided by a stand-alone storage facility, including inertia, droop response, voltage control, system restart and deferral of network expenditure; • inclusion of a question raised by Mr Cremin during the MAC discussion of the paper on what mechanisms could be used to avoid double counting of large-scale renewable energy certificates arising from the charging and discharging of a storage facility; and • extension of the question "What minimum run times and maximum recharge times would be sufficient to provide a viable Reserve Capacity service?" by appending "How would these align with the current fuel storage requirements for Scheduled Generators?". 	

Item	Subject	Action
	<p>Ms Laidlaw intended to meet with Western Power to clarify some points in its response before RCP Support provided a final version of the paper to the PUO. A copy of the final paper would also be sent to MAC members and observers, and Ms Laidlaw suggested that any further suggestions should be made directly to the PUO.</p> <p>Ms Laidlaw noted that much of the feedback received related to issues that would be considered during the next scheduled MAC discussion of behind-the-meter issues.</p> <p>Ms Stone asked how much time and effort RCP Support was spending on Issues List-related activities such as the preparation of the storage discussion paper. Ms Laidlaw replied that RCP Support spent very little time on these activities compared with its core function of assessing Rule Change Proposals. Ms Laidlaw noted that work on the storage paper was limited to raising questions as opposed to researching potential answers to those questions.</p>	
10(c)	MAC Market Rules Issues List – Roles in the Market	
	<p>Mr Richard Cheng noted that the PUO had confirmed that the WEM Reform Program was addressing 12 of the 20 issues that were raised by the MAC regarding roles and responsibilities under the Market Rules. The MAC agreed for the 12 items to be included in the Issues List as “on hold pending the outcomes of the WEM Reform Program”.</p> <p>The MAC also agreed to defer discussion of the remaining 8 issues to a future MAC meeting.</p>	
11	General Business	
	<u>Date of Next Meeting</u>	
	<p>After some discussion it was agreed that the next MAC meeting would be held on the scheduled date of Wednesday 11 July 2018. The Chair noted that he would be overseas on this date and so Ms Laidlaw would chair the meeting.</p>	

The meeting closed at 3:35 PM.

Agenda Item 4: MAC Action Items

Meeting 2018_08_08

Shaded	Shaded action items are actions that have been completed since the last MAC meeting.
Unshaded	Unshaded action items are still being progressed.
Missing	Action items missing in sequence have been completed from previous meetings and subsequently removed from log.

Item	Action	Responsibility	Meeting Arising	Status
19/2017	The PUO to consult with AEMO and RCP Support on how to address the concerns raised by MAC members about the 2017/03 Amending Rules and develop a proposal for consideration at the next MAC meeting.	PUO/ AEMO/ RCP Support	August 2017	Open To be progressed as part of the WEM Reform Program.
33/2017	The PUO to review the current list of Protected Provisions in the Market Rules to determine if any of the provisions no longer need to be Protected Provisions.	PUO	November 2017	Open Held over to early 2019.
6/2018	The ERA to prepare a document for the MAC describing the types of Rule Change Proposals that the ERA intends to develop, and the practical ring fencing arrangements for work undertaken by the ERA to support the Panel	ERA	March 2018	Completed This action is to be addressed under Agenda Item 4(a) of this meeting.

Item	Action	Responsibility	Meeting Arising	Status
8/2018	The PUO and AEMO to circulate draft terms of reference for the proposed MAC Working Groups to support the WEM reform work program to the MAC for review and approval.	PUO/ AEMO	May 2018	Completed
9/2018	The PUO and AEMO to provide further detail to the MAC on the contents of each of the three tranches listed in the WEM reform work program plan.	PUO/ AEMO	May 2018	Completed
10/2018	The PUO to circulate a draft of the rule change to allow AEMO to recover its WEM reform work program costs for stakeholder review and comment.	PUO	May 2018	Completed The Amending Rules commenced on 29 June 2018.
11/2018	The PUO to advise which of the issues listed in the meeting paper for agenda item 8(a) of the 9 May 2018 MAC meeting are to be addressed as part of the Minister's WEM market reform program.	PUO	May 2018	Completed
12/2018	MAC members and observers to provide any additional points they consider should be included in the lists in sections 3, 4 and 5 of the 9 May 2018 MAC discussion paper "Treatment of Storage Facilities in the Wholesale Electricity Market" by 5:00 PM on Thursday 31 May 2018.	All	May 2018	Completed
13/2018	RCP Support to provide an updated version of the lists in sections 3, 4 and 5 of the 9 May 2018 MAC discussion paper "Treatment of Storage Facilities in the Wholesale Electricity Market" to the PUO, after updating the lists to reflect any additional points raised by MAC members and observers.	RCP Support	May 2018	Completed See Agenda Item 10 for this meeting.

Item	Action	Responsibility	Meeting Arising	Status
14/2018	RCP Support to review the minutes of the 9 May 2018 MAC meeting with respect to Mr Williams' request for clarification, circulate any additional changes for out of session approval, and then publish the minutes on the Rule Change Panel's (Panel's) website as final.	RCP Support	July 2018	Completed See Agenda Item 3 for this meeting.

ERA Secretariat:

Internal governance arrangements

Change in the ERA's role

Over the past 2 years, the Energy Markets division has expanded as additional responsibilities have passed to the Economic Regulation Authority (ERA) as part of ongoing energy market reform. New obligations include providing secretariat support to the Rule Change Panel (Panel), compliance and enforcement activities, and several periodic reviews of key market methods, such as ancillary service requirements and the outage planning process.

Some of these new responsibilities require the ERA to propose rule changes that are conducive or incidental to the performance of its functions. For example, this can be as an outcome of a method review, where the ERA is obligated to action recommendations as rule change proposals or the ERA may propose a rule change to address a process deficiency.

The ERA is also required to annually review the effectiveness of the Wholesale Electricity Market (WEM) in meeting the market objectives and provide recommendations for improvement to the Minister for Energy. A perceived or actual conflict of interest could exist if the ERA proposes changes to the market rules and yet has to conduct an objective review of the effectiveness of the WEM.

Provision of support services to the Rule Change Panel

The Panel was established as an independent body in November 2016. At that time, rule-making functions within the WEM transferred from the Independent Market Operator to the Panel.

The Panel considers proposed amendments to the WEM Rules and the Gas Services Information Rules and decides whether an amendment to the rules would better achieve the objectives of the gas market and the electricity market. Unlike the previous body responsible for market rule changes, the Independent Market Operator, the Panel can only initiate rule changes that relate to (i) correcting a manifest error or (ii) changes of a minor or procedural nature.¹

The ERA provides support services to the Panel and this support team sits within the Energy Markets division of the ERA. A perceived or actual conflict of interest could also exist from having ERA and Panel support teams in close proximity if either team could influence, to its own benefit, the work and deliverables of the other team.

Some members of the Market Advisory Committee (MAC) have questioned if and how the ERA manages perceived or actual conflicts of interest that may eventuate from the change in the ERA's role including the provision of support to the Panel. This briefing note sets out the internal arrangements that are in place to manage those perceived or potential conflicts.

Legislative obligations

On 23 November 2016, the *Energy Industry (Rule Change Panel) Regulations 2016*, the *Electricity Industry (Wholesale Electricity Market) Amendment Regulations (No.2) 2016* and *Gas Service Information Amendment Regulations (No.2) 2016* were published in the Western

¹ Market Rule 2.5.4

Australian Government Gazette.² These enacted the changes outlined above.

The legislated obligation for the ERA to provide secretariat services to the Panel is provided in regulation 23 of the *Energy Industry (Rule Change Panel) Regulations 2016*:³

23. Authority to provide administrative support

(1) There is to be an executive officer of the Rule Change Panel.

(2) The Authority must –

(a) make available the executive officer and any other staff member whose assistance the Rule Change Panel may reasonably require; and

(b) make available the services and facilities the Rule Change Panel may reasonably require on the terms agreed to by the Rule Change Panel and the Authority; and

(c) provide any other assistance the Rule Change Panel or the members of the Rule Change Panel may reasonably require for the Rule Change Panel to perform its functions.

(3) It is a function of the Authority to –

(a) make available the executive officer, staff members, services and facilities referred to in sub regulation (2); and

(b) provide the assistance referred to in sub regulation (2).

The practical arrangements for this are captured in Terms of Agreement signed by the respective Chairs of the ERA and the Panel.

There is no legislative requirement to establish internal ring-fencing arrangements to segregate the ERA staff that support the Panel (RCP Support) from the wider ERA Secretariat. However, the ERA supports good corporate governance and so has introduced internal arrangements to mitigate any perceived or actual conflict of interest.

Issues raised at the MAC

Questions on the ring-fencing of RCP Support within the ERA has been raised by MAC members on three occasions.

At the MAC meeting on 12 July 2017:⁴

“Mrs Papps questioned whether the RCP Support staff would be ring-fenced from the compliance and enforcement staff of the ERA. The Chair replied that while the staff involved were all part of the ERA Markets Division the ERA has undertaken a great deal of work on how to guarantee the ring fencing in a practical way. The Chair noted that the ERA’s Governing Body was extremely conscious of the need not only to avoid conflicts of interest but to be seen to not have such conflicts.”

The ERA Secretariat gave a presentation on its internal governance arrangements to the MAC on 16 August 2017.⁵ The following comments were made:

² [Government Gazette No 207 Special](#)

³ Refer to regulation 23 of the [Energy Industry \(Rule Change Panel\) Regulations 2016](#)

⁴ ERA website, [MAC minutes](#), item 5e

⁵ ERA website, [MAC minutes](#), item 6c

Mr Martin asked if the RCP Support staff would be involved in developing the ERA's Rule Change Proposals and expressed concern that this could exacerbate RCP Support's current resourcing problems.

Mr Theseira explained the organisational structures of the ERA and Rule Change Panel and the ring-fencing processes the ERA has implemented to ensure the independent processing of Rule Change Proposals. The Rule Change Panel itself is completely independent from the ERA. While RCP Support staff are employed by the ERA, no decisions related to processing Rule Change Proposals are considered by the ERA's executive or Governing Body. The ERA will consult with RCP Support staff during the development of a Rule Change Proposal like any other stakeholder, but the ring-fencing arrangements will ensure that the staff preparing the proposal do not have any involvement in assessing the proposal.

Mr Chin asked whether there would be an auditing process to check the effectiveness of the ERA's ring-fencing policy. Mr Sarawat replied that the proposed ring-fencing arrangements were not a rules requirement (and therefore not subject to the rules' auditing obligations), but rather something that the ERA had decided to implement as good governance practice.

No concerns were raised by MAC members about the ERA's proposed arrangements for the support of the Rule Change Panel.

The matter of internal ring-fencing was again raised by a MAC member at the meeting on 14 March 2018. This suggests that concerns around perceived or actual conflicts of interest within the ERA Secretariat remain in the MAC, although no MAC members indicated any specific concerns when questioned by the Chair of the MAC.

Issue as raised in consultation on the 2016-17 WEM review

Concerns were also raised by market participants in their responses to the 2016-17 WEM Discussion paper. Alinta Energy suggested⁶ it was:

“difficult to undertake a fulsome assessment as to whether the oversight and/or coordination of planning and market development in WEM is as efficient and effective as it could be, is free from conflicts (either actual or perceived now that the ERA is responsible (as IMO) once was for compliance and enforcement and rule change secretariat functions) and does not duplicate functions and/or costs for the industry.”

In its response,⁷ Bluewaters Power stated:

“Bluewaters notes that, under the reformed arrangement, the rule making function is undertaken by the Rule Change Panel while the rules enforcement and compliance function is undertaken by the Authority. The Authority's Secretariat provides the Secretariat service to the Rule Change Panel.

This means there is potentially a lack of separation of duties at the Secretariat level between the Rule Change Panel and the Authority. This may give rise to conflicts, or perceived conflicts, of interest between the two bodies at the Secretariat level.

On 16 August 2017, during a MAC meeting, the Authority's Secretariat advised that there are ring-fencing arrangement and internal governance processes which address such potential conflicts of interest.

Bluewaters considers these ring-fencing arrangement and internal governance to be critical for addressing the potential conflicts of interest and therefore is of the view that their

⁶ <https://www.erawa.com.au/cproot/18216/2/2016%20WEM%20Report%20-%20PubSub%20-%20Alinta%20Energy.pdf> page 13

⁷ <https://www.erawa.com.au/cproot/18217/2/2016%20WEM%20Report%20-%20PubSub%20-%20Bluewaters.PDF> page 5

effectiveness should be demonstrated periodically in a transparent manner. For example, the Authority may wish to subject the ring-fencing arrangement and internal governance to an annual audit to demonstrate their effectiveness, publish the result of such audit and invite comments on the result.”

Both market participants’ comments were included in the 2016-17 WEM Report to the Minister for Energy.

To address actual or perceived conflicts of interest the ERA has to understand what those conflicts may be. Reviewing comments from the MAC, responses to the WEM Report and internal discussions within the ERA, three potential conflicts have been identified.

Does the MAC agree with the potential conflicts identified and are there any others?

Potential conflict	ERA comment
The ERA proposes changes to the market rules and has to objectively assess the effectiveness of the WEM.	<p>Without action a potential conflict could exist - rule changes proposed by the ERA could influence outcomes in the WEM, which the ERA has to then independently assess.</p> <p>The ERA has clearly identified when it will initiate a rule change proposal and is bound by the market rule change process. This is addressed in the <i>Segregation of duties</i> section below.</p>
The ERA is involved, via RCP Support, for developing rule change proposals and also, via compliance and enforcement, for monitoring participants compliance against the market rules.	<p>No conflict exists if the intent of this comment is that the ERA Secretariat may seek to influence the development of a market rule in order to seek some benefit for itself.</p> <p>The functions of the ERA are outlined in the market rules, there is no benefit or detriment for the ERA derived from conducting more or less activity across its various functions.</p> <p>There are also internal governance arrangements in place as outlined in the <i>organisational structure and corporate arrangement</i> section below.</p>
The ERA could utilise RCP Staff to develop its own rule change proposals.	<p>No conflict exists. The ERA has to undertake all its regulatory functions. There is no overall benefit in allocating resources from one section to another.</p> <p>Support provided to the Panel is subject to an MOU. If the Panel has concerns around the services provided, such as the level of resourcing, there are processes it can follow to address these concerns. See <i>Legislative obligations</i> section above.</p>

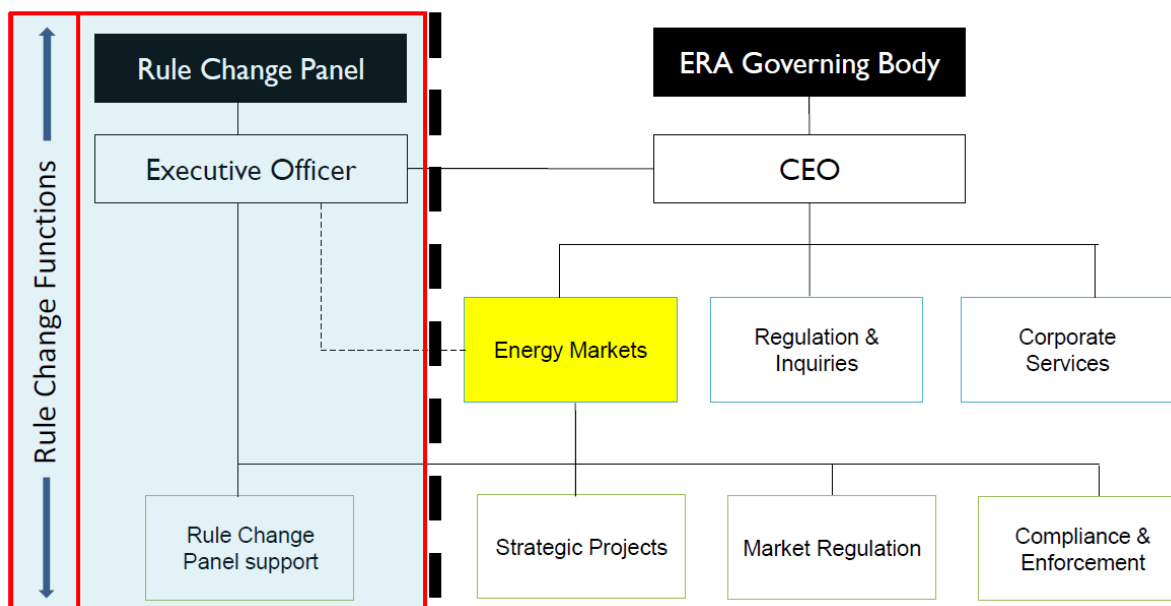
Current status

The ERA is committed to open and transparent regulation as outlined in its online Transparency Statement⁸ and intends to provide further information on its internal governance arrangements with the MAC.

