

## Minutes

<b>Meeting Title:</b>	Market Advisory Committee ( <b>MAC</b> )
<b>Date:</b>	8 August 2018
<b>Time:</b>	12:35 PM – 2:40 PM
<b>Location:</b>	Training Room No. 2, Albert Facey House 469 Wellington Street, Perth

<b>Attendees</b>	<b>Class</b>	<b>Comment</b>
Stephen Eliot	Chair	
Matthew Martin	Minister's Appointee – Small-Use Consumer Representative	
Martin Maticka	Australian Energy Market Operator ( <b>AEMO</b> )	
Dean Sharafi	System Management	
Sara O'Connor	Economic Regulation Authority ( <b>ERA</b> ) Observer	
Will Bargmann	Synergy	
Margaret Pырchla	Network Operator	
Jacinda Papps	Market Generators	
Shane Cremin	Market Generators	
Andrew Stevens	Market Generators	
Wendy Ng	Market Generators	
Patrick Peake	Market Customers	
Geoff Gaston	Market Customers	
Simon Middleton	Market Customers	
Erin Stone	Market Customers	Proxy for Steve Gould
Peter Huxtable	Contestable Customers	From 12:55 PM

<b>Apologies</b>	<b>Class</b>	<b>Comment</b>
Steve Gould	Market Generators	

<b>Also in attendance</b>	<b>From</b>	<b>Comment</b>
Jenny Laidlaw	RCP Support	Presenter, Minutes
Adrian Theseira	ERA	Presenter
Stuart Featham	AEMO	Presenter
Clayton James	AEMO	Presenter To 2:25 PM
Adivi Varma	Public Utilities Office ( <b>PUO</b> )	Observer
Steven Kruit	PUO	Observer
Thomas Coates	PUO	Observer
Rajat Sarawat	ERA	Observer
Matthew Bowen	Jackson McDonald	Observer
Ben Williams	Synergy	Observer
Oscar Carlberg	Synergy	Observer
Noel Schubert		Observer
Kei Sukmadjaja	Western Power	Observer
Daniel Kurz	Bluewaters Power	Observer
Richard Cheng	RCP Support	Observer
Laura Koziol	RCP Support	Observer
Greta Khan	RCP Support	Observer
Emma Gray	RCP Support	Observer

<b>Item</b>	<b>Subject</b>	<b>Action</b>
<b>1</b>	<b>Welcome</b>	
	The Chair opened the meeting at 12:35 PM and welcomed members and observers to the 8 August 2018 MAC meeting.	
<b>2</b>	<b>Meeting Apologies/Attendance</b>	
	The Chair noted the attendance as listed above.	
<b>3</b>	<b>Minutes from Previous Meeting</b>	
	Draft minutes of the MAC meeting held on 13 June 2018 were circulated on 28 June 2018. The Chair noted that a revised draft showing tracked changes suggested by Mr Shane Cremin was distributed in the meeting papers.	

Item	Subject	Action
	<p>Mr Ben Williams requested the following change to the minutes:</p> <p><b>Page 6, Section 6(a)-(c), second last dot point:</b></p> <ul style="list-style-type: none"> <li>“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 <del>were</del> <u>may</u> <del>already</del> <u>be</u> 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.”</li> </ul> <p>Subject to these changes, the MAC accepted the minutes as a true record of the meeting.</p>	
	<p><b>Action: RCP Support to amend the minutes of the 13 June 2018 meeting to reflect the agreed changes and publish on the Rule Change Panel’s (Panel) website as final.</b></p>	<p><b>RCP Support</b></p>
<b>4</b>	<p><b>Actions Arising</b></p> <p>The closed action items were taken as read.</p> <p><b>Action 19/2017:</b> Open – to be progressed as part of the Wholesale Electricity Market (<b>WEM</b>) Reform Program.</p> <p><b>Action 33/2017:</b> On hold until early 2019.</p>	
<b>4(a)</b>	<p><b>ERA Secretariat: Internal Governance Arrangements (Action Item 6/2018)</b></p> <p>The Chair invited questions and comments from the MAC on the agenda item paper prepared by the ERA Secretariat regarding governance arrangements between the ERA Secretariat and RCP Support.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> <li>In response to questions from Ms Wendy Ng and Mrs Jacinda Papps, Mr Rajat Sarawat clarified that ERA staff (apart from the Executive Officer) could be used for both RCP Support work and work on other tasks, including energy market compliance and market reviews. Ms Ng questioned whether any conflicts of interest could arise from this practice. Mr Sarawat replied that no ERA staff member would work on both the development and assessment of a Rule Change Proposal.</li> <li>Mrs Papps noted that the PUO’s original design paper for the Panel proposed a clear separation between the rule change administration role and the compliance and enforcement functions. Mrs Papps considered that there appeared to be no such clear separation at the secretariat level.</li> </ul>	

