

## Minutes

<b>Meeting Title:</b>	Market Advisory Committee (MAC)
<b>Meeting No:</b>	2017-08
<b>Date:</b>	13 December 2017
<b>Time:</b>	1:05 PM – 4:00 PM
<b>Location:</b>	Training Room No. 1, Albert Facey House 469 Wellington Street, Perth

<b>Attendees</b>	<b>Class</b>	<b>Comment</b>
Stephen Eliot	Chair	
Aditi Varma	Minister's Appointee – Small-Use Consumer Representative	Proxy, to 2:30 PM
Dean Sharafi	System Management	
Sara O'Connor	Economic Regulation Authority (ERA) Observer	To 1:40 PM
Will Bargmann	Synergy	
Wendy Ng	Market Generators	
Andrew Stevens	Market Generators	
Jacinda Papps	Market Generators	
Patrick Peake	Market Customers	
Alex Penter	Market Customers	Proxy
Geoff Gaston	Market Customers	
Peter Huxtable	Contestable Customers	

<b>Apologies</b>	<b>Class</b>	<b>Comment</b>
Matthew Martin	Minister's Appointee – Small-Use Consumer Representative	
Martin Maticka	AEMO	
Margaret Pyrchla	Network Operator	
Shane Cremin	Market Generators	
Steve Gould	Market Customers	
Simon Middleton	Market Customers	

<b>Also in attendance</b>	<b>From</b>	<b>Comment</b>
Jenny Laidlaw	RCP Support	Presenter
Laura Koziol	RCP Support	Presenter
Richard Cheng	RCP Support	Presenter
Ashwin Raj	Public Utilities Office (PUO)	Presenter, to 1.50 PM
Bobby Ditric	PUO	Presenter
Manuel Arapis	ERA	Presenter, to 1:30 PM
Adrian Theseira	ERA	Presenter
Daniel Kurz	Bluewaters Power	Presenter
Ignatius Chin	Bluewaters Power	Presenter
Stuart Featham	AEMO	Observer
Angelina Cox	Synergy	Observer
Tim McLeod	Amanda Energy	Observer
Noel Schubert		Observer
Sandra Ng Wing Lit	RCP Support	Minutes

<b>Item</b>	<b>Subject</b>	<b>Action</b>
<b>1</b>	<b>Welcome</b> The Chair opened the meeting at 1:05 PM and welcomed members and observers to MAC meeting 2017-08.	
<b>2</b>	<b>Meeting Apologies/Attendance</b> The Chair noted the apologies, attendance, and proxies, as listed above.	
<b>3</b>	<b>Minutes from Previous Meeting</b> The minutes of MAC meeting 2017-07 held on 8 November 2017 were circulated on 29 November 2017. The minutes were accepted as a true record of the meeting. <b>Action: RCP Support to publish the minutes of meeting 2017-07 on the Rule Change Panel's website as final.</b>	<b>RCP Support</b>
<b>4</b>	<b>Actions Arising</b> The closed action items were taken as read. <b>Action 19/2017:</b> Mr Bobby Ditric requested the action item be carried over to the next MAC meeting. Mr Ditric advised that the PUO had discussed the issues with RCP Support and AEMO, and	

expected to present two Pre Rule Change Proposals at the next MAC meeting:

- a fast track (manifest error) proposal to clarify wording around the confidentiality status of generator modelling information; and
- a proposal to prevent a generator from being placed on a Forced Outage due to problems with modelling data that was provided by another party.

**Action 28/2017:** Mr Dean Sharafi advised that dynamic refund factors were published in the participant information reports that accompanied the October 2017 Settlement Statements.

Mr Sharafi also noted that AEMO was working on changes to the Outstanding Amount calculation in parallel with progression of Rule Change Proposal RC\_2017\_06 (Reduction of the prudential exposure in the Reserve Capacity Mechanism). AEMO proposed to provide estimates of dynamic refund rates as a part of this work. Mr Patrick Peake noted that Market Generators needed information on refund rates very quickly as they often had obligations to report to their financiers regarding the expected costs of any Forced Outage.