⁸ ERA website, [Transparency Statement](#)

Organisational structure

The ERA and Panel functional reporting structure is as follows:



This diagram shows the separate reporting lines through to the two decision-making bodies, as well as the clear demarcation of roles and responsibilities for staff in RCP Support and the wider ERA Secretariat.

The Executive Officer and RCP Support report directly to the Panel on all Panel matters. The organisational structure and reporting lines minimise the risk of the ERA Secretariat, as the employer, being able to influence the Executive Officer and RCP Support in the work they do for the Panel.⁹ The Executive Officer solely supports the Panel and has no responsibility to the ERA or the Secretariat.

This does not and should not prevent the Executive Officer and RCP Support from consulting with the ERA Secretariat where necessary on rule change matters, as they may do with any other market participants.

Internal governance

The ERA is required to provide the Executive Officer and other staff, services and facilities to the Panel. To mitigate against potential conflicts of interest or perceptions of bias, the following arrangements apply in day-to-day operations.

Corporate arrangements

The ERA's Governing Body is separate to the Panel and has no involvement in decisions made by the Panel.

Segregation arrangements apply to the corporate administrative arrangements for both organisations. This includes separate financial cost centres and different email addresses.

⁹ For example, the ERA will not direct or instruct the Executive Officer or Rule Change Panel support staff on any rule change being considered by the panel.

The Panel has a separate page on the ERA's website and a separate approval process for web publications.

The main document management system at the ERA, TRIM, has separate sections for storing ERA and Panel documents. The three ERA members cannot access any Panel files and the Panel members cannot access any ERA files. The Secretariat and RCP Support have full access to TRIM but there are extensive security and audit features and every action on TRIM is recorded.

Similar arrangements apply to internal electronic filing and the board management meeting platform, Convene. The members of the Panel and the ERA can only see meetings or meeting papers for their own organisation.

The ERA Secretariat and RCP Support have separate system drives to store work in progress. They cannot access each other's drives.

Segregation of duties

Following changes to its regulatory functions, the ERA has prepared a statement on initiating rule change proposals.¹⁰ This states that the ERA's functions do not extend to initiating a rule change proposal to develop the market or set policy. Should the ERA intend to propose a rule change within its defined scope, it must comply with the process outlined in the market rules.¹¹ This requires the ERA to consult with the MAC before it develops a rule change proposal or provides material support to another party to develop a rule change proposal. This ensures that the market is aware of any rule change related activity by the ERA well before any proposals are lodged with the Panel.

Should any perceived or actual conflicts of interest be identified, these can be addressed on a case-by-case basis as part of this process.

The ERA has the option to comment on rule change proposals, like any other market participant. The Panel treats and publishes an ERA submission in the same way as any other submission.

ERA Secretariat staff responsible for developing an ERA-initiated rule change proposal will not be involved in the Panel's decision on the proposal.

Next steps

The ERA Secretariat is confident that internal process arrangements, the independence of the Panel and the transparency of the rule change process itself are sufficient to mitigate any perceived or actual conflict of interest that may arise from the change in the ERA's role and from the ERA Secretariat and RCP Support existing within the same organisation.

Outlining the internal governance arrangements above at the August MAC meeting should address any perceived conflict of interest held by MAC members. If any significant concerns remain then MAC members need to:

- explain their concerns in writing to the ERA Chief Executive Officer; and
- when doing this, make reference to any events or outcomes that they believe may have resulted from a conflict of interest.

¹⁰ [ERA initiated Rule Change Proposal](#)

¹¹ Market Rule 2.5.1B



Following feedback from the MAC, the Secretariat may revise this note prior to submitting to the ERA's Governing Body for approval and then publishing it on the ERA's website.

Rajat Sarawat
Executive Director Energy Markets

1 August 2018

Agenda Item 5: The MAC Market Rules Issues List

8 August 2018

The Market Advisory Committee (**MAC**) will maintain the MAC Market Rules Issues List (**Issues List**) as a means to track issues that have been identified by Wholesale Electricity Market (**WEM**) stakeholders. A stakeholder may raise a new issue for discussion by the MAC at any time by emailing a request to the MAC Chair.

The Issues List is divided into three sub-lists, as follows:

Potential Rule Change Proposals:

- These are well-defined issues that could be addressed through the development of a Rule Change Proposal.
- If the MAC decides to add an issue to the Potential Rule Change Proposals list, then RCP Support will seek a preliminary urgency rating from MAC members/observers and the Panel, and include this information in the list.
- Potential Rule Change Proposals will be closed after a Pre-Rule Change Proposal is presented to the MAC or a Rule Change Proposal is submitted to the Rule Change Panel (**Panel**).

Broader Issues:

- These are issues that require further discussion/review before specific Rule Change Proposals can be progressed.
- If the MAC decides to add an issue to the Broader Issues list, then it will either flag the issue for inclusion in one of the currently scheduled preliminary MAC discussions, or identify and prioritise an additional preliminary discussion. RCP Support will aim to schedule discussions of broader issues at the rate of one per MAC meeting, unless competing priorities prevent this.
- Broader issues will be closed (or moved onto another sub-list) following the completion of the relevant preliminary discussion and any agreed follow-up discussions on the issue.

Issues on Hold:

- These are issues that the MAC will consider following some identified event. Issues on hold will be reviewed by the MAC once the identified event has occurred, and then closed or moved to another sub-list.

The MAC will review the Issues List on a monthly basis, with updates to the list indicated in red font. RCP Support will publish the Issues List on the Panel's website.

RCP Support will schedule annual MAC reviews of the Issues List, to confirm that the proposed treatment of issues is still appropriate and remove any issues that are no longer relevant. An issue may be closed at any time if the MAC agrees that the issue is no longer relevant.

Potential Rule Change Proposals			
Id	Submitter/Date	Issue	Urgency and Status
13	AEMO November 2017	<p>Use of data for market monitoring and compliance</p> <p>The restriction on the ERA in clause 2.16.14 of the Market Rules prevents it from using information gathered in market monitoring for other purposes (e.g. compliance), which seems counter-intuitive. Removing or reducing this restriction will promote efficiency in market administration, supporting Wholesale Market Objectives (a) and (d).</p>	<p>Panel rating: Medium</p> <p>MAC ratings:</p> <p>Low: Peter Huxtable</p> <p>Medium: Geoff Gaston, AEMO, Alinta, Bluewaters</p> <p><u>The ERA has developed a Pre-Rule Change Proposal for issue 13 – see Agenda Item 9(d) from the MAC meeting on 8 August 2018.</u></p>
20/38	Bluewaters and ERM Power November 2017	<p>Spinning Reserve Cost Allocation Model – block changes</p> <p>Appendix 2 of the Market Rules deals with Spinning Reserve cost allocation. The boundary between Block 1 and 2 is set at 200 MW. This, in conjunction with the sizes of the existing generating units in the WEM, creates a perverse incentive for some generating units to not make capacity available above 200 MW, because doing so is likely to subject the generating units to a substantial increase in Spinning Reserve costs.</p> <p>Bluewaters recommended reviewing the value of the boundary between Block 1 and 2 of the Spinning Reserve cost allocation model. Bluewaters considered that addressing the perverse incentive is likely to give a more efficient dispatch outcome. This is likely to give downwards pressure to wholesale electricity prices, hence promoting economic efficiency, and in turn promoting the Wholesale Market Objectives.</p> <p>As an alternative, the MAC indicated support for considering a full runway Spinning Reserve cost allocation model (see issue 44).</p>	<p>Panel rating: Medium, but likely to be parked pending progression of the preferred full runway model by the PUO, i.e. issue 44.</p> <p>MAC ratings:</p> <p>Do Not Progress: Alinta, Peter Huxtable</p> <p>Prefer full runway: AEMO</p> <p>Low: Geoff Gaston</p> <p>High: Bluewaters</p> <p><u>The PUO has indicated that it is developing a Pre-Rule Change Proposal to address issue 20/38 (and issue 44 – see below).</u></p>

Potential Rule Change Proposals			
Id	Submitter/Date	Issue	Urgency and Status
31	Synergy November 2018	<p>LFAS Report</p> <p>Under clauses 7A.2.9(b) and 7A.2.9(c) of the Market Rules, Synergy is obligated to compile and send the LFAS weekly report to AEMO based on the LFAS data for each Trading Interval supplied to Synergy by System Management. Given that System Management is now part of AEMO, it seems reasonable to remove this obligation on Synergy to reduce administrative burden. This rule change supports Wholesale Market Objective (a).</p>	<p>Panel rating: Low, but OK to progress using the Fast Track Rule Change Process</p> <p>MAC ratings:</p> <p>Low: Alinta, Bluewaters</p> <p>Medium: Geoff Gaston, AEMO</p> <p>High: Peter Huxtable</p>
43	ERA November 2018	<p>SRMC Investigation Process</p> <p>SRMC investigations under section 2.16 of the Market Rules no longer have a link to take these matters to the Electricity Review Board. A separate investigation is required under section 2.13 to take matters to the Electricity Review Board. This is neither efficient nor cost effective, and is further complicated by the information use restriction in clause 2.16.14 (see issue 13). Correcting this issue would support Wholesale Market Objectives (a) and (d).</p>	<p>Panel rating: Medium</p> <p>MAC ratings:</p> <p>Low: Bluewaters</p> <p>Medium: Geoff Gaston, AEMO, Alinta</p> <p>High: Peter Huxtable</p> <p>The ERA has developed a Pre-Rule Change Proposal for issue 43 – see Agenda Item 9(d) from the MAC meeting on 8 August 2018.</p>
44	MAC November 2017	<p>Full Runway Spinning Reserve Cost Allocation Model</p> <p>Implementation of a full runway model for Spinning Reserve cost allocation (as an alternative solution to the option proposed in issue 20/38).</p>	<p>Panel rating: Medium</p> <p>MAC ratings:</p> <p>Medium: Alinta, Peter Huxtable</p> <p>High: AEMO</p> <p>The PUO indicated at the 14 February 2018 MAC meeting that it will develop a concept paper or Pre-Rule Change Proposal for presentation to the MAC in the near future.</p>

Potential Rule Change Proposals			
Id	Submitter/Date	Issue	Urgency and Status
			<u>The PUO has indicated that it is developing a Pre-Rule Change Proposal to address Issue 44 (and Issue 20/38 – see above).</u>
45	AEMO May 2018	<p>Transfer of responsibility for setting document retention requirements</p> <p>AEMO suggested that responsibility for setting document retention requirements (clauses 10.1.1 and 10.1.2 of the Market Rules) should move from AEMO to the ERA. AEMO considers that it is not the best entity to hold this responsibility as it no longer maintains the broader market development and compliance functions of the IMO.</p>	Waiting on the ERA to provide its position on the proposal. <u>This is a low priority issue for the ERA.</u>
46	AEMO May 2018	<p>Transfer of responsibility for setting confidentiality statuses</p> <p>AEMO suggested that responsibility for setting confidentiality statuses (clauses 10.2.1 and 10.2.3 of the Market Rules) should move from AEMO to the ERA. AEMO considers that it is not the best entity to hold this responsibility as it no longer maintains the broader market development and compliance functions of the IMO.</p>	Waiting on the ERA to provide its position on the proposal. <u>This is a low priority issue for the ERA.</u>

Boarder Issues			
Id	Submitter/Date	Issue	Urgency and Status
1	Shane Cremin November 2017	IRCR calculations and capacity allocation There is a need to look at how IRCR and the annual capacity requirement are calculated (i.e. not just the peak intervals in summer) along with recognising behind-the-meter solar plus storage. The incentive should be for retailers (or third party providers) to reduce their dependence on grid supply during peak intervals, which will also better reflect the requirement for conventional 'reserve capacity' and reduce the cost per kWh to consumers of that conventional 'reserve capacity'.	To be considered in the preliminary discussion of the Reserve Capacity Mechanism.
2	Shane Cremin November 2017	Allocation of market costs – who bears Market Fees and who pays for grid support services with less grid generation and consumption?	To be considered in the preliminary discussions of behind-the-meter issues and the basis for allocation of Market Fees.
3	Shane Cremin November 2017	Penalties for outages.	To be considered in the preliminary discussion of the Reserve Capacity Mechanism.
4	Shane Cremin November 2017	Incentives for maintaining appropriate generation mix.	To be considered in the preliminary discussion of the Reserve Capacity Mechanism.
9	Community Electricity November 2017	Improvement of AEMO forecasts of System Load; real-time and day-ahead	To be considered in the preliminary discussion of forecast quality.

Boarder Issues			
Id	Submitter/Date	Issue	Urgency and Status
11	AEMO November 2017	<p>Whole-of-system planning oversight:</p> <p>As explained in AEMO's submission to the ERA's review of the WEM, AEMO considers the necessity of the production of an annual, independent Integrated Grid Plan to identify emerging issues and opportunities for investment at different locations in the network to support power system security and reliability. This role would support AEMO's responsibility for the maintenance of power system security and will be increasingly important as network congestion increases and the characteristics of the power system evolve in the course of transition to a predominantly non-synchronous future grid with distributed energy resources, highlighting new requirements (e.g. planning for credible contingency events, inertia, and fast frequency response).</p> <p>This function would support the achievement of power system security and reliability, in line with Wholesale Market Objective (a).</p>	<p>To be considered in the preliminary discussion of agency roles and responsibilities.</p> <p><u>The MAC commenced its review of roles and responsibilities at its meeting on 9 May 2018. RCP Support provided an updated paper to the MAC for consideration at its meeting on 13 June 2018, but the MAC deferred consideration of the updated paper due to other priorities. RCP Support will put this item on the agenda for the MAC meeting in September 2018.</u></p>
12	AEMO November 2017	<p>Review of institutional responsibilities in the Market Rules.</p> <p>Following the major changes to institutional arrangements made by the Electricity Market Review, a secondary review is required to ensure that tasks remain with the right organisations, e.g. responsibility for setting confidentiality status (clause 10.2.1), document retention (clause 10.1.1), updating the contents of the market surveillance data catalogue (clause 2.16.2), content of the market procedure under clause 4.5.14, order of precedence of market documents (clause 1.5.2). This will promote efficiency in market administration, supporting Wholesale Market Objectives (a) and (d).</p>	<p>To be considered in the preliminary discussion of agency roles and responsibilities.</p> <p>Potential changes to responsibilities for setting document retention requirements and confidentiality statuses have been listed as potential Rule Change Proposals (issues 45 and 46).</p> <p><u>The MAC commenced its review of roles and responsibilities at its meeting on 9 May 2018; and provided an updated paper to the MAC for consideration at its meeting on 13 June 2018.</u></p>

Boarder Issues			
Id	Submitter/Date	Issue	Urgency and Status
			<u>but the MAC deferred consideration of the updated paper due to other priorities. RCP Support will put this item on the agenda for the MAC meeting in September 2018.</u>
16	Bluewaters November 2017	<p>Behind the Meter (BTM) generation is treated as reduction in electricity demand rather than actual generation. Hence, the BTM generators are not paying their fair share of the network costs, Market Fees and ancillary services charges.</p> <p>Therefore, the non-BTM Market Participants are subsidizing the BTM generation in the WEM. Subsidy does not promote efficient economic outcome.</p> <p>Rapid growth of BTM generation will only exacerbate this inefficiency if not promptly addressed.</p> <p>Bluewaters recommends changes to the Market Rules to require BTM generators to pay their fair share of the network costs, Market Fees and ancillary services charges.</p> <p>This is an example of a regulatory arrangement becoming obsolete due to the emergence of new technologies. Regulatory design needs to keep up with changes in the industry landscape (including technological change) to ensure that the WEM continues to meet its objectives.</p> <p>If this BTM issue is not promptly addressed, there will be distortion in investment signals, which will lead to an inappropriate generation facility mix in the WEM, hence compromising power system security and in turn not promoting the Wholesale Market Objectives.</p>	To be considered in the preliminary discussions of behind-the-meter issues and the basis for allocation of Market Fees.