Item	Subject	Action
•	<p>Mr Matthew Martin noted the number of open Rule Change Proposals and asked how decisions were made regarding the relative priorities of RCP Support work and other ERA tasks. Mr Sarawat replied that priorities were decided by the ERA's Chief Executive Officer and the ERA's Board. The agreement in place between the Panel and the ERA covered the provision of resources and associated performance indicators, along with escalation processes to resolve resourcing issues.</p>	
•	<p>Mr Sarawat confirmed that the Panel decided the prioritisation of particular Rule Change Proposals. Mr Will Bargmann raised a concern that a conflict of interest may cause RCP Support to recommend a higher urgency rating for a Rule Change Proposal submitted by the ERA. The Chair replied that under the Panel's Framework for Rule Change Proposal Prioritisation and Scheduling (<b>Framework</b>), RCP Support was required, when recommending an urgency rating for a Rule Change Proposal to the Panel, to also provide the Panel with the views of MAC members on the urgency rating. RCP Support would need to justify to the Panel any discrepancies between its recommendations and those of the MAC.</p>	
•	<p>Mr Martin asked what mechanisms were in place to seek additional resources to work on Rule Change Proposals.</p> <p>The Chair noted that the Panel uses several criteria to prioritise Rule Change Proposals, including urgency rating, RCP Support's resources, the availability of AEMO's resources to provide feedback on proposals and to implement proposals, and the work being done by the ERA's market reviews and the WEM Reform Program. If the Panel has insufficient resources to progress proposals in a timely enough fashion, then it will seek additional resources via the ERA, be that staffing from the ERA or consultancies.</p> <p>The Chair noted that the Panel was behind the timelines specified in the Framework for progressing proposals but considered this was more related to the uncertainty about the scope of the WEM Reform Program, as the Panel lacks clarity on which parts of proposals should be progressed now and which parts will be covered by the reform program.</p> <p>The Chair also noted that RCP Support was working closely with AEMO on the process for AEMO to determine and advise when it can commence implementing a proposal, how long it will take, and what it will cost.</p> <p>The Chair advised that the Panel had no indication the ERA will not fully support the Panel with additional resources in whatever form required.</p>	

Item	Subject	Action
	<ul style="list-style-type: none"> <li>Ms Sara O'Connor advised that the ERA would consider the points raised by MAC members and decide whether to make any changes to the paper as a result. Once approved by the ERA's Governing Body the paper will be published on the ERA's website.</li> <li>The Chair noted that stakeholders were welcome to raise any further concerns about conflicts of interest with either the appropriate people at the ERA or the Panel itself.</li> </ul>	

## 5 MAC Market Rules Issues List

The MAC noted the MAC Market Rules Issues List (**Issues List**).

Mr Martin noted that the WEM Reform Coordination Committee had asked the PUO to hold an industry forum in September 2018. The forum would provide further detail about rule changes that could be progressed earlier and would cover some of the material in the Issues List.

## 6 Update on the Network and Market Reform Program

Mr Stuart Featham provided an update on AEMO's current work program and the WEM Reform Program scope and timelines. A copy of the presentation is available on the Panel's website.

The following points were discussed.