Mr Sharafi suggested the action item remain open until AEMO provided a further update in the New Year.

**Action 29/2017:** Carried over to the next MAC meeting at the request of Ms Sara O'Connor.

**Action 31/2017:** Mr Sharafi noted that changes to SMMITS and the settlement adjustment rules would be required to support the reporting of Forced Outages after the current 15 day deadline. Mr Sharafi proposed to keep the action item open until AEMO was able to provide further information on the required changes.

**Action 32/2017:** Ms Jenny Laidlaw advised that the Energy Market Operations and Processes (EMOP) Consultation Group had discussed an enhancement to allow a responsible procedure administrator to make trivial changes to Market Procedures without having to go through the full Procedure Change Process. Under the proposal, the responsible procedure administrator would publish details of its proposed changes and give stakeholders two weeks to raise any concerns. If no concerns were raised during this period then the responsible procedure administrator could make the changes without any further consultation; but if requested by any stakeholder, the responsible procedure administrator would be required to follow the normal Procedure Change Process.

Ms Laidlaw noted that RCP Support did not consider there was any need for a process of this type to manage minor changes to the Market Rules.

**Action 33/2017:** Ms Aditi Varma requested the action item be carried over to the New Year, noting that a review of Protected Provisions was not a priority for the PUO at this time.

**Action 34/2017:** Mr Sharafi noted that some work had been done but requested the action item be carried over to the next MAC meeting.

	<p><b>Action 36/2017:</b> The Chair advised that preliminary discussions on the review topics identified by the MAC are scheduled to commence in early 2018.</p>	
5	<p><b>Presentation – Balancing Offer Market Guideline</b></p> <p>Mr Manuel Arapis gave a presentation on the draft Balancing Submission Guideline (Guideline) being developed by the ERA. The Guideline is intended to provide clarity to Market Generators on how the ERA interprets the undefined terms (“reasonable expectation”, “short run marginal cost” (SRMC), “relates to” and “market power”) in clause 7A.2.17 of the Market Rules. 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"> <li>• Mr Andrew Stevens asked whether the ERA’s definition of SRMC accounted for the market risk of a Scheduled Generator incurring Capacity Cost Refunds by tripping off while generating. Mr Arapis replied that the ERA did not consider capacity refund costs to be a component of SRMC.</li> <li>• Mrs Jacinda Papps asked whether the ERA intended for the new Guideline to replace the other SRMC guidance documents already published on the ERA website. Mr Arapis replied that the new Guideline was intended as a complementary paper rather than as a replacement for the previous documents.</li> <li>• Mr Peake noted that one of the main issues facing Market Generators is the impact of start-up costs when there is uncertainty about run times. Mr Peake considered that while it may not be possible to modify the current dispatch engine, serious consideration should be given to having start-up costs (and potentially shut-down costs) as separate components of dispatch offers, to prevent the problems faced by Market Generators in incorporating these costs into their offer prices.</li> </ul> <p>Ms Laidlaw noted that stakeholders had expressed universal opposition to the implementation of an American-style multi-part bidding regime during the EMOP investigations. Ms Laidlaw suggested that stakeholders should talk to the PUO if they now held a different view and thought the market should move towards multi-part bidding. There was some discussion about the advantages (e.g. removing the need for Market Generators to estimate their run-times) and impacts (e.g. increased complexity of implementation and shifting of the risk of not recovering start-up costs from the generator to the market) of multi-part bidding.</p>	
6a	<p><b>Overview of Rule Change Proposals</b></p> <p>Ms Laura Koziol noted that:</p> <ul style="list-style-type: none"> <li>• the Draft Rule Change Report for RC_2017_06 was published on 13 November 2017, with the second submission period to close on 16 January 2018; and</li> <li>• the second submission period for Rule Change Proposal RC_2017_05 (AEMO Role in Market Development) closed on</li> </ul>	