Boarder Issues			
Id	Submitter/Date	Issue	Urgency and Status
23	Bluewaters November 2017	<p>Allocation of Market Fees on a 50/50 basis between generators and retailers may be overly simplistic and not consider the impacts on economic efficiency.</p> <p>In particular, the costs associated with an electricity market reform program should be recovered from entities based on the benefit they receive from the reform. This is expected to increase the visibility of (and therefore incentivise) prudence and accountability when it comes to deciding the need and scope of the reform.</p> <p>Recommendations: to review the Market Fees structure including the cost recovery mechanism for a reform program.</p> <p>The cost saving from improved economic efficiency can be passed on to the end consumers, hence promoting the Wholesale Market Objectives.</p>	To be considered in the preliminary discussion of the basis for allocation of Market Fees.
29	Kleenheat November 2017	<p>Provide greater clarity on the respective roles and responsibilities for each regulatory body (PUO, Rule Change Panel, ERA and AEMO) as they relate to and impact the operation and application of the Market Rules. Greater clarity is required to ensure no conflicts of interest arise (perceived or real) and the risk of costs as well as duplicated roles and responsibilities is minimised.</p> <p>As an example, the time involved in enforcing the Market Rules, such as the Vinalco investigation - the Market Rules are compromised if their enforcement is not efficient and timely.</p>	<p>To be considered in the preliminary discussion of agency roles and responsibilities.</p> <p><u>The MAC commenced its review of roles and responsibilities at its meeting on 9 May 2018; and provided an updated paper to the MAC for consideration at its meeting on 13 June 2018, but the MAC deferred consideration of the updated paper due to other priorities. RCP Support will put this item on the agenda for the MAC meeting in September 2018.</u></p>

Boarder Issues			
Id	Submitter/Date	Issue	Urgency and Status
30	Synergy November 2017	<p>Reserve Capacity Mechanism</p> <p>Synergy would like to propose a review of Market Rules related to reserve capacity requirements and reserve capacity capability criteria to ensure alignment and consistency in determination of certain criteria. For instance:</p> <ul style="list-style-type: none"> • assessment of reserve capacity requirement criteria, reserve capacity capability and reserve capacity obligations; • IRCR assessment; • Relevant Demand determination; • determination of NTDL status; • Relevant Level determination; and • assessment of thermal generation capacity. <p>The review will support Wholesale Market Objectives (a) and (d).</p>	To be considered in the preliminary discussion of the Reserve Capacity Mechanism.
35	ERM Power November 2017	<p>BTM generation and apportionment of Market Fees, ancillary services, etc.</p> <p>The amount of solar PV generation on the system is increasing every year, to the point where solar PV generation is the single biggest unit of generation on the SWIS. This category of generation has a significant impact on the system and we have seen this in terms of the day time trough that is observed on the SWIS when the sun is shining. The issue is that generators that are on are moving around to meet the needs of this generation facility but this generation facility, which could impact system stability, does not pay its fair share of the costs of maintaining the system in a stable manner. That is, they are not the generators that receive its fair apportionment of Market Fees and pay any ancillary</p>	To be considered in the preliminary discussions of behind-the-meter issues and the basis for allocation of Market Fees.

Boarder Issues			
Id	Submitter/Date	Issue	Urgency and Status
		service costs but yet they have absolute freedom to generate into the SWIS when the fuel source is available. There needs to be equity in this equation.	
39	Alinta Energy November 2017	<p>Commissioning Test Process</p> <p>The commissioning process within the Market Rules and PSOP works well for known events (i.e. the advance timings of tests). However the Market Rules and PSOP do not work for close to real time events. There is limited flexibility in the Market Rules and PSOP to deal with the practical and operational realities of commissioning facilities.</p> <p>The Market Rules and PSOP require System Management to approve a Commissioning Test Plan or a revised Commissioning Test Plan by 8:00 AM on the Scheduling Day on which the Commissioning Test Plan would apply.</p> <p>If a Market Participant cannot conform to its most recently approved Commissioning Test Plan, the Market Participant must notify System Management; and either:</p> <ul style="list-style-type: none"> • withdraw the Commissioning Test Plan; or • if the conditions relate to the ability of the generating Facility to conform to a Commissioning Test Schedule, provide a revised Commissioning Test Plan to System Management as soon as practicable before 8:00 AM on the Scheduling Day prior to the commencement of the Trading Day to which the revised Commissioning Test Plan relates. <p>Specific Issues:</p> <p>This restriction to prior to 8:00 AM on the Scheduling Day means that managing changes to the day of the plan are difficult. Sometimes a</p>	To be considered in the preliminary discussion of the Commissioning Tests.

Boarder Issues			
Id	Submitter/Date	Issue	Urgency and Status
		<p>participant is unaware at that time that it may not be able to conform to a plan. Amendments to Commissioning Tests and schedules need to be able to be dealt with closer to real time.</p> <p>Examples for improvements are:</p> <ul style="list-style-type: none"> • allowing participants to manage delays to the start of an approved plan; and • allowing participants to repeat tests and push the remainder of the Commissioning Test Plan out. <p>Greater certainty is needed for on the day changes (i.e. there is uncertainty as to what movements/timing changes acceptable within the “Test Window” i.e. on the day).</p> <p>Wholesale Market Objective Assessment:</p> <p>A review of the Commissioning Test process, with a view to allowing greater flexibility to allow for the technical realities of commissioning, will better achieve:</p> <ul style="list-style-type: none"> • Wholesale Market Objective (a): <ul style="list-style-type: none"> ○ Allowing generators greater flexibility in undertaking commissioning activities will allow the required tests to be conducted in a more efficient and timely manner, which should result in the earlier availability of approved generating facilities. This contributes to the efficient, safe and reliable production of energy in the SWIS. ○ Productive efficiency requires that demand be served by the least-cost sources of supply, and that there be incentives for producers to achieve least-cost supply through a better management of cost drivers. Allowing for a more efficient 	

Boarder Issues			
Id	Submitter/Date	Issue	Urgency and Status
		<p>management of commissioning processes, timeframes and costs in turn promotes the economically efficient production and supply of electricity.</p> <ul style="list-style-type: none"> • Wholesale Market Objective (b): improvements to the efficiency of the Commissioning Test process may assist in the facilitation of efficient entry of new competitors. • Wholesale Market Objective (d): <ul style="list-style-type: none"> ○ Balancing appropriate flexibility for generators with appropriate oversight and control for System Management should ensure that the complex task of commissioning is not subject to unnecessary red tape, adding to the cost of projects. This contributes to the achievement of Wholesale Market Objective (d) relating to the long term cost of electricity supply. ○ Impacts on economic efficiency and efficient entry of new competitors (as outlined above) will potentially lead to the minimisation of the long term cost of electricity supplied. 	

Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
5	Community Electricity November 2017	Improved definition of SRMC.	On hold pending development of ERA Balancing Market Offer Guidelines.
6	Community Electricity November 2017	Improved definition of Market Power.	On hold pending development of ERA Balancing Market Offer Guidelines.
7	Community Electricity November 2017	Improved definition of the quantity of LFAS (a) required and (b) dispatched.	On hold pending the outcome of the Minister's WEM reform program, with potential input from work on RC_2017_02: Implementation of 30-Minute Balancing Gate Closure.
10	AEMO November 2017	<p>Review of participant and facility classes to address current and looming issues, such as:</p> <ul style="list-style-type: none"> • incorporation of storage facilities; • distinction between non-scheduled and semi-scheduled generating units; • reconsideration of potential for Dispatchable Loads in the future (which were proposed for removal in RC_2014_06); • whether to retain Interruptible Loads or to move to an aggregated facility approach (like Demand Side Programmes); and • whether to retain Intermittent Loads as a registration construct or to convert to a settlement construct. 	On hold pending the outcome of the Minister's WEM reform program.

Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
		Would support new entry, competition and market efficiency; particularly supporting the achievement of Wholesale Market Objectives (a) and (b).	
14/36	Bluewaters and ERM Power November 2017	<p>Capacity Refund Arrangements</p> <p>The current capacity refund arrangement is overly punitive as Market Participants face excessive capacity refund exposure. This refund exposure is well more than what is necessary to incentivise the Market Participants to meet their obligations for making capacity available. Practical impacts of such excessive refund exposure include:</p> <ul style="list-style-type: none"> • compromising the business viability of some capacity providers - the resulting business interruption can compromise reliability and security of the power system in the SWIS; and • excessive insurance premiums and cost for meeting prudential support requirements. <p>Bluewaters recommended imposing seasonal, monthly and/or daily caps on the capacity refund. Bluewaters considered that reviewing capacity refund arrangements and reducing the excessive refund exposure is likely to promote the Wholesale Market Objectives by minimising:</p> <ul style="list-style-type: none"> • unnecessary business interruption to capacity providers and in turn minimising disruption to supply availability; which is expected to promote power system reliability and security; and • unnecessary excessive insurance premium and prudential support costs, the saving of which can be passed on to consumers. 	On 9 May 2018 the MAC agreed to place this issue on hold for 12 months (until 9 May 2019) to allow time for historical data on dynamic refund rates to accumulate.

Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
15/34	Bluewaters and ERM Power November 2017	<p>An interpretation of clause 3.18.7 of the Market Rules is that System Management will not approve a Planned Outage for a generator unless it was available at the time the relevant Outage Plan was submitted. This gives rise to the following issues:</p> <ul style="list-style-type: none"> Operational inefficiency for the generators – it is not uncommon for minor problems to be discovered during a Planned Outage, and addressing these problems may require the Planned Outage period to be marginally extended (by submitting an additional Outage Plan). However, System Management has taken an interpretation of clause 3.18.7 that it is not allowed to approve the Planned Outage period extension because the relevant generator was not available at the time the extension application was submitted. To meet this rules requirement, the generator will need to bring the unit online, apply for a Planned Outage while the unit is online, and subsequently take the unit off-line again only to address the minor problems. Such operational inefficiency could have been avoided if System Management can approve such Planned Outage extension (as long as there is sufficient reserve margin available in the power system during the extended Planned Outage period). Driving perverse incentives in the WEM and compromising market efficiency – to get around the issue discussed above, generators are likely to overestimate their Planned Outage period requirements in their outage applications. This results in higher than necessary projected plant unavailability, which does not promote accurate price signals for guiding trading decisions. This misinformation is expected to lead to an inefficient outcome which in turn does not promote the Wholesale Market Objectives. 	On hold pending a final decision on RC_2013_15: Outage Planning Phase 2 – Outage Process Refinements

Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
		Bluewaters recommendation: clarify in the Market Rules so that System Management can approve a Planned Outage extension application.	
17	Bluewaters November 2017	<p>Under clause 3.21.7 of the Market Rules, a Market Participant is not allowed to retrospectively log a Forced Outage after the 15 day deadline; even if the Market Participant is subsequently found to be in breach of the Market Rules for not logging the Forced Outage on time. This can result in under reporting of Forced Outages, and as a consequence, use of incorrect information used in WEM settlements.</p> <p>Bluewaters recommend a rule change to enable Market Participants to retrospectively log a Forced Outage after the 15 day deadline. If a Market Participant is found to be in breach of the Market Rules by not logging the Forced Outage by the deadline, it should be required to log the outage.</p> <p>Accurately reporting outages will enable the WEM to function as intended and will help meet the Wholesale Market Objectives.</p>	On hold pending a final decision on RC_2014_03: Administrative Improvements to the Outage Process.
18	Bluewaters November 2017	<p>The Spinning Reserve procurement process does not allow Market Participants to respond to the draft margin values determination by altering its Spinning Reserve offer.</p> <p>Bluewaters recommended amending the Market Rules to allow Market Participants to respond to the draft margin values determination by altering its Spinning Reserve offer.</p> <p>Allowing a Market Participant to respond to the draft margin values determination, can serve as a price signal to enable a price discovery process for Spinning Reserve capacity. This is expected to lead to a</p>	On hold pending the outcomes of the ancillary services review being undertaken as part of the Minister's WEM reform program.

Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
		more efficient economic outcome and in turn promote the Wholesale Market Objectives.	
19	Bluewaters November 2017	<p>The Spinning Reserve margin values evaluation process is deficient for the following reasons:</p> <ul style="list-style-type: none"> • shortcomings in the process for reviewing assumptions; • inability to shape load profile; • lack of transparency: <ul style="list-style-type: none"> (a) modelling was a “black box”; (b) confidential information limits stakeholders’ ability to query the results; and • lack to retrospective evaluation of spinning reserve margin values. <p>As a result, the margin values have been volatile, potentially inaccurate and not verifiable.</p> <p>Recommendation: conduct a review on the margin values evaluation process and propose rule changes to address any identified deficiencies.</p> <p>Addressing the deficiencies in the margin values evaluation process can promote the Wholesale Market Objectives by enhancing economic efficiency in the WEM. This can be achieved through:</p> <ul style="list-style-type: none"> • promoting transparency – better informed Market Participants would be able to better respond to Spinning Reserve requirement in the WEM; and • allowing a better informed margin values determination process, which is likely to give a more accurately priced margin values to promote an efficient economic outcome. 	<p>On hold pending the outcome of the Minister’s WEM reform program.</p> <p>Also, AEMO and the ERA to consider whether any options exist to improve transparency of the current margin values process.</p>

Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
22	Bluewaters November 2017	<p>Prudential arrangement design issue: clause 2.37.2 of the Market Rules enables AEMO to review and revise a Market Participant's Credit Limit at any time. It is expected that AEMO will review and increase Credit Limit of a Market Participant if AEMO considers its credit exposure has increased (for example, due to an extended plant outage event).</p> <p>In response to the increase in its credit exposure, clause 2.40.1 of the Market Rules and section 5.2 of the Prudential Procedure allow the Market Participant to make a voluntary prepayment to reduce its Outstanding Amount to a level below its Trading Limit (87% of the Credit Limit).</p> <p>Under the current Market Rules and Prudential Procedure, AEMO can increase the Market Participant's Credit Limit (hence increasing its prudential support requirement) despite that a prepayment has already been paid (it is understood that this is AEMO's current practice).</p> <p>The prepayment would have already served as an effective means to reduce the Market Participant's credit exposure to an acceptable level. Increasing the Credit Limit in addition to this prepayment would be an unnecessary duplication of prudential requirement in the WEM.</p> <p>This unnecessary duplication is likely to give rise to higher-than-necessary prudential cost burden in the WEM; which creates economic inefficiency that is ultimately passed on the end consumers.</p> <p>Recommendation: amend the Market Rules and/or procedures to eliminate the duplication of prudential burden on Market Participants.</p> <p>The resulting saving from eliminating this unnecessary prudential burden can be passed on to end consumers. This promotes economic efficiency and therefore the Wholesale Market Objectives.</p>	On hold pending AEMO's proposed review of its process for Credit Limit determination.

Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
27	Kleenheat November 2017	Review what should constitute a Protected Provision of the Market Rules, to provide greater clarity over the role of the Minister for Energy.	On hold pending the outcome of a PUO review of the current Protected Provisions in the Market Rules.
28	Kleenheat November 2017	Appropriate rule changes to allow for battery storage. Consultation to decide how the batteries will be treated and classified as generators or not, whether batteries can apply for Capacity Credits and the availability status when the batteries are charging.	On hold pending the outcomes of the Minister's WEM reform program. <u>RCP Support presented a paper to the MAC for discussion at its meeting on 9 May 2018 to scope issues associated with treatment of storage facilities in the WEM. RCP Support has made additions to this paper to reflect comments made by MAC members on that date, and in subsequent emails – see Agenda Item 10 for the MAC meeting on 8 August 2018. RCP Support will provide this paper to the PUO on behalf of the MAC, to support the Wholesale Electricity Market Reform Program.</u>
33	ERM Power November 2017	Logging of Forced Outages The market systems do not currently allow Forced Outages to be amended once entered. This can have the distortionary effect of participants not logging an Outage until it has absolute certainty that the Forced Outage is correct, hence participants could take up to 15 days to submit its Forced Outages. If a participant could cancel or amend its Forced Outage information, it will likely provide more accurate and transparent signals to the market	On hold pending a final decision on RC_2014_03: Administrative Improvements to the Outage Process.

Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
		of what capacity is really available to the system. This should also assist System Management in generation planning for the system.	
41	IMO November 2017	<p>On 1 September 2017, the Electricity Review Board (Board) published its decision and its reasons for decision regarding the IMO's Application No. 1 of 2016 against Vinalco Energy Pty Ltd (Vinalco) (http://www.edawa.com.au/reviews/12016).</p> <p>Even though the Board found that Vinalco breached clause 7A.2.17 of the Market Rules during the relevant periods and ordered Vinalco to pay two nominal penalties, the Board was sympathetic to the argument that 'constrained-on' dispatch through the Balancing Market was not the most appropriate mechanism in Vinalco's circumstances.</p> <p>The IMO considers that further work is required to consider what changes are required to the Market Rules to mitigate the risk of a similar situation arising again, and what the next steps may be to progress those changes.</p>	On hold pending development of ERA Balancing Market Offer Guidelines
42	ERA November 2017	<p>Ancillary Services approvals process</p> <p>Clause 3.11.6 of the Market Rules requires System Management to submit the Ancillary Services Requirements in a report to the ERA for audit and approval by 1 June each year, and System Management must publish the report by 1 July each year. The ERA conducted this process for the first time in 2016/17. In carrying out the process it became apparent that:</p> <ul style="list-style-type: none"> there is no guidance in the rules on what the ERA's audit should cover, or what factors the ERA should consider in making its determination on the requirements; 	On hold pending the outcome of the Minister's WEM reform program.

Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
		<ul style="list-style-type: none"> there are no documented Market Procedures setting out the methodology for System Management to determine the ancillary service requirements (the preferable approach would be for the methodologies to be documented in a Market Procedure, and for the ERA to audit whether System Management has followed the procedure); the timeframe for the ERA's audit and approval process (less than 1 month) limits the scope of what it can achieve in its audit; the levels determined by System Management are a function of the Ancillary Service standards, but the standards themselves are not subject to approval in this process; and the value of the audit and approval process is limited because System Management has discretion in real time to vary the levels from the set requirements. <p>The question is whether the market thinks this approvals process is necessary/will continue to be necessary (particularly in light of co-optimised energy and ancillary services). If so, then the issues above will need to be addressed, to reduce administrative inefficiencies and, if more rigour is added to the process, provide economic benefits (Wholesale Market Objectives (a) and (d)).</p>	

MARKET ADVISORY COMMITTEE MEETING, 8 AUGUST 2018

FOR NOTING

SUBJECT: UPDATE ON AEMO'S MARKET PROCEDURES

AGENDA ITEM: 7(a)

1. PURPOSE

Provide a status update on the activities of the AEMO Procedure Change Working Group and AEMO Procedure Change Proposals.

2. AEMO PROCEDURE CHANGE WORKING GROUP (APCWG)

	Most recent meeting	Next meeting
Date	13 July 2018	7 August 2018
Market Procedures for discussion	<ul style="list-style-type: none"> PSOP: Outages 	<ul style="list-style-type: none"> PSOP: Outages

3. AEMO PROCEDURE CHANGE PROPOSALS

The status of AEMO Procedure Change Proposals is described below, current as at 1 August 2018. Changes since the previous MAC meeting are in **red text**. A procedure change is removed from this report after its commencement has been reported or a decision has been taken not to proceed with a potential Procedure Change Proposal.

ID	Summary of changes	Status	Next steps	Date
AEPC_2018_01: Monitoring and Reporting Protocol	The new Monitoring and Reporting Protocol details how AEMO implements its obligations to support the ERA's monitoring of compliance with the Market Rules.	Submissions closed 26 Feb 2018. Four submissions received.	Prepare Procedure Change Report for ERA consideration	TBA

ID	Summary of changes	Status	Next steps	Date
AEPC_2018_03: PSOP: Communications and Control Systems	The proposed amendments will update the procedure in line with current AEMO standards and add content previously placed in the IMS Market Procedure.	Submissions closed 21 May 2018. One submission received.	Prepare Procedure Change Report	TBA
AEPC_2018_04: PSOP: Outages	The proposed amendments seek to revise the Procedure in line with current standards and ensure the Procedure complies with obligations.	Preparing draft amendments	Consideration of revised proposal by APCWG	7 Aug 2018
AEPC_2018_05: IMS Interface	The proposed amendments are consequential, arising from the amendment to the PSOP: Communications and Control Systems	Submissions closed 21 May 2018. One submission received.	Prepare Procedure Change Report	TBA
AEPC_2018_06: PSOP: Commissioning Tests	The proposed amendments seek to revise the Procedure in line with current standards and ensure the Procedure complies with obligations.	Stakeholder workshop on commissioning issues held 22 May	Further consideration of proposal by APCWG	Aug/Sep 2018
PSOP: Medium Term PASA (Procedure Change Proposal number yet to be assigned)	The proposed amendments seek to revise the Procedure in line with current standards and ensure the Procedure complies with obligations.	Considered by APCWG 20 Apr 2018.	Consideration of revised procedure at future APCWG meeting	Aug/Sep 2018
PSOP: Short Term PASA (Procedure Change Proposal number yet to be assigned)	The proposed amendments seek to revise the Procedure in line with current standards and ensure the Procedure complies with obligations.	Considered by APCWG 20 Apr 2018.	Consideration of revised procedure at future APCWG meeting	Aug/Sep 2018

Agenda Item 7(b): Establishment of the MAC Working Groups to Support the WEM Reform Program

Meeting 2018_08_08

1. Background

The Minister for Energy has asked the Public Utilities Office (**PUO**) to commence work on a Wholesale Electricity Market (**WEM**) Reform Program. The PUO is managing the WEM Reform Program, with the Australian Energy Market Operator (**AEMO**) leading certain technical and operational aspects of the reforms.

The Market Advisory Committee (**MAC**) provides a venue for the PUO to consult with industry representatives on a regular basis regarding the policy and high-level design aspects of the WEM Reform Program. The PUO and AEMO have proposed establishment of the following two MAC Working Groups to support consultation on detailed aspects of the WEM Reform Program:

- the Market Design and Operation Working Group (**MDOWG**); and
- the Power System Operation Working Group (**PSOWG**).

2. Terms of Reference for the MDOWG and PSOWG

The PUO and AEMO developed draft Terms of Reference (**TOR**) for the MDOWG and PSOWG, and RCP Support has consulted with the MAC on the TORs as follows:

- RCP Support sent the draft TORs to the MAC for review and comment on 27 June 2018, with comments due by 4 July 2018.
- RCP Support received comments on the draft TORs from:
 - Alinta Energy, who suggested some changes to the TORs and asked for clarification of some items; and
 - Perth Energy, who supported creation of the Working Groups and generally supported the TORs.
- RCP Support, the PUO, and AEMO subsequently revised the draft TORs to address Alinta's questions and comments, and to clarify the membership arrangements for the Working Groups.
- RCP Support sent the revised draft TORs to the MAC on 9 July 2018, and sought out-of-session approval from the MAC to establish the MDOWG and PSOWG under these TORs:
 - responses from the MAC were due by 16 July 2018; and
 - given the high level of support for the Working Groups, RCP Support indicated that it would assume that no response from MAC members indicated approval of the TORs.

- Responses to the request for out-of-session approval of the TORs were as follows:
 - the Chair, Jacinda Papps, Andrew Stevens and Peter Huxtable provided written support/approval for the TORs;
 - Wendy Ng provided verbal support for the TORs; and
 - no other MAC members provided a response.

As a result, the MAC has approved creation of two Working Groups – the MDOWG and PSOWG – based on the TORs in Attachments 1 and 2.

3. Establishment of the MDOWG and PSOWG

The PUO and AMEO are currently finalising the administrative arrangements for the MDOWG and PSOWG. Once this is complete, RCP Support will:

- update the TORs to reflect the contact information that is established by the PUO and AEMO;
- formally notify the MAC about the establishment of the MDOWG and PSOWG by email; and
- publish the TORs on the Rule Change Panel's website.

Interested stakeholders will then be able to register their interest to receive notifications and papers for the MDOWG and PSOWG, and the Chairs of the MDOWG and PSOWG will contact registered stakeholders to commence holding meetings for the Working Groups.

4. Recommendation

It is recommended that the MAC note the establishment of two Working Groups – the MDOWG and PSOWG.

Attachment 1: Market Design and Operation Working Group Terms of Reference

Attachment 2: Power System Operation Working Group Terms of Reference

Market Design and Operation Working Group

Terms of Reference

17 July 2018

1. Background

The Market Design and Operation Working Group (**MDOWG**) has been established, in accordance with clause 2.3.17 of the Market Rules and section 9 of the Constitution of the Market Advisory Committee (**MAC**). The MDOWG has been established to assist the MAC in fulfilling its obligation under clause 2.3.1(d) of the Market Rules to provide advice to the Rule Change Panel regarding matters concerning the evolution of these Market Rules.

2. Scope of Work

The Public Utilities Office is progressing the reforms required to improve access to Western Power's electricity network in the South West Interconnected System (**SWIS**)¹. These reforms are supported by complementary and consequential reforms to the Wholesale Electricity Market (**WEM**), in particular, implementation of security-constrained economic dispatch and market arrangements, co-optimisation of energy and ancillary services and facility bidding for all Market Participants. There are also a number of supporting market design changes that will need to be assessed and developed including but not limited to reducing gate closure, moving to five minute dispatch intervals, changes to the participation and registration framework, and consequential changes to the Short Term Energy Market.

The MDOWG's scope of work includes consideration, assessment and development of changes to the Market Rules and Market Procedures, in respect to the design and operation of the security-constrained market and dispatch system.

In assessing these areas, the MDOWG may also need to consider and advise on any interdependencies with regulatory instruments other than the Market Rules. While recommendations on potential changes to other regulatory instruments are outside of the scope of the MAC as outlined in clause 2.3.1 of the Market Rules, the Public Utilities Office will take into consideration any relevant deliberations of the MDOWG to effect changes to other regulatory instruments as required.

The MDOWG will work in parallel with the Power System Operation Working Group (**PSOWG**), and potentially other working groups, to provide advice to the MAC, which will in turn be utilised by the Public Utilities Office to inform WEM reform decisions.

Whilst the MDOWG's advice will be provided to the MAC, the ultimate process for amending the relevant Market Rules will be determined by the Public Utilities Office in consultation with the WEM reform coordination committee (i.e. whether amendment is to be made by the Rule Change Panel or by the Minister for Energy pursuant to Regulation 7(3) of the *Electricity Industry (Wholesale Electricity Market) Regulations 2004*).

¹ <http://www.treasury.wa.gov.au/Public-Utilities-Office/Open-consultations-reviews/Constrained-Network-Access-Reform/>

3. Membership

The MDOWG has a Chair appointed by the Public Utilities Office. The Public Utilities Office may replace the Chair at any time and must promptly advise the MAC of this action via the Rule Change Panel Secretariat.

To accommodate the broad range of subject matters to be covered, the MDOWG has no permanent members apart from the Chair. Instead interested stakeholders may:

- register to receive information relating to the activities of the MDOWG, including notification of upcoming meetings, meeting papers and documents distributed out-of-session, by providing an email address for such correspondence to the MDOWG Secretariat;
- nominate up to two representatives to attend a MDOWG meeting by advising the MDOWG Secretariat in advance of that meeting; and
- with the permission of the MDOWG Chair, send additional representatives to a MDOWG meeting, noting that the attendance of additional representatives is at the discretion of the MDOWG Chair.

The Chair may allow for other attendees from the Public Utilities Office where required to provide administrative support or subject matter expertise to the MDOWG.

4. Responsibilities of Meeting Attendees

A person attending an MDOWG meeting (either physically or remotely) is expected to:

- have suitable knowledge and experience to engage in and contribute to technical discussions relevant to the specific meeting;
- prepare for the meeting, including by reading any meeting papers distributed before the meeting;
- participate as a general industry representative rather than representing their company's interests; and
- carry out actions (e.g. technical analysis, impact assessment) if and as agreed.

5. Administration

The secretariat for the MDOWG will be provided by Public Utilities Office.

The Public Utilities Office will work with the Rule Change Panel Secretariat to ensure contact details for the MDOWG on the Rule Change Panel's website are maintained.

The MDOWG Chair will convene the MDOWG upon request from the Public Utilities Office, AEMO, or the MAC Chair.

The Public Utilities Office will prepare and distribute all meeting correspondence via email to the MDOWG. Following an initial request for subscriptions, at least once per year, the Public Utilities Office will contact MAC members and AEMO's WA Electricity Consultative Forum stakeholder group to invite interested stakeholders to subscribe to MDOWG notifications.

The Public Utilities Office will provide the following documentation by email to its MDOWG stakeholder list in respect of a MDOWG meeting, and will use best endeavours to meet the following timeframes:

- notice of meeting and agenda at least 10 business days prior to the meeting;
- relevant meeting papers between three to five business days prior to the meeting; and
- a record of meeting and actions arising no more than five business days following the meeting.

The Public Utilities Office may, following consultation with the MDOWG, vary the timeframes for document distribution if it considers that they are impeding the schedule and progress of the MDOWG.

Meeting outputs, such as concept papers and position papers, will be published on the Rule Change Panel's website for wider industry consultation once considered by the MAC and WEM reform coordination committee.

Attendees will be expected to:

- advise the MDOWG Secretariat of intended attendance at an MDOWG meeting at least five business days prior to the meeting; and
- provide any feedback or endorsement to the record of meeting and actions arising no more than five business days following distribution.

The record of meeting is to detail attendance, main points of discussion, agreed recommendations and action items.

6. Reporting Arrangements

The MDOWG Chair (Public Utilities Office) must provide a report to the MAC on the activities of the MDOWG at each MAC meeting. The MDOWG Chair must also report back at other times requested by the MAC on issues referred to the MDOWG by the MAC. The MDOWG Chair, in collaboration with AEMO, will also have responsibility to provide a report to the WEM reform co-ordination committee on recommendations from MDOWG discussions.

The periodic reports must include, at a minimum:

- details of the most recent meeting, including the date of the meeting and a list of the issues or proposals considered;
- the date of the next meeting and the issues or proposals to be considered (if known); and
- an indicative forward agenda.

7. Contact Details

Market Participants and other stakeholders may contact the MDOWG Secretariat at Aditi.Varma@treasury.wa.gov.au. Documentation and information related to the MDOWG will be published on the Rule Change Panel's website at erawa.com.au/rule-change-panel/mdowg.