- Mrs Papps asked when the Procedure Change Process for AEMO's proposed changes to the Outstanding Amount calculation would be undertaken. Mr Featham took the question on notice and agreed to report back to the MAC on AEMO's plans for these changes.
- Mr Featham sought feedback on the proposed high-level timeline for the WEM Reform Program. Ms Jenny Laidlaw considered that the timeline was very ambitious. Mr Featham agreed, noting the need to achieve a balance so that the plan was realistic but could still meet the Government's requirements.
- Mr Bargmann considered that the implementation timing for Synergy was dependent on the scope of the changes, and the time it would take Synergy to gain expenditure approval and actually implement the changes.
- Ms Margaret Pynchla asked whether the MAC would receive regular updates on progress against the plan, given that the timelines were ambitious. Mr Featham confirmed this was the intention, but noted that he expected MAC members would also be actively involved in the program, and therefore keep up to date on its progress, through the MAC Working Groups and other means.

Item	Subject	Action
	<ul style="list-style-type: none"> <li>• Mr Matthew Bowen considered that the timeline was very ambitious, and the PUO and AEMO should consider 'Plan B' options to avoid having to rush through changes without adequate notice or consultation. Mr Featham agreed that different options should be considered and invited any suggestions or feedback on the plan. Ms Laidlaw suggested that one option was to defer the 2020 Reserve Capacity Cycle.</li> <li>• In response to a question from Mr Patrick Peake, Mr Featham confirmed that AEMO was confident its IT systems would be able to support the WEM until new systems were implemented in 2022.</li> <li>• Mr Noel Schubert considered that changes of Government have caused the biggest disruptions to the development of the WEM, and questioned whether efforts should be made to gain bipartisan support for the current reform program. Mr Martin replied that the PUO was working closely with the Minister's office, whose role included briefing relevant parties about the reform program, including the Upper House and opposition parties. Mr Martin also noted that the required legislation and rule changes were expected to be in place before the next State election in March 2021.</li> <li>• Mr Andrew Stevens noted the importance of giving Market Participants enough time to develop and test their systems, and of ensuring that sufficient resources are available to support the user acceptance test process, including test environments and support staff. Mr Featham replied that procuring suitable resources for the program was likely to be a challenge and it would be necessary for the PUO, AEMO and industry to work together to develop the details of the plan to ensure its feasibility.</li> <li>• Mr Stevens asked if Scheduled Generator droop response was likely to be reclassified as a defined ancillary service. Mr Dean Sharafi considered that a fast frequency response service was likely going forward but details of the service, including how it could be delivered, were yet to be developed. Mr Clayton James noted that batteries could also be used to provide fast frequency response; and that fast frequency response would be one of the first topics to be considered by the Power System Operation Working Group (<b>PSOWG</b>).</li> <li>• Mr James noted that Tranche 1 of the WEM Reform Program would consider whether amendments to the current ancillary service definitions can be made early, to remove some of the barriers those definitions present to the provision of ancillary services by different participants and technologies.</li> </ul>	

Item	Subject	Action
	<b>Action: AEMO to provide an update to the MAC on the timelines for the Procedure Change Process to modify the Outstanding Amount calculation.</b>	<b>AEMO</b>
<b>7(a)</b>	<b>AEMO Procedure Change Working Group (APCWG) Update</b>	
	<p>The MAC noted the update on AEMO's Market Procedures.</p> <p>Mr Sharafi noted that AEMO was working on changes to several Market Procedures and Power System Operation Procedures (<b>PSOPs</b>). In recent months AEMO had held four APCWG meetings, two forums and three other stakeholder engagements as part of this work. Mr Sharafi sought feedback from MAC members on AEMO's engagement process and the progress of the development of Procedure Change Proposals.</p> <p>Ms Ng considered the engagement had been good and AEMO, and in particular Mr Matthew Fairclough, had taken her comments into consideration and reflected them in the revised procedure drafts. Mrs Papps also considered the engagement process had been good, and expected a good final result for the procedure currently under consideration (PSOP: Facility Outages).</p>	
<b>7(b)</b>	<b>Establishment of the MAC Working Groups to support the WEM Reform Program</b>	
	<p>The MAC noted the establishment of the Market Design and Operation Working Group (<b>MDOWG</b>) and PSOWG.</p> <p>The Chair noted that once the PUO and AEMO had confirmed their administrative arrangements, RCP Support would update the Terms of Reference for the MDOWG and PSOWG accordingly and publish them on the Panel's website. Stakeholders will then be able to register to receive information and the Chairs will be able to convene the Working Groups.</p> <p>Ms Ng asked when the Working Group meetings were likely to begin. Mr Martin considered that the PSOWG was likely to start work soon after the September 2018 industry forum, followed shortly after by the MDOWG.</p> <p>In response to a question from Mr Peake, Mr Martin advised that the members of the Strategic Consultative Group were expected to be announced very shortly.</p>	
<b>8(a)</b>	<b>Overview of Rule Change Proposals</b>	
	<p>The MAC noted the overview of Rule Change Proposals.</p> <p>The Chair advised that the Draft Rule Change Report for the Rule Change Proposal: Removal of Resource Plans and Dispatchable</p>	