	<p>22 November 2017; two submission were received and the Final Rule Change Report is due to be published on 20 December 2017.</p> <p>The Chair noted that the Rule Change Panel would be publishing new extension notices for the remaining legacy Rule Change Proposals in the near future. RCP Support had started development of a work program aimed at clearing as much of the rule change backlog as possible before the next wave of Rule Change Proposals from the PUO's reform program.</p>	
<p><b>6b</b></p>	<p><b>Presentation – Administrative Improvements to the Outage Process (RC_2014_03)</b></p> <p><i>(Note that the title of this agenda item was incorrect in the meeting agenda, as it referred to RC_2013_15 (Outage Planning Phase 2 – Outage Process Refinements) instead of RC_2014_03).</i></p> <p>Ms Laidlaw provided an update on the Rule Change Proposal RC_2014_03 (Administrative Improvements to the Outage Process). 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"> <li>• Ms Laidlaw noted that RCP Support is seeking legal advice on whether the Rule Change Panel could address two candidate issues for the MAC Market Rules Issues List in RC_2014_03. These issues would be added to the Market Rules Issues List if they cannot be addressed as part of RC_2014_03.</li> <li>• Ms Wendy Ng raised a concern about the straw man proposal for determining outage quantities for Scheduled Generators that trip off during a Trading Interval (slide 7 of the presentation). Ms Ng considered that the proposed calculation method could overstate the outage quantity, as it did not recognise that the full capacity of the unit was available during the period preceding the trip.</li> </ul> <p>Ms Laidlaw acknowledged Ms Ng's concerns and invited stakeholders to suggest an alternative approach that was simple, measurable and auditable, noting that RCP Support had not to date found a better option than the one presented (taking into account all the costs and benefits).</p> <p>Mr Stevens noted that any overstatement of outage quantity would only apply to the Trading Interval in which the trip occurred, and that the cost and complexity of alternative approaches may not be justified.</p> <ul style="list-style-type: none"> <li>• There was some discussion about whether capacity-adjusted outage quantities should be calculated in SMMITS or AEMO's settlement systems.</li> <li>• In response to a query from Mr Sharafi, Ms Laidlaw confirmed that a Market Generator is not permitted to perform maintenance on a unit while it is subject to a Consequential Outage.</li> <li>• Mrs Papps gave a recent example of where a Pinjarra unit under automatic generation control (AGC) was dispatched down</li> </ul>	

	<p>via its AGC instructions in conflict with its formal Dispatch Instruction. There was some discussion about whether such occurrences should be treated as Consequential Outages, even though they did not specifically relate to the outage of another piece of equipment.</p> <ul style="list-style-type: none"> <li>Ms Laidlaw noted that RCP Support intended to hold a workshop in January 2018 on RC_2014_03, with AEMO, Western Power and any other interested parties. In response to a question from Mr Ignatius Chin, Ms Laidlaw confirmed that anyone with an interest in RC_2014_03 was welcome to attend the workshop.</li> </ul> <p><b>Action: MAC members and observers to email RCP Support by 5:00 PM on Wednesday, 20 December 2017 to:</b></p> <ul style="list-style-type: none"> <li><b>provide any feedback on the points raised in the 13 December 2017 presentation on RC_2014_03 (Administrative Improvements to the Outage Process); and</b></li> <li><b>indicate whether they are interested in attending the proposed January 2018 workshop, and if so when they are available during that month.</b></li> </ul>	All
6c	<p><b>Discussion – Removal of Resource Plans and Dispatchable Loads (RC_2014_06)</b></p> <p>Ms Koziol gave a presentation on Rule Change Proposal RC_2014_06 (Removal of Resource Plans and Dispatchable Loads). 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"> <li>In response to a question from Mr Chin, Ms Koziol clarified that the reason for considering a reduction in the length of the STEM Submission window is that AEMO’s bidding system for NEMDE assumed a 12:30 PM extension of the dispatch horizon. If NEMDE is implemented in the WEM in future, then using the same time would reduce implementation costs and maximise the potential re-use of third party supporting software.</li> </ul> <p>Ms Koziol noted there were two questions for stakeholders:</p> <ul style="list-style-type: none"> <li>whether to future proof the WEM design by moving the Balancing Horizon extension time to 12:30 PM; and</li> <li>if the answer to the first question is yes, whether this should be accomplished by reducing the length of the STEM Submission window or reducing the period between the publication of the STEM Auction results and 12:30 PM.</li> </ul> <p>There was some discussion about the pros and cons of each option.</p> <ul style="list-style-type: none"> <li>Ms Ng asked whether Synergy would still require Dispatch Plans if the proposed energy market reforms are implemented. Mr Sharafi replied that if Synergy moved to facility bidding, then it would operate like any other Market Generator and so would not require Dispatch Plans.</li> <li>Mr Peter Huxtable asked whether RCP Support was sure that the Minister’s removal of AEMO’s ability to delay Scheduling</li> </ul>	

