

Minutes

Meeting Title:	Market Advisory Committee (MAC)
Meeting No:	2017-05
Date:	13 September 2017
Time:	1:00 pm – 3:40 pm
Location:	Training Room No. 1, Albert Facey House 469 Wellington Street, Perth

Attendees	Class	Comment
Jenny Laidlaw	Chair	
Matthew Martin	Minister's Appointee – Small-Use Consumer Representative	
Martin Maticka	AEMO	
Dean Sharafi	System Management	
Sara O'Connor	Economic Regulation Authority (ERA) Observer	
Margaret Pyrchla	Network Operator	
Will Bargmann	Synergy	
Shane Cremin	Market Generators	
Wendy Ng	Market Generators	From 1:35 pm
Andrew Stevens	Market Generators	
Patrick Peake	Market Customers	
Simon Middleton	Market Customers	
Geoff Gaston	Market Customers	
Tim McLeod	Market Customers	Proxy
Peter Huxtable	Contestable Customers	

Apologies	Class	Comment
Steve Gould	Market Customers	
Jacinda Papps	Market Generators	

Also in attendance	From	Comment
Laura Koziol	RCP Support	Presenter
Mark Katsikandarakis	AEMO	Presenter
Jake Flynn	ERA	Observer, to 2:40 pm
Chin Leng Koay	RCP Support	Observer, to 2:40 pm
Paul Hynch	Public Utilities Office (PUO)	Observer, to 1:10 pm
Ignatius Chin	Bluewaters Power	Observer
Noel Schubert	Consultant	Observer
Angelina Cox	Synergy	Observer
Sandra Ng Wing Lit	RCP Support	Minutes

Item	Subject	Action
1	<p>Welcome</p> <p>The Chair opened the meeting at 1:00 pm and welcomed members and observers to MAC meeting 2017-05.</p>	
2	<p>Meeting Apologies/Attendance</p> <p>The following apologies were noted:</p> <ul style="list-style-type: none"> • Steve Gould (Market Customers) • Jacinda Papps (Market Generators) <p>The following proxy was noted:</p> <ul style="list-style-type: none"> • Tim McLeod for Steve Gould (Market Customers) 	
3	<p>Minutes from Previous Meeting</p> <p>The minutes of MAC meeting 2017-04 held on 16 August 2017 were circulated with the meeting papers on 6 September 2017.</p> <p>Mr Ignatius Chin proposed the following amendment on page 10:</p> <p><i>“Mr Sarawat replied that the proposed ring-fencing arrangements were not a rules requirement (and therefore <u>not</u> subject to the rules’ auditing obligations).…”</i></p> <p>The minutes as amended following the discussion were accepted as a true record of the meeting.</p> <p>Action: RCP Support to amend the minutes of Meeting 2017-04 as requested by the MAC and publish on the Rule Change Panel’s website as final.</p>	RCP Support