Power System Operation Working Group Terms of Reference

17 July 2018

1. Background

The Power System Operation Working Group (**PSOWG**) has been established, in accordance with clause 2.3.17 of the Market Rules and section 9 of the Constitution of the Market Advisory Committee (**MAC**). The PSOWG has been established to assist the MAC in fulfilling its obligation under clause 2.3.1(d) of the Market Rules to provide advice to the Rule Change Panel regarding matters concerning the evolution of these Market Rules.

2. Scope of Work

The Public Utilities Office is progressing the reforms required to improve access to Western Power's electricity network in the South West Interconnected System (**SWIS**)¹. These reforms are supported by complementary and consequential reforms to the Wholesale Electricity Market (**WEM**), in particular, implementation of security-constrained economic dispatch and market arrangements, co-optimisation of energy and ancillary services and facility bidding for all Market Participants. These WEM reforms will require substantial changes to power system operations. The design of these reforms will also need to consider other issues, current and emerging, in regard to the management of power system security and reliability, and have sufficient longevity to accommodate the operation of the power system in the longer term.

The PSOWG's scope of work includes consideration, assessment and development of changes to the Market Rules and Market Procedures, in respect to the operation of the power system to support the WEM reform program. The core topic areas to be considered by the PSOWG include (but are not limited to):

- Power System Security and Reliability
- Constraints
- Planning and Forecasting
- Outage Management
- Dispatch

In assessing these areas, the PSOWG may also need to consider and advise on any interdependencies with regulatory instruments other than the Market Rules. While recommendations on potential changes to other regulatory instruments are outside of the scope of the MAC as outlined in clause 2.3.1 of the Market Rules, the Public Utilities Office

¹ <http://www.treasury.wa.gov.au/Public-Utilities-Office/Open-consultations-reviews/Constrained-Network-Access-Reform/>

will take into consideration any relevant deliberations of the PSOWG to effect changes to other regulatory instruments as required.

The PSOWG will work in parallel with the Market Design and Operation Working Group (**MDOWG**), and potentially other working groups, to provide advice to the MAC, which will in turn be utilised by the Public Utilities Office to inform WEM reform decisions.

Whilst the PSOWG's advice will be provided to the MAC, the ultimate process for amending the relevant Market Rules will be determined by the Public Utilities Office in consultation with the WEM reform coordination committee (i.e. whether amendment is to be made by the Rule Change Panel or by the Minister for Energy pursuant to Regulation 7(3) of the *Electricity Industry (Wholesale Electricity Market) Regulations 2004*).

3. Membership

The PSOWG has a Chair appointed by AEMO, which is leading this area of reform activity on behalf of the Public Utilities Office. AEMO may replace the Chair at any time and must promptly advise the MAC of this action via the Rule Change Panel Secretariat.

To accommodate the broad range of subject matters to be covered, the PSOWG has no permanent members apart from the Chair. Instead interested stakeholders may:

- register to receive information relating to the activities of the PSOWG, including notification of upcoming meetings, meeting papers and documents distributed out-of-session, by providing an email address for such correspondence to the PSOWG Secretariat;
- nominate up to two representatives to attend a PSOWG meeting by advising the PSOWG Secretariat in advance of that meeting; and
- with the permission of the PSOWG Chair, send additional representatives to a PSOWG meeting, noting that the attendance of additional representatives is at the discretion of the PSOWG Chair.

The Chair may allow for other attendees from AEMO where required to provide administrative support or subject matter expertise to the PSOWG.

4. Responsibilities of Meeting Attendees

A person attending a PSOWG meeting (either physically or remotely) is expected to:

- have suitable knowledge and experience to engage in and contribute to technical discussion relevant to the specific meeting;
- prepare for the meeting, including by reading any meeting papers distributed before the meeting;
- participate as a general industry representative rather than representing their company's interests; and
- carry out actions (e.g. technical analysis, impact assessment) as agreed.

5. Administration

The secretariat for the PSOWG will be provided by AEMO.

AEMO will work with the Rule Change Panel Secretariat to ensure contact details for the PSOWG on the Rule Change Panel's website are maintained.

The PSOWG Chair will convene the PSOWG upon request from AEMO, the Public Utilities Office or the MAC Chair.

AEMO will prepare and distribute all meeting correspondence via email to the PSOWG. Following an initial request for subscriptions, at least once per year, AEMO will contact MAC members and its WA Electricity Consultative Forum stakeholder group to invite interested stakeholders to subscribe to PSOWG notifications.

AEMO will provide the following documentation by email to its PSOWG stakeholder list in respect of a PSOWG meeting, and will use best endeavours to meet the following timeframes:

- notice of meeting and agenda at least 10 business days prior to the meeting;
- relevant meeting papers between three to five business days prior to the meeting; and
- a record of meeting and actions arising no more than five business days following the meeting.

AEMO may, following consultation with the PSOWG, vary the timeframes for document distribution if it considers that they are impeding the schedule and progress of the PSOWG.

Meeting outputs, such as concept papers and position papers, will be published on the Rule Change Panel's website for wider industry consultation once considered by the MAC and WEM reform coordination committee.

Attendees will be expected to:

- advise the PSOWG Secretariat of intended attendance at an PSOWG meeting at least five business days prior to the meeting; and
- provide any feedback or endorsement to the record of meeting and actions arising no more than five business days following distribution.

The record of meeting is to record attendance, main points of discussion, agreed recommendations and action items.

6. Reporting Arrangements

The PSOWG Chair (AEMO) must provide a report to the MAC on the activities of the PSOWG at each MAC meeting. The PSOWG Chair must also report back at other times requested by the MAC on issues referred to the PSOWG by the MAC. The PSOWG Chair, in collaboration with the Public Utilities Office, will also have responsibility to provide a report to the WEM reform co-ordination committee on recommendations from PSOWG discussions.

The periodic reports must include, at a minimum:

- details of the most recent meeting, including the date of the meeting and a list of the issues or proposals considered;
- the date of the next meeting and the issues or proposals to be considered (if known); and
- an indicative forward agenda.

7. Contact Details

Market Participants and other stakeholders may contact the PSOWG Secretariat at Stuart.Featham@aemo.com.au. Documentation and information related to the PSOWG will be published on the Rule Change Panel's website at erawa.com.au/rule-change-panel/psowg.

Agenda Item 8(a): Overview of Rule Change Proposals (as at 1 August 2018)

Meeting 2018_08_08

- Changes to the report provided at the previous MAC meeting are shown in **red font**.
- The next step and the timing for the next step is provided for Rule Changes that are currently being actively progressed by the Rule Change Panel or the Minister.

Rule Change Proposals Commenced since the last MAC Meeting

Reference	Submitted	Proponent	Title	Commencement
RC_2017_06	17/07/2017	AEMO	Reduction of the prudential exposure in the Reserve Capacity Mechanism	01/08/2018 (Transitional rules)

Approved Rule Change Proposals Awaiting Commencement

Reference	Submitted	Proponent	Title	Commencement
RC_2018_01	24/04/2018	Rule Change Panel	New Notional Wholesale Meter Manifest Error	01/09/2018
RC_2017_06	17/07/2017	AEMO	Reduction of the prudential exposure in the Reserve Capacity Mechanism	01/06/2019

Rule Change Proposals Rejected since the last MAC Meeting

Reference	Submitted	Proponent	Title	Rejected
RC_2014_10	13/01/2015	IMO	Provision of Network Information to System Management	28/06/2018

Rule Change Proposals Awaiting Approval by the Minister

Reference	Submitted	Proponent	Title	Approval Due Date
None				

Formally Submitted Rule Change Proposals

Reference	Submitted	Proponent	Title	Urgency	Next Step	Date
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Fast Track Rule Change Proposals with Consultation Period Closed

None						
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Fast Track Rule Change Proposals with Consultation Period Open

None						
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Standard Rule Change Proposals with Second Submission Period Closed

RC_2014_07	22/12/2014	IMO	Omnibus Rule Change	Low	Publication of Final Rule Change Report	TBD
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Standard Rule Change Proposals with Second Submission Period Open

None						
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Standard Rule Change Proposals with First Submission Period Closed

RC_2013_15	24/12/2013	IMO	Outage Planning Phase 2 – Outage Process Refinements	Medium	Publication of Draft Rule Change Report	TBD
RC_2014_03	27/01/2014	IMO	Administrative Improvements to the Outage Process	High	Publication of Draft Rule Change Report	TBD
RC_2014_05	02/12/2014	IMO	Reduced Frequency of the Review of the Energy Price Limits and the Maximum Reserve Capacity Price	Medium	Publication of Draft Rule Change Report	TBD

Reference	Submitted	Proponent	Title	Urgency	Next Step	Date
RC_2014_06	28/01/2015	IMO	Removal of Resource Plans and Dispatchable Loads	Medium	Publication of Draft Rule Change Report	TBD
RC_2014_09	13/03/2015	IMO	Managing Market Information	Low	Publication of Draft Rule Change Report	TBD
RC_2015_01	03/03/2015	IMO	Removal of Market Operation Market Procedures	Low	Publication of Draft Rule Change Report	TBD
RC_2015_03	27/03/2015	IMO	Formalisation of the Process for Maintenance Requests	Low	Publication of Draft Rule Change Report	TBD
RC_2017_02	04/04/2017	Perth Energy	Implementation of 30-Minute Balancing Gate Closure	Medium	Publication of Draft Rule Change Report	TBD
RC_2018_03	01/03/2018	Collgar Wind Farm	Capacity Credit Allocation Methodology for Intermittent Generators	Medium	Publication of Draft Rule Change Report	24/04/2019

Standard Rule Change Proposals with the First Submission Period Open

None						
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Gazetted Rule Changes

Gazette		Content	Commencement
Number	Date		

Gazetted Rule Changes Commenced since the last MAC Meeting

2018/101	29/06/2018	Wholesale Electricity Market Rules Amending Rules 2018 (No. 3) <ul style="list-style-type: none"> Transitional Funding for AEMO Market Reform Activities 	29/06/2018 (1:00 PM)
2018/99	27/06/2018	Wholesale Electricity Market Rules Amending Rules 2018 (No. 2) <ul style="list-style-type: none"> Extension of 2018 Reserve Capacity Cycle 	29/06/2018 (8:00 AM)

Gazette		Content	Commencement
Number	Date		
Gazetted Rule Changes not yet Commenced			
2016/89	31/05/2016	Wholesale Electricity Market Amending Rules 2016, Schedule B, Part 4 <ul style="list-style-type: none"> <i>Further changes to the Reserve Capacity Mechanism involving Reviewable Decisions</i> 	A time specified by the Minister in a Gazette notice

Rule Changes Proposed by the Minister open for Consultation

Reference	Proponent	Description	Next Step	Timing
None				

Potential Rule Changes in the Pre-Rule Change Proposal Stage

Reference	Proponent	Description	Next Step	Timing
RC_2018_04	Rule Change Panel	Correction of Manifest Errors in Transitional Provisions for the 2018 Reserve Capacity Cycle	Presentation to MAC	08/08/2018
RC_2018_05	ERA	Market Rules 2.13 and 2.16: Market data access and use restrictions and SRMC investigation process	Presentation to MAC	08/08/2018

Agenda Item 8(c): Rule Change Proposal RC_2018_04: Manifest Error in the Deferral of Dates for the 2018 Reserve Capacity Cycle

Meeting 2018_08_08

1. The Proposal

RCP Support is seeking the Market Advisory Committee's (**MAC**) feedback on Pre-Rule Change Proposal RC_2018_04 (Attachment 1). This Pre-Rule Change Proposal seeks to correct two manifest errors in clause 1.27.1 of the Wholesale Electricity Market Rules (**Market Rules**) that were caused by clerical errors.

On 27 June 2018, the Minister deferred the dates for the 2018 Reserve Capacity Cycle through publication of the Government Gazette *Wholesale Electricity Market Rules Amending Rules 2018 (No. 2)*. On the same day, the Public Utilities Office (**PUO**) informed RCP Support that clause 1.27.1 of the Amending Rules inadvertently deviated from the draft amendments to the Market Rules (**Draft Amendments**),¹ and that the Minister's intent was to implement the clause as originally set out in the Draft Amendments.

RCP Support recommends that the proposal be progressed under the Fast Track Rule Change Process, as it seeks to correct manifest errors in the Market Rules.

2. Recommendation

It is recommended that the MAC discuss the Pre-Rule Change Proposal, including the drafting of the proposal and the recommendation to progress it under the Fast Track Rule Change Process, and provide feedback to RCP Support.

RCP Support will then table this Pre-Rule Change Proposal at the Rule Change Panel meeting on 15-16 August 2018 and will seek approval to progress the proposal.

Attachment: RC_2018_04 Pre-Rule Change Proposal

¹ The Draft Amendments were published on 18 June 2018.

Wholesale Electricity Market Rule Change Proposal

Rule Change Proposal ID: RC_2018_04
Date received: TBA

Change requested by:

Name:	Rule Change Panel
Phone:	(08) 6557 7900
Email:	rcp.secretariat@rcpwa.com.au
Organisation:	Rule Change Panel
Address:	Albert Facey House 469 Wellington Street Perth WA 6000
Date submitted:	TBA
Urgency:	Fast Track Rule Change Process
Rule Change Proposal title:	Manifest Error in the Deferral of Dates for the 2018 Reserve Capacity Cycle
Market Rule(s) affected:	1.27.1

Introduction

Clause 2.5.1 of the Wholesale Electricity Market (WEM) Rules (Market Rules) provides that any person may make a Rule Change Proposal by completing a Rule Change Proposal form that must be submitted to the Rule Change Panel.

This Rule Change Proposal can be sent by:

Email to: rcp.secretariat@rcpwa.com.au

Post to: Rule Change Panel
 Attn: Executive Officer
 C/o Economic Regulation Authority
 PO Box 8469
 PERTH BC WA 6849

The Rule Change Panel will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives.

The objectives of the market 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.

Details of the Proposed Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed rule change:

On 18 June 2018, the Public Utilities Office (PUO) published draft Amending Rules for the deferral of dates for the 2018 Reserve Capacity Cycle (**Draft Amending Rules**). The submission period to provide feedback on the Draft Amending Rules closed on 22 June 2018.

The Minister implemented the *Wholesale Electricity Market Rules Amending Rules 2018 (No. 2)* by publishing the Amending Rules in the Government Gazette on 27 June 2018 (Gazette No. 2018/99). The Amending Rules commenced at 8:00 AM on 29 June 2018.

On 27 June 2018, just after the publication of the Gazette, the PUO informed RCP Support that clauses 1.27.1(i) and 1.27.1(j) of the Amending Rules inadvertently deviated from the Draft Amending Rules, as shown in the following table:

Clause	Drafting in the Draft Amending Rules	Drafting in Gazetted Amending Rules
1.27.1(i)	clause 4.1.16A is modified so that if a Reserve Capacity Auction is cancelled, AEMO must assign Capacity Credits in accordance with clause 4.20.5A(a) and make the determination referred to in clause 4.1.16A(b) by 5:00 PM on 15 May 2019	clause 4.1.16A is modified so that so that, if a Reserve Capacity Auction proceeds, then AEMO must accept submission of Reserve Capacity Offers from Market Participants in accordance with clause 4.17.2 from 9:00 AM on 17 May 2019

Clause	Drafting in the Draft Amending Rules	Drafting in Gazetted Amending Rules
1.27.1(j)	clause 4.1.17(a)(iii) is modified so that, if a Reserve Capacity Auction proceeds, then AEMO must accept submission of Reserve Capacity Offers from Market Participants in accordance with clause 4.17.2 from 9:00 AM on 17 May 2019	clause 4.1.17(a)(iii) is modified so that, if a Reserve Capacity Auction proceeds, then AEMO must accept submission of Reserve Capacity Offers from Market Participants in accordance with clause 4.17.2 from 9:00 AM on 13 May 2019

The PUO confirmed that the deviations were caused by a clerical error, and the Minister's intent was to implement the clauses as set out in the Draft Amending Rules.