	<p>Day events due to problems with the daily Ancillary Service files was accidental rather than deliberate. Ms Koziol confirmed RCP Support was confident that the removal was accidental.</p> <ul style="list-style-type: none"> <li>• Mr Huxtable asked whether there were any ring-fencing or similar arrangements within AEMO that would warrant the retention of System Management as a distinct entity in the Market Rules. Mr Sharafi replied that there were no such arrangements and AEMO’s starting position was that the term “System Management” should be removed from the Market Rules. However, Mr Sharafi noted that AEMO was uncertain about the implications of such a change and so this is not AEMO’s final position.</li> </ul> <p>Mrs Papps questioned whether the removal of the term should be included in the scope of RC_2014_06. Ms Laidlaw noted that the intent was not to include the removal of all instances of the term in the scope of RC_2014_06, but only those in the clauses directly affected by the Rule Change Proposal. Mrs Papps agreed that it would be sensible to review the use of the term in those clauses.</p> <p>Mr Stevens, while not proposing that the term be retained, suggested two possible reasons for its retention:</p> <ul style="list-style-type: none"> <li>○ it might help reduce confusion in the Market Rules by clarifying when AEMO was performing functions associated with its system operations role; and</li> <li>○ to future proof in case System Management’s functions were ring-fenced again in future.</li> </ul> <p>Mrs Papps noted that currently AEMO and System Management had separate representatives at the MAC. Ms Koziol considered it would be possible to retain separate market operations and system operations representatives from AEMO without retaining the term “System Management”.</p> <p>There was general agreement that the practical implications of removing the term need to be considered before making any changes to the Market Rules.</p> <p>Ms Koziol asked MAC members and observers to respond via email to the questions raised in the presentation. Ms Koziol noted that RCP Support intended to publish a call for further submissions by the end of January 2018 and on the Draft Rule Change Report by March/April 2018.</p> <p><b>Action: MAC members and observers to email RCP Support any feedback on the questions raised in the 13 December 2017 presentation on RC_2014_06 (Removal of Resource Plans and Dispatchable Loads) by 5:00 PM on Wednesday, 20 December 2017.</b></p>	All
6d	<p><b>Discussion – Correction of Gazettal Errors (RC_2017_10)</b></p> <p>The Chair noted that the Rule Change Panel developed the Pre Rule Change Proposal RC_2017_10 (Correction of Gazettal Errors) to address a number of manifest errors in the Market Rules caused by errors in the amending rules Gazetted by the Minister over the</p>	