Item	Subject	Action
	Loads (RC_2014_06) was expected to be published by the end of August 2018.	
<b>8(b)</b>	<b>Update on Outage Rule Change Proposals (RC_2013_15 and RC_2014_03)</b>	
	<p>Ms Laidlaw and Mr James gave a presentation to the MAC on the work being undertaken by RCP Support and AEMO to determine what components of the Rule Change Proposals: Outage Planning Phase 2 – Outage Process Refinements (RC_2013_15) and Administrative Improvements to the Outage Process (RC_2014_03) can be progressed without conflict with AEMO’s System Management System Transfer Project and the WEM Reform Program. A copy of the presentation is available on the Panel’s website.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> <li>• Mr Peake considered the terms ‘outage’ and ‘de-rating’ needed to be defined in the Market Rules. Mr Peake noted that Perth Energy had been asked to report full Forced Outages in situations where it was late to start up its generating unit. Mr Peake considered that a full Forced Outage should not be required in these cases.</li> <li>• In response to a question from Ms Ng, Mr James clarified that the WEM Reform Program’s proposed review of outage definitions applied to both current and future market arrangements. AEMO’s intention was to consider in Tranche 1 what was needed to support a constrained network access environment, and then bring forward any parts that can be implemented before 2022. Ms Ng suggested that the definition of a Consequential Outage might change with the implementation of constrained network access.</li> <li>• Mrs Papps suggested that an Opportunistic Maintenance request spanning two Trading Days could be recorded in SMMITS as two separate requests, if this made implementation of the changes easier. Ms Laidlaw advised that AEMO would be looking at how the validation of Opportunistic Maintenance requests worked in SMMITS, to help determine how and whether the proposed changes to Opportunistic Maintenance in RC_2013_15 can be progressed.</li> <li>• Ms Ng asked whether any further workshops were planned in respect of the two proposals. Ms Laidlaw replied that RCP Support was planning to hold a workshop for RC_2013_15 either before or after a call for further submissions on the proposal. There was general support for holding the workshop</li> </ul>	



Item	Subject	Action
	before the call for further submissions and as soon as practicable.	
	<b>Action: RCP Support to liaise with MAC members and observers about their availability for a workshop to review the proposed amendments in the Rule Change Proposal: Outage Planning Phase 2 – Outage Process Refinements (RC_2013_15); and to hold that workshop as soon as practicable.</b>	<b>RCP Support</b>
<b>8(c)</b>	<b>Pre-Rule Change Proposal – RC_2018_04 (Manifest Error in the Deferral of Dates for the 2018 Reserve Capacity Cycle)</b>	
	The MAC supported the progression of the Rule Change Proposal RC_2018_04 using the Fast Track Rule Change Process.	
	In response to a question from Mr Peake, Mr Martin clarified that while the Minister retained the power to repeal and replace the Market Rules, his power to make Amending Rules expired on 1 July 2018.	
<b>8(d)</b>	<b>Pre-Rule Change Proposal – RC_2018_05 (Market data access and use)</b>	
	The Chair invited feedback from the MAC on the ERA's Pre-Rule Change Proposal: Market Rules 2.13 and 2.16: Market data access and use restrictions and SRMC investigation process (RC_2018_05). The Chair noted that the MAC had previously assigned a Medium urgency rating to the issues addressed by the Pre-Rule Change Proposal.	
	The following points were discussed.	
	<ul style="list-style-type: none"> <li>Mrs Papps noted that the ERA's comments on the meaning of 'market data' in the Pre-Rule Change Proposal suggested that market data included data contained in the list of market information referred to in clause 10.1.1 of the Market Rules, but did not include commercially sensitive information. However, the clause 10.1.1 list did include some commercially sensitive information, such as prudential support documentation and supporting information provided by a Market Participant that is not expressly mentioned in the Market Rules.</li> </ul>	
	Mrs Papps acknowledged that the proposed drafting did not refer to clause 10.1.1 but considered the description in the text was very broad. Mr Theseira agreed that the scope of clause 10.1.1 was very broad and reiterated that the ERA's intention related to transactional and operational data.	
	<ul style="list-style-type: none"> <li>Mrs Papps asked if the data being sought by the ERA was already contained in the Market Surveillance Data Catalogue (<b>MSDC</b>). Mr Theseira replied that only some of the required information was included in the MSDC. For example, the MSDC</li> </ul>	