<p>4</p>	<p>Actions Arising</p> <p>The closed action items were taken as read. The Chair provided an overview of the open action items.</p> <p>Action 12/2017: The Chair noted that RCP Support intended to send out the request for lists of material Market Rules issues by the end of the week. The MAC agreed to the following timeline:</p> <ul style="list-style-type: none"> • request issued by 15 September 2017; • MAC member and observer responses due by 6 October 2017; and • collated issues list circulated on 18 October 2017 for discussion at the 8 November 2017 MAC meeting. <p>Action 18/2017: Ms Margaret Pырchla advised that the modelling data for Western Power’s Network provided to AEMO was complete and up to date, but the modelling data provided by generators (and other parties) might not be, as Western Power was dependent on these parties proactively notifying Western Power of any changes to their equipment. Ms Pырchla noted that under the Technical Rules Western Power has no ability to enforce the requirement to provide it with up to date modelling data.</p> <p>Action 19/2017: The Chair noted that she had provided the PUO with a list of concerns identified with the amending rules gazetted on 30 June 2017. Mr Matthew Martin requested that the action item be kept open until the next meeting, to allow time for him to consider the outcomes of recent Power System Operation Procedure (PSOP) meetings, during which some of the issues were canvassed, and to then consult further with RCP Support and AEMO.</p> <p>Action 23/2017: The Chair noted that a discussion on MAC member’s concerns about the future evolution of the Reserve Capacity Mechanism (RCM) was scheduled under agenda item 7.</p>	
<p>5a</p>	<p>Overview of Rule Change Proposals</p> <p>Ms Laura Koziol noted the following updates to the overview of open Rule Change Proposals circulated in the meeting papers.</p> <ul style="list-style-type: none"> • The consultation period for RC_2017_04 (Reserve Capacity Mechanism – Minor Changes 2017) closed on 11 September 2017. One submission was received and it was likely that the Rule Change Panel would extend the timeframe for the publication of the Final Rule Change Report by a week, to allow time to address the issues raised in that submission. • The Final Rule Change Report for RC_2013_21 (Limit to Early Entry Capacity Payments) was published and sent to the Minister for approval on 12 September 2017. <p>The Chair noted that the current resource shortage in RCP Support was delaying the progression of some High urgency Rule Change Proposals and preventing the development of a more detailed work plan for the progression of the open Rule Change Proposals. Additional positions were already allocated to RCP Support but it was still unclear as to when these positions would be filled. RCP Support</p>	

	<p>would provide a further update on resourcing at the next MAC meeting. The Chair confirmed that the process to recruit a permanent Executive Officer had commenced.</p> <p>Mr Mark Katsikandarakis advised the MAC that AEMO had found a minor error in its discussion of the treatment of new meters in the Rule Change Proposal RC_2017_06 (Reduction of the prudential exposure in the Reserve Capacity Mechanism). AEMO intended to make a submission on the Rule Change Proposal to clarify the issue.</p>	
5b	<p>Presentation: Changes to Rule Change Proposal RC_2014_03: Administrative Improvements to the Outage Process</p> <p>The Chair gave a presentation on the Rule Change Proposal RC_2014_03 (Administrative Improvements to the Outage Process). The aim of the presentation was to provide an update on the status of the proposal and raise some questions on which feedback from members would be sought over the following week. The Chair expected that some further targeted workshops would also be required to inform the development of the Draft Rule Change Report. The presentation is available on the Rule Change Panel's website.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> • The Chair asked what should happen if a request for a Consequential Outage, submitted after the event, was rejected. Mr Dean Sharafi considered that the Outage should be automatically converted into a Forced Outage. • Mr Patrick Peake and Mr Sharafi agreed that System Management should be required to provide a Market Participant with the reason for the rejection of a Consequential Outage request. • In response to a question from Mr Peake, the Chair advised that the issue of when a generator was constrained off rather than the subject of a Consequential Outage was out of the scope of RC_2014_03. • The Chair noted that allowing a Market Participant to log and receive approval for a Consequential Outage before the start of that outage would reduce uncertainty for participants and improve market transparency. <p>Mr Andrew Stevens suggested that the System Management Market Information Technology System (SMMITS) already allowed participants to log Forced and Consequential Outages in advance.</p> <p>Mr Sharafi questioned the need to allow Forced Outages to be logged in advance as they were by nature unexpected. Mr Stevens replied that there are many situations in which a Market Participant is aware that it is going to have to take a Forced Outage before the start of that Outage. Mr Stevens considered however that the ability to get approval for a Consequential Outage in advance was the more important change for Market Participants.</p> <p>Mr Sharafi indicated that AEMO did not intend to assess or approve any Consequential Outages until after event, because</p>	

the timing and impact of the triggering network outage is uncertain until it happens.

The Chair questioned how Market Generators with an unapproved Consequential Outage would offer into the Balancing Market and how this would affect market transparency. The Chair considered it was not clear from the proposed Amending Rules how the process was meant to work in practice. Further workshops with AEMO and Western Power were likely to be needed to work through the different scenarios and develop a practical design that took all the relevant factors into account.