	<p>period between 2015 and 2017. The Chair invited MAC members to give their thoughts on the proposal.</p> <p>Mr Sharafi noted that AEMO had identified an error in the proposed amendments to clause 2.24.2. Only the first of the three proposed changes from “the IMO” to “AEMO” was correct, as the clause refers to the IMO’s budget, not AEMO’s budget. The Chair agreed that the drafting should be amended as proposed by Mr Sharafi.</p> <p>The MAC supported the progression of RC_2017_10 using the Fast Track Rule Change Process, subject to the agreed change to the drafting of clause 2.24.2.</p>	
<b>7</b>	<p><b>Update on AEMO’s Market Procedures</b></p> <p>Mr Sharafi noted that AEMO had decided to delay a discussion of changes to the Power System Operation Procedure (PSOP): Communications and Control Systems (originally scheduled for the AEMO Procedure Change Working Group meeting on 19 December 2017), so that it could be considered concurrently with corresponding changes to the IMS Interface Market Procedure – Network Operators and AEMO.</p> <p>The MAC noted the update on AEMO’s Market Procedures.</p>	
<b>8</b>	<p><b>Implementation Plan – Security Constrained Market Model (verbal update)</b></p> <p>Ms Varma and Mr Ashwin Raj provided an update on the implementation plan for the Government’s electricity sector reform work program.</p> <p>Ms Varma advised that the PUO preparing a briefing for the Minister’s consideration in January 2018 that would include an update of the policy positions set out in the Electricity Market Review’s Final Report: Design Recommendations for Wholesale Energy and Ancillary Service Market Reforms (EMOP Final Report). The PUO intended to come back to the MAC in February-March 2018 with further details of the updated policy positions, subject to endorsement by the Minister.</p> <p>Mr Raj noted that the release of two consultation papers originally scheduled for late 2017 had been delayed. The revised plan was to send the papers to the Minister in January 2018 and seek approval to release them for public consultation in February or March 2018.</p> <p>The first paper outlines the policy positions on the reforms needed to implement constrained network access, and includes changes to the network connections and access framework as well as the complementary market reforms mentioned by Ms Varma.</p> <p>Mr Raj noted that the PUO would only seek feedback on the policy positions relating to reforms to the connections framework, as there had been considerable consultation on the market reforms during 2016. The PUO will seek the Minister’s endorsement of the market reform policy positions in the consultation paper in January 2018.</p> <p>Ms Varma clarified that the PUO intends to consult on any market reform policy positions that varied from the policy positions set out in the EMOP Final Report (e.g. regarding gate closure times).</p>	



	<p>The second consultation paper outlines the proposed methodology, data and assumptions for the financial modelling to estimate the impact of the introduction of constrained network access on existing Market Participants. The PUO intends to release the results of the modelling in a subsequent paper.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> <li>• In response to a question from Ms Ng, Mr Raj advised that the PUO planned a one month consultation period for the two papers. Mr Raj suggested that stakeholders contact the PUO if they considered this period was insufficient.</li> <li>• Mrs Papps questioned the impact of the delay in releasing the consultation papers on the original intention to introduce legislation into Parliament by mid-2018. Mr Raj replied that the legislation was now more likely to be introduced to Parliament in the third quarter of 2018.</li> <li>• There was discussion about how the design work undertaken by the EMOP project and the EMOP Consultation Group after the publication of the EMOP Final Report would be incorporated into the update of the market reform policy positions.</li> <li>• Mrs Papps noted that the EMOP Final Report assumed the use of AEMO's National Electricity Market Dispatch Engine (NEMDE). Mrs Papps expressed concern about a lack of consultation on this decision and suggested that further consideration should be given to whether NEMDE was the most appropriate system for use in the WEM. There was discussion about how and by whom the decision on the dispatch engine should be made, and on the interdependencies between the market design and the choice of dispatch engine.</li> <li>• Mr Chin asked for an update on the PUO's intentions regarding the firm network access rights of existing Market Generators. Mr Raj advised that this would be included in the first consultation paper for stakeholder review and comment.</li> <li>• Mr Alex Penter asked how development work on the security constrained market model was being funded. Mr Raj replied that the policy work was being funded by Government.</li> </ul>	
<p><b>9</b></p>	<p><b>Update on the Market Rules Issues List</b></p> <p>The Chair noted that in the previous MAC meeting members identified six potential Rule Change Proposals in the MAC Market Rules Issues List. The Chair invited each of the submitters of these issues to give a short summary of their issue and proposed solution.</p> <p><u>Issue 13: Use of data for monitoring and compliance</u></p> <p>Mr Adrian Theseira noted that although issue 13 was raised by AEMO, it was really an ERA issue. Currently AEMO is required to provide running transactional data and other information to the ERA under section 2.16 of the Market Rules. The information, which includes the information specified in the Market Surveillance Data Catalogue (MSDC), is used by the ERA to support its monitoring of the effectiveness of the market under section 2.16.</p>	