The deviations, as well as being contrary to the Minister's intent, create two manifest errors in the Market Rules:

- New clause 1.27.1(i) seeks to modify clause 4.1.16A by changing the start time of the submission window for Reserve Capacity Offers for the case where a Reserve Capacity Auction proceeds. This is a manifest error because clause 4.1.16A specifies AEMO's obligations in the case where the Reserve Capacity Auction is cancelled, not where the Reserve Capacity Auction proceeds.
- New clause 1.27.1(j) modifies clause 4.1.17(a)(iii) so that, if a Reserve Capacity Auction proceeds, the submission window for Reserve Capacity Offers opens at 9:00 AM on 13 May 2019. This is a manifest error because the specified deadline is two days before AEMO must publish whether a Reserve Capacity Auction is required under new clause 1.27.1(h). It would be illogical for AEMO to open the submission window for Reserve Capacity Offers before it publishes its decision on whether a Reserve Capacity Auction is needed.

The two errors interfere with the efficient operation of the 2018 Reserve Capacity Cycle by creating ambiguity about AEMO's obligations under clauses 4.1.16A and 4.1.17(a)(iii) of the Market Rules.

This Rule Change Proposal seeks to correct the problem by replacing clauses 1.27.1(i) and 1.27.1(j) with the drafting set out in the Draft Amending Rules.

This Rule Change Proposal further seeks to correct a minor punctuation error in clause 1.27.1, where the text preceding the list of amendments ends with a long dash. This should be a colon.

2. Explain the reason for the degree of urgency:

While the relevant events will not occur until May 2019, the Rule Change Panel considers it preferable to make the changes as soon as practicable to remove any uncertainty for AEMO or Market Participants.

Further, the proposed amendments seek to correct minor or manifest errors, and thereby satisfy the criteria set out in clauses 2.5.9(a) and 2.5.9(b) of the Market Rules for use of the Fast Track Rule Change Process.

The Rule Change Panel therefore intends to progress this proposal under the Fast Track Rule Change Process.

3. Provide any proposed specific changes to particular Market Rules: *(for clarity, please use the current wording of the rules and place a ~~strikethrough~~ where words are deleted and underline words added)*

1.27.1. Notwithstanding any other provision of these Market Rules, the operation of the following clauses is modified in respect of the 2018 Reserve Capacity Cycle as follows—follows:

...

(i) ~~clause 4.1.16A is modified so that so that, if a Reserve Capacity Auction proceeds, then AEMO must accept submission of Reserve Capacity Offers from Market Participants in accordance with clause 4.17.2 from 9:00 AM on 17 May 2019~~clause 4.1.16A is modified so that if a Reserve Capacity Auction is cancelled, AEMO must assign Capacity Credits in accordance with clause 4.20.5A(a) and make the determination referred to in clause 4.1.16A(b) by 5:00 PM on 15 May 2019;

(j) clause 4.1.17(a)(iii) is modified so that, if a Reserve Capacity Auction proceeds, then AEMO must accept submission of Reserve Capacity Offers from Market Participants in accordance with clause 4.17.2 from 9:00 AM on ~~13~~17 May 2019;

...

4. Describe how the proposed rule change would allow the Market Rules to better address the Wholesale Market Objectives:

The Rule Change Panel considers that the proposed amendments will better achieve Wholesale Market Objective (a) as they correct manifest errors that interfere with the efficient operation of the 2018 Reserve Capacity Cycle. Further, the amendments are consistent with the remaining Wholesale Market Objectives.

5. Provide any identifiable costs and benefits of the change:

Costs

The proposed amendments are not expected to impose any costs on Market Participants or AEMO.

Benefits

The proposed changes correct manifest errors in the Market Rules, and will ensure that the 2018 Reserve Capacity Cycle functions as intended, thereby improving the integrity of the Market Rules.

Agenda Item 8(d): Pre-Rule Change Proposal RC_2018_05: Market Rules 2.13 and 2.16: Market data access and use restrictions and SRMC investigation process

Meeting 2018_08_18

1. The Proposal

The Economic Regulation Authority (**ERA**) is seeking the Market Advisory Committee's (**MAC**) feedback on Pre-Rule Change Proposal RC_2018_05 (Attachment 1) with the intention to submit the proposal, pending the MAC's views. The ERA proposes changes to:

1. give the ERA broader access to market data via changes to clauses 2.13.9A; 2.13.9B; 2.15.3 of the Wholesale Electricity Market Rules (**Market Rules**), and adding clause 2.13.9E;
2. remove some restrictions on the ERA's use of information via the addition of clause 2.16.14A; and
3. allow the ERA to bring proceedings to the Electricity Review Board pursuant to a clause 2.16.9B (market power) investigation via changes to clause 2.16.9G.

A copy of the Pre-Rule Change Proposal is provided in Attachment 1.

2. Recommendation

It is recommended that the MAC:

- discuss the ERA's Pre-Rule Change Proposal;
- provide any feedback on the Pre-Rule Change Proposal to the ERA; and
- consider the urgency rating that should be recommended to the Rule Change Panel for the Pre-Rule Change Proposal.¹

Attachment 1: Pre-Rule Change Proposal RC_2018_05: Market Rules 2.13 and 2.16: Market data access and use restrictions and SRMC investigation process.

¹ The urgency ratings used by the Rule Change Panel include:

1. Essential: Legal necessity, unacceptable market outcomes, or a serious threat to power system security and reliability.
2. High: Compelling proposal, and either large benefit or necessary to avoid serious perverse market outcomes.
3. Medium: Net benefit may be:
 - large, but needs more analysis to determine; or
 - material, but not large enough to warrant a High rating.
4. Low: Minor net benefit (e.g. reduced administration costs).
5. Housekeeping: Negligible market benefit (e.g. improves readability of the rules).

Wholesale Electricity Market Rule Change Proposal

Rule Change Proposal ID: *[to be filled in by the RCP]*
Date received: *[to be filled in by the RCP]*

Change requested by:

Name:	ERA contact person: Adrian Theseira
Phone:	08 6557 7901
Email:	adrian.theseira@erawa.com.au
Organisation:	<i>Economic Regulation Authority</i>
Address:	469-489 Wellington Street Perth WA 6000
Date submitted:	<i><date submitted to the RCP></i>
Urgency:	<i>3 - Medium</i>
Rule Change Proposal title:	Market Rules 2.13 and 2.16: Market data access and use restrictions and SRMC investigation process
Market Rule(s) affected:	2.13.9A, 2.13.9B, 2.13.9E (New), 2.15.3, 2.16.14A (New), 2.16.9G

Introduction

Clause 2.5.1 of the Wholesale Electricity Market (WEM) Rules (Market Rules) provides that any person may make a Rule Change Proposal by completing a Rule Change Proposal form that must be submitted to the Rule Change Panel.

This Rule Change Proposal can be sent by:

Email to: rcp.secretariat@rcpwa.com.au

Post to: Rule Change Panel
 Attn: Executive Officer
 C/o Economic Regulation Authority
 PO Box 8469
 PERTH BC WA 6849

The Rule Change Panel will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives.

The objectives of the market 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.

Details of the Proposed Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed rule change:

Background

The Economic Regulation Authority (ERA) became responsible for the compliance and enforcement functions under the Market Rules on 1 July 2016. Prior to this, the Independent Market Operator (IMO) was responsible for these functions.

The ERA is seeking to address three issues with the Market Rules that have arisen following the transfer of monitoring and compliance functions, namely:

1. The ability of the ERA to access and require the provision of market data held by AEMO (information access);
2. Restrictions on the use of information provided to the ERA for the purposes of monitoring compliance and enforcement (information use restriction); and
3. The ability of the ERA to bring proceedings to the Electricity Review Board (ERB) following an investigation under clause 2.16.9B, concerning short run marginal cost non-compliance (enforcement issue).

These three issues were first discussed with the Market Advisory Committee (MAC) at its meeting on 13 December 2017 in the context of the MAC Rules Issues List. To satisfy the requirement in clause 2.5.1B of the Market Rules, the ERA further consulted with MAC at its meeting on 13 June 2018. At this meeting it was agreed that the ERA would prepare this Pre-Rule Change Proposal.

Details of the three issues that the ERA is seeking to address are discussed below.

Issue 1: Information access

The Market Rules require the ERA to generally monitor participants' compliance. The relevant clauses of the Market Rules are:

- 2.13.2. *The Economic Regulation Authority must monitor other Rule Participants' behaviour (including AEMO's and System Management's behaviour) for compliance with the Market Rules and Market Procedures in accordance with the Monitoring Protocol.*
- 2.13.3. *The Economic Regulation Authority must ensure it has processes and systems in place to allow it to monitor Rule Participants' behaviour for compliance with the Market Rules and Market Procedures in accordance with the Monitoring Protocol.*

Effective compliance monitoring for the market must include the review and analysis of market data to identify potential areas of non-compliance. However, there is no head of power in the Market Rules to expressly require the provision of market data from AEMO to support the ERA's compliance monitoring function.

The IMO, when it had responsibility for Market Rule compliance monitoring, did not have any restrictions on the access and use of market data already in its possession for its compliance activities. The ERA should have the same level of access to market data now that it has responsibility for compliance.

The ERA could require the provision of this data using its powers under section 51 of the *Economic Regulation Authority Act* to obtain information to assist the ERA in the performance of its functions. To date the ERA has not used this power to gather the relevant data because it considers that the more appropriate solution is to amend the rules to address the head of power problem. This was discussed at the 13 June 2018 MAC meeting.

The proposed solution is to include a new clause 2.13.9E to require AEMO, including in its capacity as System Management, to provide access to market data required by the ERA for the purposes of monitoring Rule Participants' behaviour for compliance with the Market Rules and the Market Procedures. A corresponding minor amendment to clause 2.13.9B is also proposed to ensure that AEMO's processes to support the ERA's compliance function include providing access to market data.

At the December 2017 MAC meeting, there were concerns that AEMO may receive information from participants that is not mandated by the Market Rules (that is, information other than market data required under the Market Rules). Views were that this ancillary information should not be generally made available to the ERA without the ERA having specific cause and making a specific request for that information. In response to this feedback, the proposed amendments are confined to AEMO providing the ERA with 'market data' (that is, through access to AEMO's data warehouse).

While market data is not defined in the Market Rules, from the ERA's perspective it refers to the operational and transactional type market data held by AEMO under the Market Rules. It includes data such as dispatch instructions, outage records, merit orders, participants' price-quantity bids, where this data is contained in the list of market information referred to in clause 10.1.1 of the Market Rules. It does not include commercially sensitive information such as fuel contracts, financial information and the like, or information that is ancillary to that required under the Market Rules. The market data term is also explained by way of example in the ERA's Monitoring Protocol. Paragraph 2.2.1(a) of the Monitoring Protocol states:

- 2.1.2 *The ERA will monitor Rule Participants' compliance using various methods, including but not limited to...*

Market Monitoring: Analysing market data through a suite of tools and systems (e.g. bidding and pricing information, dispatch data, outage data etc) which may identify potential areas of non-compliance...

Corresponding amendments are also proposed to clause 2.15.3 to specify that the support provided by AEMO to the ERA for compliance monitoring is to be documented in the ERA's Monitoring Protocol (for example, providing access to market data). This will ensure there is transparency around the type of support being provided by AEMO to the ERA. No amendments are required to the Monitoring Protocol because it already states:

- 2.2.1 *AEMO must support the ERA's function to monitor compliance (Market Rule 2.13.9A). AEMO (including in its capacity as System Management) supports the ERA's compliance monitoring processes by:*

- (a) providing access to market data, including through the use of and/or access to AEMO systems to the extent permitted by law;*
- (b) notifying the ERA if it becomes aware of an alleged breach of the Market Rules or Market Procedures in accordance with Market Rules 2.13.6A (subject to the exceptions referred to in Market Rule 2.13.6B), 2.13.8 and 2.13.9C.*

Clause 2.13.9A, which refers to AEMO providing support to the ERA for compliance, currently excludes certain clauses monitored by System Management. In practice the support provided by AEMO does not exclude rules monitored by System Management. Clause 2.13.9A should be amended to remove this exclusion.

For completeness, the ERA has considered whether there are any consequences of the proposed rule changes to AEMO's Monitoring and Reporting Protocol. The Market Rules require AEMO's Monitoring and Reporting Protocol to specify how it will implement its obligations to support the ERA monitoring compliance (clause 2.15.6B). AEMO's Monitoring and Reporting Protocol is currently under development. AEMO's draft protocol specifies that "AEMO maintains market data for the purposes of the WEM Rules that the ERA may access via an online data warehouse or via other tools"¹. This drafting is consistent with the amendments to the Market Rules proposed in this Rule Change Proposal.

Issue 2: Information use restriction

AEMO provides the ERA with access to a set of operational and transactional market data for its market monitoring and effectiveness functions under clause 2.16.1(a) of the Market Rules (referred to as the Market Surveillance Data Catalogue data). The Market Surveillance Data Catalogue data includes data that is directly relevant to a number of the ERA's functions under the Market Rules.

Clause 2.16.14 of the Market Rules prevents the Market Surveillance Data Catalogue data provided to the ERA by AEMO from being used for any other purpose outside of the ERA's functions contained in clause 2.16. Clause 2.16.14 states:

- 2.16.14. *The Economic Regulation Authority must use any information collected under this clause 2.16, including information provided to it by AEMO,*

¹ Refer to: http://www.aemo.com.au/Stakeholder-Consultation/Consultations/AEPC_2018_01

only for the purpose of carrying out its functions under this clause 2.16.

...

The ERA's function under clause 2.16 of the Market Rules is to monitor the effectiveness of the market. The ERA has numerous other functions under other provisions of the Market Rules for which the Market Surveillance Data Catalogue data under clause 2.16.1(a) is relevant. For example, ancillary services data made available to the ERA is also relevant to the ERA's compliance functions under clause 2.13 and other functions the ERA has under the Market Rules. Access to ancillary services data will assist with the ERA's annual audit and approval of AEMO's ancillary services requirements under clauses 3.11.6 and 3.11.12 and the five-yearly review of ancillary services standards under clause 3.15 of the Market Rules.

The ERA considers a new clause 2.16.14A should be included in the Market Rules to remove the restriction on the use of Market Surveillance Data Catalogue data provided under clause 2.16.1(a) so that it can be used for any of the ERA's functions under the Market Rules.

Issue 3: Enforcement issue

Clause 2.16.9B of the Market Rules refers to the ERA finding that particular prices offered by a Market Generator may exceed the participant's reasonable expectation of the short run marginal cost of the relevant electricity where the behaviour relates to market power. This finding commences the process of investigation as the ERA is then required to, as soon as practicable, request an explanation from the Market Generator and investigate the identified behaviour.

In the version of the Market Rules in force immediately before 1 July 2016, the process of investigation under clause 2.16 differed as the ERA was only required to investigate the behaviour if the IMO concluded that the prices offered by a Market Generator may exceed short run marginal cost and the IMO considered that the behaviour related to market power. It was only if the ERA determined that the prices subject to the investigation exceeded the reasonable expectation of the Market Generator's short run marginal cost that the ERA was required to request that the IMO apply to the ERB for an order for contravention, and the IMO was required to refer the matter to the ERB.

These provisions have been deleted from the Market Rules due to the transfer of the IMO's compliance and enforcement functions to the ERA. There is no longer an explicit link between the ERA's investigation under clause 2.16.9B and an ability to bring proceedings before the ERB. At the conclusion of its investigation the ERA must still publish the results and this concludes the clause 2.16 investigation process.

The ERA's enforcement powers exist in clause 2.13 of the Market Rules. Clause 2.13.18(b) of the Market Rules expressly provides the ERA with a power to bring proceedings before the ERB, but only following an investigation referred to in clause 2.13.10(b). It does not extend to bringing proceedings following an investigation under clause 2.16.9B.