- Mr Will Bargmann raised a concern that using the number of Capacity Credits held by a Scheduled Generator instead of its Reserve Capacity Obligation Quantity (RCOQ) in outage quantity calculations may cause some interpretation issues, as RCOQ was used in several other places in the Market Rules. The Chair agreed that the proposed changes needed to be reviewed to ensure they did not create problems in other sections of the Market Rules that involve the use of RCOQ.
- Mr Katsikandarakis noted that a recent AEMO system change aligned the temperature derating curves used in certification and Reserve Capacity Tests with the temperature derating curves in Standing Data, and so AEMO had a piece of work underway to contact generators and ask them to provide updated derating curves. Ms Wendy Ng clarified that the requested updates were restricted to format changes only.
- Mr Stevens suggested that generators should only be required to enter an outage quantity that reflected the actual remaining capacity of the unit over the period of the outage. For example, if an outage occurred overnight when the temperature remained well under 41 degrees Celsius then the outage quantity entered should reflect what the generator actually expected the unit to be able to send out over this period, and not a larger outage quantity because the maximum output of the unit might be lower if the temperature was to approach 41 degrees. Mr Stevens considered that temperature derating curves should only be used for Reserve Capacity Tests.
- The Chair sought the views of MAC members on what outage quantity should be recorded for a Scheduled Generator that trips off during a Trading Interval. Several members considered that the derating quantity should be based on what the unit actually managed to send out in the Trading Interval, without any temperature-related adjustment (i.e. option 1 for the presentation's Example 2). Mr Sharafi agreed, but noted that AEMO may need to make changes to its systems to accommodate option 1.
- Mr Stevens and Mr Peake noted that the Market Rules allowed System Management to schedule a test if it considered that a Facility might not be able to achieve the output levels claimed by the generator.

	<ul style="list-style-type: none"> • There was some discussion about how derating quantities should be recorded and outage quantities calculated on days where the maximum temperature exceeded 41 degrees. • There was some discussion about what threshold should apply to the requirement to record outages for Non-Scheduled Generators. The Chair suggested that the appropriate threshold might depend on AEMO's operational needs. Mr Sharafi considered that the threshold suggested in the presentation was consistent with the tolerance ranges used for Facilities and so appeared reasonable, but indicated AEMO would consider the matter further and provide an update to RCP Support. <p>The Chair asked MAC members and observers to provide their feedback on the questions listed in the presentation by 27 September 2017.</p> <p>Action: MAC members and observers to provide their responses to the questions in the presentation "Changes to RC_2014_03: Administrative Improvements to the Outage Process" by 5:00 pm on Wednesday, 27 September 2017.</p>	All
5c	<p>Discussion: Pre Rule Change Proposal RC_2017_09: STEM delay for Ancillary Services data – Manifest Error</p> <p>Mr Katsikandarakis provided an overview of the issue AEMO was seeking to address in the Pre Rule Change Proposal.</p> <p>Mr Katsikandarakis noted that AEMO's legal team had also recommended a change to clause 6.4.6(b) of the Market Rules, to require AEMO to maintain a <i>minimum</i> 50 minute STEM Submission window. This change was intended to allow AEMO additional time to resolve the problems that triggered the delay if that proved to be necessary, as it was for the 6 January 2017 event described in the Pre Rule Change Proposal.</p> <p>MAC members agreed that the proposal addressed a manifest error in the Market Rules and provided the obvious solution to the problem, and so supported the progression of the proposal using the Fast Track Rule Change Process.</p>	
6	<p>Update on AEMO's Market Procedures</p> <p>Mr Martin Maticka provided the following updates to the overview of AEMO's Procedure Change Proposals circulated in the meeting papers.</p> <ul style="list-style-type: none"> • AEPC_2017_05 (Individual Reserve Capacity Requirements): Mr Maticka advised that AEMO intended to propose some additional, minor changes to the Market Procedure and would conduct a second round of public consultation on these changes. • AEPC_2017_12 (Reserve Capacity Security): Mr Maticka noted that development of the Procedure Change Proposal was on hold while AEMO reviewed a potential problem with one section of the Market Procedure relating to Required Level, which might have no head of power under Market Rules but was necessary to support the logical sequence of processes. AEMO was 	