Item	Subject	Action
	<p>referred to the number and frequency of outages, but not to actual outage records. Mrs Papps asked what information the ERA required that was not included in the MSDC. Mr Theseira replied that this was challenging to define, and that the ERA had considered but rejected the idea of linking the definition to clause 10.1.1.</p>	
	<ul style="list-style-type: none"> <li>• Mr Theseira noted that the IMO was not restricted in the information it could use for compliance, and that the ERA is seeking the same level of access to information. If there are express concerns about specific pieces of information then these may be able to be dealt with on an exclusion basis, but the ERA would have to understand why it should not be able to use the information for compliance purposes.</li> <li>• Mrs Papps considered that some of the information provided for certification was not appropriate for compliance monitoring. She would prefer to receive an explicit request from the ERA for such information, so she could provide the information knowing what the request was for.</li> <li>• There was some discussion about options to specify the required market data, including listing items to be included, listing items to be excluded, and defining categories of required information. Mr Martin Maticka considered that the use of exclusion to specify the information created a risk that a new type of sensitive information might be included without proper consideration. Mr Maticka considered that specifying categories of information might be a better option.</li> <li>• Ms Laidlaw noted that the current confidentiality provisions allowed any information covered under the Market Rules to be made available to the ERA; and considered that the question was what information AEMO should be required to routinely provide to the ERA.</li> <li>• There was some discussion about what process the ERA should follow to obtain non-transactional information, such as contract or financial details. Mr Theseira noted that the ERA was already able to obtain such information under section 51 of the <i>Economic Regulation Authority Act</i>, and had noted earlier that it was able to use section 51 to obtain any information from AEMO, albeit this was not the preferred approach. Mr Maticka considered that the section 51 process was reasonable for non-standard requests, to help clarify requirements and ensure the appropriateness of such requests.</li> <li>• Mr Bargmann considered that if a Market Participant was providing information as part of a compliance exercise, then it may want to provide more context and explanation around that information than it would normally provide if the information was</li> </ul>	

Item	Subject	Action
	<p>to be used, for example, for normal market monitoring. Mr Bargmann considered it would be very administratively burdensome for a Market Participant to always have to provide information with the caveats and explanations that may be needed if the information was used in a compliance exercise.</p> <p>Mr Theseira asked how this situation had changed since the IMO held the compliance function. Mr Maticka considered that the previous arrangement was not necessarily the best and agreed with Mr Bargmann that additional context may need to be provided to avoid information being misunderstood.</p>	
	<ul style="list-style-type: none"> <li>• The Chair asked whether it mattered whether the additional context was provided before or after the provision of the original information. Mr Maticka replied that the provision of incomplete information could lead to the ERA wasting time on investigations that could have been avoided if more information was made available at the start.</li> <li>• There was some discussion about how much information the ERA needed to fulfil its functions, what boundaries should apply to its ability to request information from AEMO, and how much of the information collected by AEMO should be proactively provided to the ERA.</li> <li>• Mr Theseira advised that the ERA would give consideration to the use of categories to define its requirements for proactive data provision from AEMO. Mr Maticka and Mrs Papps were supportive of this approach.</li> </ul>	

**9 Treatment of Storage Facilities in the Wholesale Electricity Market**

The MAC noted the updated paper on the treatment of storage facilities in the WEM. The Chair advised that RCP Support now intended to send the paper to the PUO for use in the WEM Reform Program.