The ERA's power to investigate the behaviour under clause 2.16.9B is separate from the ERA's power to investigate alleged breaches under clause 2.13.10. This is because:

- clauses 2.13.10 to 2.13.14 set out a process of investigation into alleged breaches; and
- following on from such an investigation, clause 2.13.15 (where an alleged breach relates to a Category A Market Rule) and clause 2.13.18 (where an alleged breach relates to a Category B or Category C Market Rule) provide the ERA with the ability to bring proceedings before the ERB.

This means the ERA would need to complete an additional and separate investigation into the same behaviour as it pertains to the ERA's compliance function under clause 2.13.10 in order to apply to the ERB. This is clearly inefficient and not only places an additional burden on the ERA, but also requires the Rule Participant to co-operate with a second investigation. The information restriction issue discussed above further complicates the investigation process as any information gathered in the clause 2.16 investigation cannot currently be used for the purposes of the investigation under clause 2.13 of the Market Rules (see Issue 2 above).

The ERA's recommended solution is to insert a new clause 2.16.9G to the effect that the ERA may, following an investigation pursuant to clause 2.16.9B, bring proceedings before the ERB where the ERA concludes the behaviour is in contravention of the Market Rules.

The proposed amendment better achieves the Market Objectives by only requiring one investigation, hence reducing the potential investigation costs for the ERA and the relevant participant.

2. Explain the reason for the degree of urgency:

Delays in addressing the problems set out in this Rule Change Proposal pose the following risks:

- the failure of the ERA to adequately perform and discharge its monitoring and compliance functions under the Market Rules; and
- increased administrative burden and costs to Market Participants where a second investigation is required to be performed by the ERA.

The MAC's Rules Issues List assigns the issues the subject of this proposal an urgency rating of Medium (3). The ERA agrees with the assigned rating.

3. Provide any proposed specific changes to particular Market Rules: *(for clarity, please use the current wording of the rules and place a ~~strike through~~ where words are deleted and underline words added)*

Issue 1: Information access

2.13.9A AEMO must support the Economic Regulation Authority's function of monitoring Rule Participants' behavior for compliance with the provisions of the Market Rules (~~other than a provision of the Market Rules referred to in clause 2.13.9~~) and the Market Procedures.

2.13.9B AEMO must ensure it has processes and systems in place to allow it to support the Economic Regulation Authority's monitoring of Rule Participants' behaviour (including the Economic Regulation Authority's access to market data held or managed by AEMO under clause 2.13.9E).

...

2.13.9E AEMO must provide the Economic Regulation Authority with access to any market data that is considered by the Economic Regulation Authority to be necessary for the purposes of monitoring Rule

Participants' behaviour for compliance with the provisions of the Market Rules and the Market Procedures.

- 2.15.3. The Monitoring Protocol must specify:
- (a) the Economic Regulation Authority's monitoring processes for assessing compliance with the Market Rules and Market Procedures by Rule Participants;
 - (b) [Blank] the support that AEMO is required to provide to the Economic Regulation Authority to monitor Rule Participants' behavior for compliance under clause 2.13.9A;
 - (c) a process for Rule Participants to report alleged breaches of the Market Rules or Market Procedures;
 - (d) processes for investigations into alleged breaches of the Market Rules or Market Procedures;
 - (e) guidelines for the Economic Regulation Authority when issuing warnings about alleged breaches of the Market Rules or Market Procedures to Rule Participants under clause 2.13.10(c); and
 - (f) the procedure for bringing proceedings in respect of Category B or C Market Rule breaches before the Electricity Review Board.

Issue 2: Information use restriction

2.16.14A Notwithstanding clause 2.16.14, the Economic Regulation Authority may use any information provided under clause 2.16.1(a) for the purposes of carrying out any of its functions under the Market Rules.

Issue 3: Enforcement issue

2.16.9G. [Blank] Where the Economic Regulation Authority determines pursuant to the investigation under clause 2.16.9B that:

(a) prices offered in the Portfolio Supply Curve the subject of the investigation did not reflect the Market Generator's reasonable expectation of the short run marginal cost of generating the relevant electricity;

(b) prices offered in a Balancing Submission the subject of the investigation exceeded the Market Generator's reasonable expectation of the short run marginal cost of generating the relevant electricity; or

(c) prices offered in the LFAS Submission the subject of the investigation exceeded the Market Generator's reasonable expectation of the incremental change in short run marginal cost incurred by the LFAS Facility in providing the relevant LFAS,

and the behaviour relates to market power, the Economic Regulation Authority may bring proceedings before the Electricity Review Board

4. Describe how the proposed rule change would allow the Market Rules to better address the Wholesale Market Objectives:

This Rule Change Proposal seeks to address inefficiencies with the ERA's monitoring and compliance functions under the Market Rules. The compliance functions are essential to facilitating achievement of the Wholesale Market Objectives, particularly:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system; and
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system.

5. Provide any identifiable costs and benefits of the change:

There are no identifiable costs associated with the Rule Change Proposal for Rule Participants (including AEMO and the ERA).

This Rule Change Proposal will result in greater efficiencies in the performance of the monitoring and compliance activities of the ERA. The proposed amendments also have the benefit of reducing the ERA's and participants costs associated with investigations of short run marginal cost matters.

Agenda Item 9: Treatment of Storage Facilities in the Wholesale Electricity Market

8 August 2018

This paper was discussed by the Market Advisory Committee (**MAC**) on 9 May 2018, and RCP Support has made additions to this paper, indicated in **red font**, to reflect comments made by MAC members on that date, and in subsequent emails. Unless the MAC has any further significant comments, RCP Support will provide this paper to the Public Utilities Office on behalf of the MAC, to support the Wholesale Electricity Market Reform Program.

1. Background

On 9 May 2018, the Market Advisory Committee (**MAC**) held a preliminary discussion on the treatment of storage facilities in the Wholesale Electricity Market (**WEM**). The discussion was part of the MAC's work to establish the MAC Market Rules Issues List, as the MAC had identified the treatment of storage facilities as one of seven broader issues that require further review before specific changes to the Market Rules are progressed.

Full details of the discussion, including the discussion paper prepared by RCP Support and the minutes of the 9 May 2018 meeting, are available on the Rule Change Panel's website.¹

The scope of the discussion was whether, when and how to facilitate the participation of storage devices in the WEM as either:

- stand-alone Registered Facilities; or
- components of hybrid Facilities, to improve the performance of those Facilities, e.g.
 - combined with intermittent generating units (wind/solar) to improve reliability at peak and/or reduce volatility; or
 - combined with a dispatchable generating unit, to improve start-up times and/or ramp rates.

The scope was not restricted to any specific storage technologies (although battery storage is an obvious candidate for the WEM), as it will be important to ensure that future provisions for storage in the WEM do not inadvertently exclude any potentially valuable storage technologies.

The scope did not include the following issues, which will be covered in a separate preliminary MAC discussion of behind-the-meter issues:

- behind-the-meter battery storage that is not a part of a Registered Facility;
- virtual power plants, i.e. distributed power plant that is spread across the SWIS and aggregates a large number of battery storage devices;
- community energy storage, i.e. storage devices concentrated in a small area of the SWIS, such as small communities and aged care facilities;

¹ See [Market Advisory Committee - Economic Regulation Authority Western Australia](#).

- provision of ancillary services from aggregations of Loads; and
- the future role of electric vehicles in the WEM.

2. MAC Conclusions and Recommendations

The MAC agreed that:

- storage could, as part or all of a Registered Facility, help to address several of the current and developing problems facing the WEM; and
- support for storage facilities should be implemented in the WEM as soon as possible, and in a staged manner if necessary.

The MAC also supported the Public Utilities Office's (PUO's) plan to:

- include support for storage within the scope of the Minister's WEM reform program (**WEM Reform Program**); and
- bring forward any changes that can be made and provide benefits in advance of the proposed 2022 implementation date for the WEM Reform Program.

Sections 3, 4 and 5 of the discussion paper contained a draft summary of:

- the specific characteristics of storage that will need to be kept in mind when considering how storage devices should be incorporated into the WEM design;
- the services that might be provided by a stand-alone registered storage facility, and the market design questions that will need to be addressed to implement support for stand-alone storage facilities; and
- how storage devices might be used as a component of a hybrid Registered Facility, and the market design questions that will need to be addressed to allow storage devices to participate in the WEM in this way.

The MAC suggested some additions to the summary in the discussion paper and recommended that it be provided to the PUO as an input to the WEM Reform Program. An updated version of the summary, which reflects comments made by MAC members and observers at the 9 May 2018 meeting and in subsequent email responses to a request made at the meeting for additional suggestions, is provided in sections 3, 4 and 5 below. (The email responses have also been forwarded to the PUO for information.) Changes to the draft version are shown in red.

3. Characteristics of Storage Devices

The characteristics of storage are different in several ways from those of the more traditional facility types. While different storage devices have varying characteristics, strengths and weaknesses (e.g. varying abilities to switch rapidly between charging and discharging), in general storage devices:

- (for stand-alone devices at least) both import and export material quantities of energy from/to the grid;
- have limited run times and require time to recharge after discharging; and
- are capable of very fast start-up times, response times and ramp rates.

These characteristics will need to be kept in mind when considering how storage devices should be incorporated into the WEM design.

4. Stand-Alone Storage Facilities

The services that might be provided by a stand-alone registered storage facility include (but are not limited to):

- regulation (LFAS) ancillary services;
- contingency raise (Spinning Reserve) and lower (Load Rejection Reserve) ancillary services, including fast response services;
- inertia and droop response;
- network support and control ancillary services, including power quality services, transient stability services, voltage control, network reliability services and deferral of network investment;
- system restart ancillary services;
- provision of energy at times of peak system demand (Reserve Capacity);
- provision of fast-ramping, short-term energy provision to help manage evening peaks; and
- temporary absorption of what would otherwise be excess generation during low-demand periods.

However, to support this level of participation the following design questions (at least) would need to be considered.

Registration and Standing Data

The WEM does not have a 'storage' facility type that could be used to register a stand-alone, utility-scale storage device. The participant and facility classes for storage would need to be carefully defined to avoid unnecessary complexity and IT costs, or the creation of perverse incentives.

Below are some of the questions that would need to be considered.

- How should a stand-alone storage facility be registered, e.g. as one Facility of a distinct, new Facility Class (possibly with two dispatchable unit ids), or as a linked Generator/Load pair?²
- When must/may a storage facility be registered in the WEM, e.g. would the existing 10 MW threshold for generating units also apply to storage?
- When should the output of a storage facility need to be scheduled?
- When should the 'load' component of a storage facility need to be:
 - registered (i.e. to ensure some ability for AEMO to monitor and/or direct its activity); and/or
 - scheduled?
- Should a Rule Participant that registers a stand-alone storage facility be a Market Generator, Market Customer, both, or some other type of Market Participant?
- What Standing Data would be required for a storage facility?

² For convenience, the remainder of this paper assumes a single 'Storage' Facility, with a single connection point and meter, potentially with two distinct identifiers for participant in dispatch processes (for each of generation and consumption). However, this is obviously only one of several options.

- Should the energy drawn from the connection point of a registered stand-alone storage facility be used for any other purpose except to charge and operate the storage device?
- **What mechanisms could be used to avoid the potential 'double-counting' of large-scale renewable energy certificates arising from the charging and discharging of a storage facility?**

Participation in the Reserve Capacity Mechanism (RCM)

The eligibility of storage facilities for Certified Reserve Capacity also needs to be considered. As consumers of energy, storage facilities should also be eligible for Individual Reserve Capacity Requirement (**IRCR**) charges.

Below are some of the questions that would need to be considered.

- What should the certification requirements and Reserve Capacity Obligations be for a storage facility? For example:
 - Should storage facilities be able to meet their Reserve Capacity Obligations by reducing their 'consumption', or should they be required to actually provide output to the grid?
 - What minimum run times and maximum recharge times would be sufficient to provide a viable Reserve Capacity service? **How would these align with the current fuel storage requirements for Scheduled Generators?**
 - What rules should apply regarding when a storage facility must be available to provide output to the grid? How would the facility's Reserve Capacity Obligation Quantity in a Trading Interval be determined?
 - What rules, if any, should apply regarding when a storage facility may draw energy from the grid?
- Would a system-wide limit need to be set on the quantity of certified storage capacity that is charged from the grid? How would such a limit be determined?
- What should the Reserve Capacity Test requirements be for a storage facility? For example, would a Reserve Capacity Test need to last for the full agreed minimum discharge period to adequately demonstrate the ability of the facility to meet its Reserve Capacity Obligations?
- What changes, if any, would be needed to the Market Rules to account for storage facilities in the calculation of IRCRs?

Participation in the Short Term Energy Market (STEM)

Below are some of the questions that would need to be considered regarding the rights and obligations of Market Participants with storage facilities to participate in the STEM.

- What should be the requirement for a storage facility with Capacity Credits to offer into the STEM?
- What Energy Price Limit should apply to energy from a storage facility that is offered into the STEM?
- What restrictions, if any, should be placed on the ability of a Market Participant with a stand-alone storage facility to purchase energy in the STEM?

Participation in the Real-Time Energy and Ancillary Service Markets

The ability of storage facilities to participate in the real-time energy and ancillary service markets will depend on and should be considered during the design of those markets. Storage facilities are also likely to be able to provide other, non-market ancillary services to the WEM.

Below are some of the questions that would need to be considered.

- What obligations should apply to how/when storage facilities with/without Capacity Credits must participate in the real-time spot market (given that these facilities are likely to have limited run times)?
- What Energy Price Limits should apply to storage facility dispatch offers and bids?
- What method should be used to ensure that a storage facility never receives dispatch instructions to charge and discharge at the same time?
- What, if any, specific provisions are needed to manage the transition of a storage facility from charging to discharging?
- What, if any, specific provisions are needed to account for the fast ramp rates of storage devices?
- What, if any, specific provisions are needed to facilitate the participation of storage facilities in the frequency control ancillary service markets?
- What other ancillary services could be provided by storage facilities, and what are the technical requirements for these services?
- What compliance and good faith bidding obligations should apply to storage facilities, e.g. should similar obligations apply to dispatch bids (for consumption) as to dispatch offers (for generation)?
- How should the tolerance range for a scheduled storage facility be determined?
- What factors affect the short run marginal cost of a storage facility?

Planning, Forecasting and Outages

Below are some of the questions that would need to be considered in relation to planning, forecasting and the management of outages.

- How should storage facilities be accounted for in the LT PASA, MT PASA, ST PASA and pre-dispatch processes? For example:
 - what changes, if any, would be needed to accommodate the forecast consumption of storage facilities; and
 - what changes, if any, would be needed to account for the limited discharge duration of storage facilities and the time needed for them to recharge?
- What should the outage reporting obligations be for a storage facility, e.g. how should the limited run times and recharge needs of a storage facility be taken into account? For example, if a storage facility had a problem that increased its recharge time, would this be regarded as an outage?
- What information should be made publicly available about the current status of a storage facility, e.g. its state of charge and/or input/output level?
- Would any specific commissioning test provisions be needed, e.g. around the testing of the charging capabilities of the facility?

Settlement and Fees

Below are some of the questions that would need to be considered.

- How should Market Fees be allocated to Market Participants with storage facilities?
- How should reconciliation charges be allocated to Market Participants with storage facilities?
- On what basis should ancillary service costs be allocated to Market Participants with storage facilities?
- How should storage facility capacity be treated in the calculation of dynamic refund factors?
- Should storage facilities be eligible for a share of Capacity Cost Refunds? If so, how should their share be calculated?
- How should Capacity Cost Refunds be calculated for storage facilities?
- If a five-minute dispatch cycle is implemented, should a staged transition to five-minute settlement be considered, to improve the incentives for storage facilities to participate in the real-time energy market?