	<p>considering whether a Rule Change Proposal was required to provide the necessary head of power for the section.</p>	
<p>7</p>	<p>Discussion: Future Evolution of the Reserve Capacity Mechanism</p> <p>The Chair advised that this agenda item was an action item from the previous MAC meeting. Several members had raised concerns during that meeting about uncertainty on whether there would be a reserve capacity auction this year, when changes would be made to the RCM and what those changes should be.</p> <p>The Chair noted that during the previous meeting members also discussed whether the MAC should write a letter to the Minister providing advice on these matters. However, when consulted on this idea the Rule Change Panel considered that the role of the MAC does not include providing advice to the Minister, and so while happy to provide a forum (through the MAC) for members to discuss their concerns it did not support the MAC writing a letter to the Minister about those concerns.</p> <p>Mr Martin noted the Minister’s recent announcement at the Energy in Western Australia Conference that no changes would be made to the RCM pricing arrangements until after the 2021 Reserve Capacity Cycle. Mr Martin advised that the Minister was aware of industry concerns about the RCM reforms proposed by the previous Government, and wanted to engage in a process of consultation with industry to gain a better understanding of those concerns and to consider all the options (including implementation of an auction and continued use of an administered pricing mechanism). The Minister was very keen to increase the level of industry consultation in the reform process.</p> <p>Mr Martin noted that the PUO was working closely with the Minister’s Office on a work program to deliver the reforms recently announced by the Minister. The PUO hoped to publish a schedule in the next few weeks setting out how the reform elements would be progressed, the relevant milestones and how industry would be consulted.</p> <p>In response to a question from Mr Shane Cremin, Mr Martin advised that consultation on the future RCM reforms would be managed by the PUO, seeking industry input to inform the Minister, and would not involve a Steering Committee.</p> <p>Mr Chin asked if the changes to implement a constrained network access model would be managed using the rule change process. Mr Martin clarified that the PUO would be managing the implementation as it required changes to legislation, regulations and codes as well as the Market Rules. The Chair noted that the passing of legislation to implement constrained network access would establish a deadline for the implementation of a new security-constrained dispatch engine for the WEM.</p> <p>Mr Martin noted that the Minister’s proposed reforms included changes to the RCM, the implementation of a constrained network access model and changes to the WEM energy market. The PUO was reviewing the changes recommended by the Energy Market Operations and Processes (EMOP) project of the Electricity Market</p>	

Review (EMR), to determine which changes still made sense given the new policy direction (e.g. the decision to retain network regulation and retail market operation under local instruments).

Mr Simon Middleton considered that the proposed reforms were the same as those proposed by the EMR, apart from the exclusion of retail sector reform.

Mr Stevens suggested that the PUO should consider the list of issues the MAC was currently compiling when developing its reform plans. The Chair noted that one of the reasons for compiling the list was to provide information to assist the PUO.

Mr Peake considered that one of the main problems with the EMR was that although consultation groups were established they were generally asked to comment on the proposed solutions to problems rather than being asked about what they perceived the problems to be. Mr Martin and Mr Peake agreed it would be important to conduct open discussions with industry before developing draft recommendations. There was some discussion about balancing the need for sufficient consultation against the need to progress the reforms as soon as possible.

Ms Ng asked if the PUO intended to re-use the EMR's drafting to implement constrained network access under local instruments. Mr Martin replied that the drafting would need to be reassessed to determine its relevance under the new circumstances.

Mr Stevens noted the previous Minister's announcement that existing Electricity Transfer Access Contracts would be extinguished by mid-2018 and sought clarification of whether this was still expected to happen. Mr Martin replied that the decrees of the previous Minister had no effect unless they were actually implemented in legislation or subordinate instruments.

Mr Middleton noted that the previous Government delayed publishing the results of modelling work undertaken by the EMR on the implications of a constrained network access model. Mr Martin advised that the PUO intended to bring this work up to date before releasing the results for consultation. The PUO proposed to include these activities in its work program.