Ms Laidlaw noted that much of the feedback provided by MAC members and observers on the paper related to behind-the-meter issues rather than the participation of utility-scale storage as a Registered Facility (or part thereof). While this feedback was outside the scope of the paper and had not been incorporated into the final version, Ms Laidlaw acknowledged that behind-the-meter issues were equally, if not more important to the WEM in the longer term.

Mr Peake considered that the final paper should be published as a separate document on a public website. Mr Noel Schubert suggested that the paper could be published by the PUO as a submission to the WEM Reform Program. Ms Aditi Varma advised that the PUO was

Item	Subject	Action
	exploring the issues raised in the paper and intended to publish it on the PUO webpage for the newly formed MDOWG.	
	<b>Action: RCP Support to send the PUO the final version of the MAC Market Rules Issues List discussion paper: Treatment of Storage Facilities in the Wholesale Electricity Market.</b>	<b>RCP Support</b>
<b>10</b>	<b>AEMO Allowable Revenue Submission (AR4)</b>	
	Mr Featham gave a presentation to the MAC about AEMO's supplementary submission to the ERA for an adjustment to its approved capital expenditure for the July 2016-June 2019 Review Period ( <b>AR4</b> ). A copy of the presentation is available in the meeting papers on the Panel's website.	
	The following points were discussed.	
	<ul style="list-style-type: none"> <li data-bbox="320 828 1219 1043">• In response to a question from Mr Peake, Mr Featham clarified that the additional expenditure included the use of both internal resources and external consultants. AEMO had done what it could to obtain internal resources from both the east and west coasts but would also need external assistance, the higher costs of which were reflected in the submission.</li> <li data-bbox="320 1068 1219 1507">• Ms Laidlaw asked whether the \$3.6 million budgeted for rule changes included costs for procedure changes relating to the Outstanding Amount calculation as well as the recently approved Rule Change Proposals: Reduction of the prudential exposure in the Reserve Capacity Mechanism (RC_2017_06) and New Notional Wholesale Meter Manifest Error (RC_2018_01). Mr Featham thought that the amount was predominantly for the Rule Change Proposals but offered to confirm the components of the cost and report back to the MAC. Mr Maticka indicated that work on the Outstanding Amount changes were expected to commence in the second quarter of 2019.</li> <li data-bbox="320 1532 1219 1747">• In response to a question from Ms Varma, Mr Featham clarified that AEMO internally costed its staff according to the market on which they were working, so that work done by Perth office staff on east coast projects was costed to those projects, while work done by interstate staff on WEM projects would be costed to the WEM.</li> <li data-bbox="320 1771 1219 1946">• Ms Erin Stone asked if the full impact of the proposed 2018/19 capital expenditure was included in the three years of fee increases shown in the presentation, or whether there would be further depreciation in the following Review Period. Mr Featham and Mr Maticka agreed to take this question on notice.</li> <li data-bbox="320 1971 1219 2038">• Mr Cremin expressed concern about the ongoing increase in Market Fees as a proportion of energy traded through the STEM</li> </ul>	

Item	Subject	Action
	and Balancing Market. Ms Stone also noted the proposed fees did not yet include the potential costs of reform implementation beyond 2018/19 or any transitional assistance for Generators that was discussed at the PUO's industry forum on constrained network access reform on 3 August 2018.	
	<b>Action: AEMO to provide clarification to the MAC on the components of the additional \$3.6 million expenditure on rule changes reported in its third supplementary AR4 submission.</b>	<b>AEMO</b>
	<b>Action: AEMO to provide clarification to the MAC on depreciation timeframe for the proposed additional 2018/19 capital expenditure in its third supplementary AR4 submission.</b>	<b>AEMO</b>
11	<b>General Business</b>	
	No general business was raised.	

**The meeting closed at 2:40 PM.**