Other Considerations

Other matters that would need to be considered include:

- how storage providers should be represented on the MAC;
- what changes should be made to the Market Surveillance Data Catalogue and the obligations of the Economic Regulation Authority to monitor the effectiveness of the market;
- the eligibility of storage facilities to provide Network Control Services; and
- what specific provisions, if any, would be needed around the determination of Loss Factors for storage facilities, e.g. to require the calculation of individual Loss Factors, and whether/when different Loss Factors would need to be determined for import and export.

Non-Market Rules Considerations

In addition to any changes required to the Market Rules, the following matters would also need to be considered:

- technical connection requirements, e.g. the Technical Rules will need to be amended to include the following connection requirements for storage facilities: voltage regulation, frequency control, harmonics, fault levels, protection and communications;
- implications for the Network Quality and Reliability of Supply Code;
- access contract arrangements, e.g. do any reference services need to be created/amended;
- connection point and metering requirements; and
- licensing requirements.

5. Use of Storage Devices in Hybrid Facilities

A storage device could also be used as a component of a hybrid Registered Facility. Examples include:

- a battery installed behind the connection point of an Intermittent Generator, to improve the reliability of the Intermittent Generator during peak Trading Intervals and/or to reduce the volatility of the Intermittent Generator's output; and
- a battery installed behind the connection point of a Scheduled Generator, to reduce the effective start-up time and/or increase the effective ramp rate of the Scheduled Generator.

The use of storage as part of an Intermittent Generator or Scheduled Generator would raise different market design issues to those discussed above for a stand-alone Registered Facility. Below are some of the market design questions that would need to be considered.

- What additional/different technical connection requirements should apply?
- What additional/different Standing Data requirements would apply?
- What processes would be needed to report and manage periods when the storage device is unavailable or not fully operational?
- For Intermittent Generators incorporating a storage device:
 - How would the presence of the storage device affect the forecasting of the Facility's output over different time scales?
 - How would the presence of the storage device affect the Intermittent Generator's participation in the RCM? For example:
 - What obligations, if any, might need to be placed on the Generator regarding the use of the storage device, if that device is used to increase the Relevant Level of the hybrid Facility (i.e. for the operation of the storage device to be consistent with the mode of operation assumed for certification)?
 - What restrictions, if any, should apply to the charging of the storage device from the grid?
 - If central wind/solar forecasting is implemented in the WEM, how would the storage device be accounted for in the forecasting process?
- For Scheduled Generators incorporating a storage device:
 - How would the presence of the storage device affect the Scheduled Generator's participation in the RCM? For example:
 - To what extent should the presence of the storage device affect the certification of the Scheduled Generator?
 - What restrictions, if any, should apply to the use of the storage device during Reserve Capacity Tests?



AR4 Capex Adjustment Proposal

Market Advisory Committee – 7 August 2018

Context and Purpose

In August 2017, the Minister for Energy announced plans to introduce constrained network access arrangements in the SWIS with complementary and consequential amendments to the WEM. The proposed timeline for implementation is October 2022.

The purpose of this presentation is to provide the MAC with an outline of how this decision impacts AEMO's AR4 (July 2016 to June 2019) position and proposed additional funding:

- Review of AR4 decisions to date;
- Current AR4 position; and
- Requirements for further CAPEX in FY18-19.

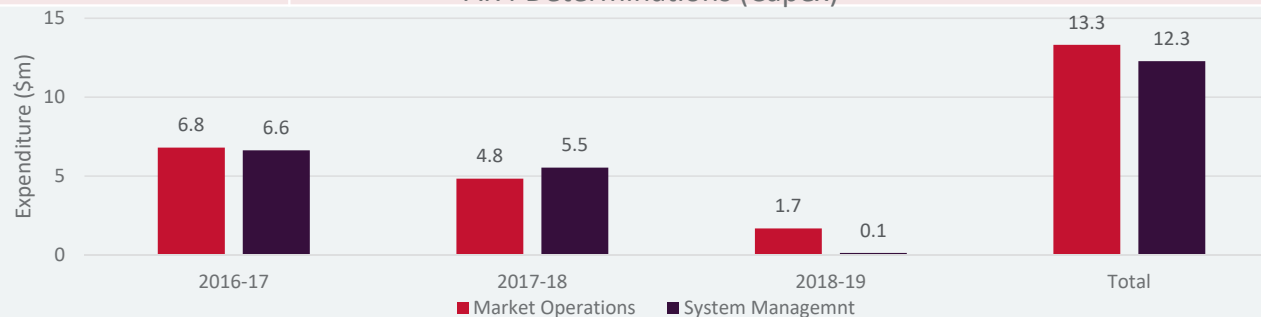
AR4 Background

AR4 period
1 July 2016 to 30 June 2019

**Market Operator (WEM)
Gas Services Information
System Management**

Timeline of versions of AR4 submissions made to the ERA

Submission	Commentary and key assumptions
September 2016 Initial AR4 proposal PARTIALLY APPROVED	Network and market reform under the Governments ERA implemented by mid-2018. Majority of 'BAU' funding approved but decision on funds related to reform deferred due to political uncertainty.
December 2016 Supplementary submission DEFERRED	Reflect impact of required legislation not receiving required Parliamentary approvals. ERA did not have sufficient time to review and deferred decision.
February 2017 Second supplementary submission APPROVED	Sought funding for completion of components already enacted in WEM rules (e.g. RCM), data centre move, Power Systems Operations (PSO), market development and market solution design. Flagged intention to return for further approvals in regard to PSO, System Management Market Systems and Market Reform activity.
July 2018 Third supplementary submission on CAPITAL EXPENDITURE ONLY	Minister for Energy has set out plans and timeframes for implementation of constrained access and WEM reforms (c. 2022) and is seeking AEMO's support in design and implementation. Timeframes also require AEMO to consider alternative approaches to the management and operation of its System Management Market Management systems.



AR4 Capex Drivers

External change is driving further CAPEX requirements in the AR4 period

Experience with AR4 has demonstrated the impact of uncertainty and the need to be flexible and dynamic.

The Government decision on market reform with planned implementation by 2022 is the biggest driver for CAPEX change:

- The WA Government has requested that AEMO take a leadership role in the design and implementation of the WEM reform, which will require significant unplanned effort in 2018-19.
- Delays require AEMO to consider alternative approaches to the management and operation of its System Management Market Management systems.

Both of these items were recognised in the ERA's July 2017 decision (in addition to the need for further funding to complete implementation of the PSO Project).

The rule change process is (and will continue) to also drive further CAPEX requirements:

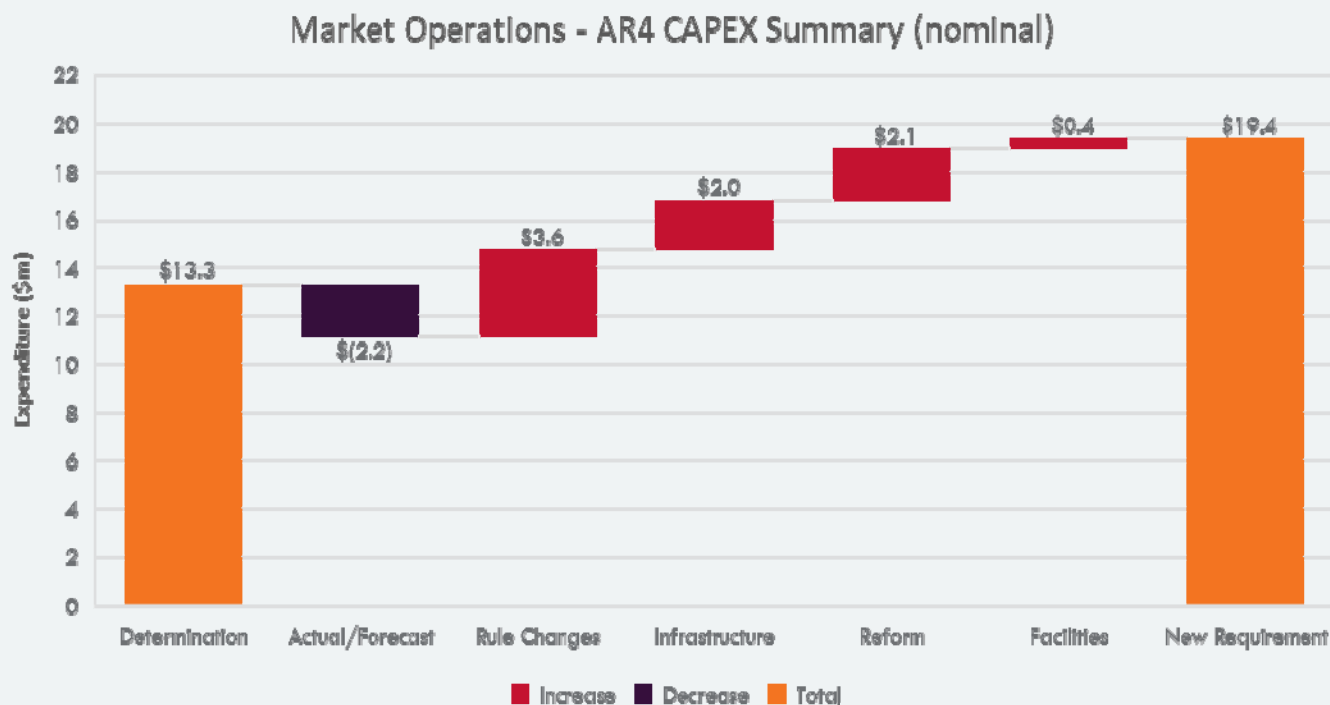
- The RCP has re-commenced a number of previously postponed rule change proposals and sought market participant views on areas for potential market development.
- 'New' rule changes are being raised by participants (e.g. Notional Wholesale Meter, Relevant Level and Spinning Reserve allocation).

AR4 Status & Forecast

Market Operations

Forecasting relatively small underspend with reform and market change driving additional requirements.

How is AEMO current tracking against the AR4?



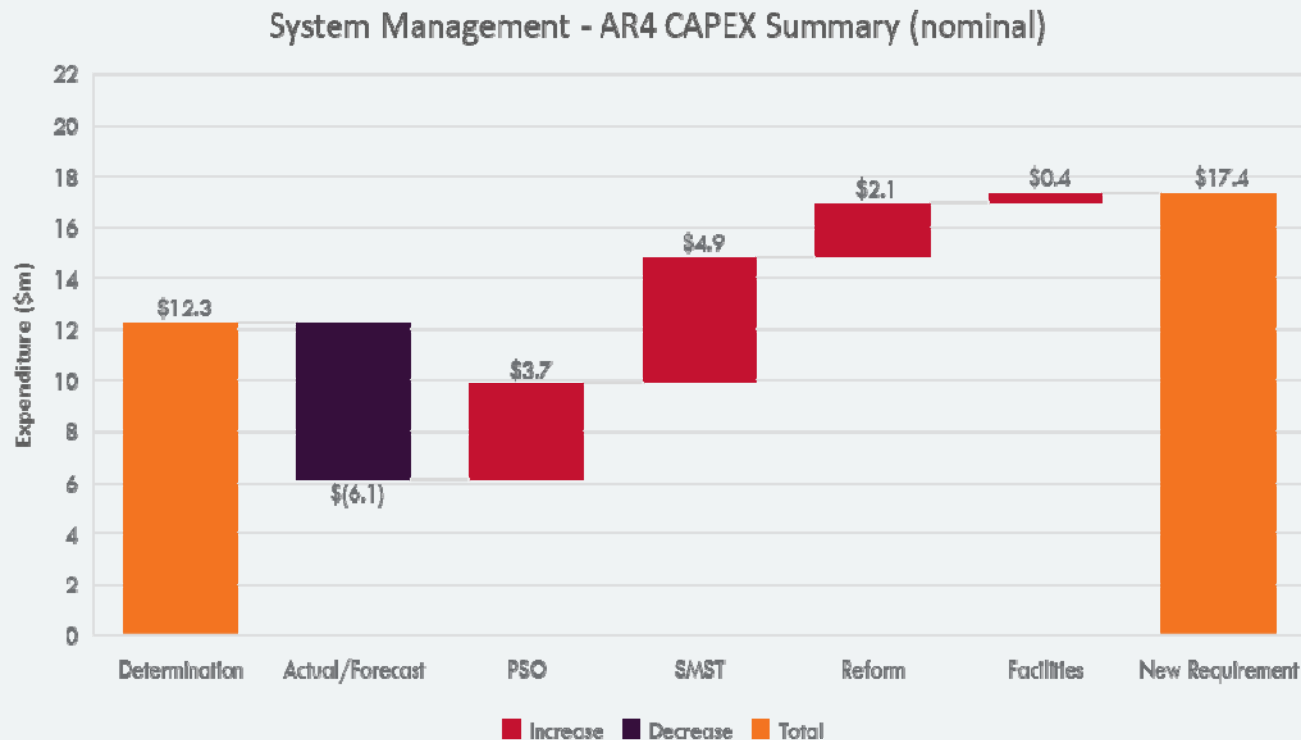
AR4 Status & Forecast

System Management

Reform and delays to implementation driving additional requirements.

Additional PSO funds (c.\$3m) flagged in 2017 offset by underspend on software/system upgrades.

How is AEMO current tracking against the AR4?



Reform Rule Change

AEMO requires changes to the WEM Rules to provide it with cost recoverable functions for future reform activity

AEMO's initial AR4 reform activities and funding were approved in line with WEM Rule 1.20:

This rule was introduced in 2016 and prescribed functions on AEMO in relation to the initial wave of reform. It was linked to the EMOP document and implementation of the program by 2020.

The context and timing for reform has changed and revision to this rule has been approved to align with the current situation. Key points are:

- The rule change confers additional functions on AEMO to prepare for and facilitate the implementation of WEM and Constrained Network Access Reform
- The rules provide guidance on the activities (e.g. planning, management, design and implementation) that AEMO can undertake in relation to reform
- Reform scope is to be endorsed by the Minister for Energy

Market Fees Impact

AEMO will start recovering approved additional revenue from the start of the AR5 period.

Forecast capex proposed is similar to the amounts approved in the first two years of the AR4 period.

The fees actually charged in the AR4 period (i.e. 2016 to 2019) is lower than CPI benchmark across the 4 years (2016 to 2020).

Market fees for 2018-19 have already been set - any impact resulting from a determination on this proposal will only apply from 2019-20 onwards.

Over the AR4 period, AEMO has recovered 5% less revenue than forecast in the ERA's July 2017 allowable revenue determination. The lower-than-forecast baseline resulting from this 5% saving means the increase required to market fees in 2019-20 to recover the capex adjustment proposed in this submission will be around 12%.

WEM fee (\$/MWh)	2018-19 (current fee)	2019-20 estimated baseline increase	2020-21 estimated baseline increase	2021-22 estimated baseline increase
Market Operations	0.35	+0.055	+0.055	+0.054
System Management	0.484	+0.047	+0.046	+0.046
Total	0.834	+0.102	+0.101	+0.100
Baseline increase resulting from AR4 adjustment	n/a	+12%	+12%	+12%

It is important to note the increases above do not include any subsequent adjustments resulting from AEMO's AR5 allowable revenue proposal.

Summary

- AEMO's submission to the ERA requests circa \$11.2m additional CAPEX to progress important projects in 2018-19.
- Principally driven by external changes, which were previously highlighted in AEMO's Feb 2017 submission.
- Recovery of reform funding is enabled through changes to WEM Rule 1.20 and supported by the letter issued by the WA Minister of Energy.
- No adjustment to allowable revenue or market fees is required for the remainder of the AR4 period. AEMO will not commence recovery of costs from market participants until the beginning of the AR5 period (1 July 2019 to 30 June 2022).
- There is a c.12% increase in fee from published 18/19 fees which also reflects an under-recovery of fees in in the AR4 period to date.