Mr Cremin asked how the proposed MAC list of material market issues would interact with the PUO's reform program. The Chair replied that once more information was available about the scope of the Minister's reform program it should be possible to determine what other Rule Change Proposals could be progressed efficiently in parallel with the Minister's reforms. Mr Maticka suggested that it would be important to consider the IT system implications of Rule Change Proposals as it may be impractical to modify systems that are about to be replaced. The Chair agreed that the payback period for any material system changes would need to be taken into account, as would the need to make the most efficient use of the limited resources available to the market. It was likely however that some issues might warrant either the implementation of a short-term solution or else inclusion in the Minister's reform program.

Mr Cremin expressed concern about the instability of energy policy direction due to changes of Government. There was some discussion

	<p>about the benefits of establishing a permanent body, ideally with bipartisan support, to plan and coordinate the long-term development of the market. Mr Chin questioned why this role could not be fulfilled by the PUO. Mr Sharafi considered that the Finkel Review had sought to address similar concerns in the National Electricity Market.</p> <p>Mr Middleton suggested that previously the ERA had taken the passage of legislation as the critical determinant to approve funding for AEMO to start work on a new dispatch engine (to support constrained network access). Mr Middleton asked Ms Sara O'Connor whether the same threshold would be applied by the ERA in future. Ms O'Connor replied that she was as yet uncertain what threshold would be applied.</p> <p>Mr Middleton noted that adoption of a constrained network access model requires decisions of Government as to how the existing access rights of generators are to be impinged, how generators may potentially be compensated, and how any such compensation should be funded. The Chair considered that these were the most difficult problems with the implementation of a constrained network access model, and so should be addressed first to avoid endangering the successful implementation of the reforms.</p> <p>Mr Chin asked which components of the reforms were already decided and which were still open to change, and whether the information provided in the Minister's speech to the Energy in Western Australia Conference had been published. Mr Martin replied that the PUO was working with the Minister's office and hoped to publish a document summarising the Minister's announcement in the next few weeks. Mr Bargmann noted that while the speech indicated the Government's policy some uncertainty would remain until that policy was implemented in legislation.</p>	
<p>8</p>	<p>General Business</p> <p><u>Inclusion of Facility Class in list of Capacity Credit assignments</u></p> <p>The Chair noted that AEMO, in its response to the Rule Change Panel's call for further submissions on RC_2013_21, proposed the removal of AEMO's obligation to include the Facility Class of each Facility in the list of Capacity Credit assignments published under clause 4.20.5A(b) of the Market Rules. AEMO considered the inclusion of Facility Classes in these lists was unnecessary as the information was already published by AEMO on its website.</p> <p>The Minister was responsible for the inclusion of the Facility Class obligation in clause 4.20.5A(b). The PUO had confirmed to RCP Support that the inclusion was deliberate and designed to assist stakeholders to understand what kinds of Facilities were assigned Capacity Credits.</p> <p>The Chair noted the Rule Change Panel had not made the requested change to the Amending Rules for RC_2013_21, as it had not had time to consult with stakeholders on the matter. The Rule Change Panel had however asked the Chair to raise the matter with the MAC and seek members' views on whether the inclusion of Facility Classes in the list was something of value to participants or not.</p>	

	<p>The Chair considered that both the benefits and the costs of including Facility Classes in the Capacity Credit assignment lists appeared to be small. There was some discussion about how often the additional information would be used and what level of prescription about the contents of reports should be included in the Market Rules.</p> <p>The Chair asked MAC members and observers to provide their views on the question to RCP Support by the end of the week. Any comments received would be forwarded to AEMO for its consideration.</p> <p><i>Action: MAC members and observers to provide their views on the value of including Facility Classes in the list of Capacity Credit assignments published by AEMO under clause 4.20.5A(b) to RCP Support by 5:00 pm on Friday, 15 September 2017.</i></p> <p><u>Proposed change to MAC meeting dates</u></p> <p>Ms Ng asked if a change to MAC meeting dates from Wednesdays to Thursdays was agreeable to members. Mr Peake and Mr Bargmann advised that a change to Thursdays would be a problem for them as they had other obligations on Thursdays.</p>	<p>All</p>
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The meeting closed at 3:40 pm.