Mr Theseira noted that since 1 July 2016 the ERA has also been responsible for compliance monitoring. Obviously the transactional data provided under section 2.16 would also be useful for compliance monitoring purposes, but a restriction in section 2.16 prevents any information gathered under that section from being used by the ERA for any other function.

Mrs Papps expressed Alinta's general concern with the use of information for multiple purposes. Mrs Papps considered that when a participant provides data, knowing the intended use of the data is important because it allows the participant to structure how they present the data, so use of the data for other things such as compliance monitoring is a concern for Alinta.

Mr Theseira noted that the ERA was predominantly interested in being able to use the transactional data in the MSDC. Mr Theseira was unsure whether the ERA would want to extend the scope of a Rule Change Proposal to cover other information provided by participants to the ERA under section 2.16. Mrs Papps advised that while she would be very much against the broader scope, her view on the information in the MSDC might be slightly different, subject to further review of the contents of the MSDC.

Mr Will Bargmann considered that if the ERA wished to use data collected under section 2.16 for compliance purposes, then it should seek consent from the relevant participant on a case by case basis, so that the participant can ensure that it submits the appropriate data.

#### Issue 43: SRMC investigation process

Mr Theseira noted that issue 43 involved a similar data restriction problem to issue 13. A link was broken in section 2.16 of the Market Rules when the ERA received its new compliance function on 1 July 2016. Previously, when the IMO identified an SRMC matter, it would refer it to the ERA. After the ERA had investigated the matter it would refer it back to the IMO to take a case to the Electricity Review Board (ERB). All these steps were included in section 2.16.

However, the step relating referral of the matter to the ERB was removed from section 2.16 on 1 July 2016. Mr Theseira advised that as a result, if the ERA has concerns following an SRMC investigation under section 2.16 and wants to take further action, it must do so under section 2.13. This effectively means that the ERA is required to conduct a new investigation under section 2.13, due to the restrictions on the use of information collected under section 2.16. Mr Theseira considered that this is not an efficient arrangement, and suggested re-inserting the step allowing referral to the ERB into section 2.16.

Mrs Papps questioned whether the removal of the link in section 2.16 might be regarded as a manifest error arising from the Minister's amending rules. After some discussion there was general agreement that it would be preferable to progress the change using the Standard Rule Change Process.

Ms Laidlaw asked whether the MAC had any concerns about the progression of Rule Change Proposals to address issues 13 and 43. Mr Stevens considered the current arrangements did not make

sense and so the proposals should be progressed to allow the ERA to do its job effectively. Mrs Papps agreed the proposals should be progressed, subject to her earlier comments.

Issue 14/36: Changes to capacity refund arrangements

Mr Daniel Kurz considered that while the current dynamic refund methodology goes some way toward reducing the punitive nature of capacity refunds, the impact of the refunds can still be large, particularly with reducing capacity margins, and the mechanism may not be appropriate for a baseload generator that is always running.

Ms Ng added that her issue was that the dynamic refund arrangements can still be quite punitive, as the six times multiplier is no longer restricted to a few months of the year.

Mr Chin considered the fundamental question was whether the refund methodology was overly punitive and therefore creating unnecessary and inefficient costs (such as increased insurance premiums) that are then passed through to consumers.

Ms Laidlaw noted the new dynamic refund mechanism had only been in place since October 2017, and questioned how the effectiveness of a mechanism that had been in place for such a short time could be reasonably assessed. Ms Laidlaw considered that given the amount of consultation and effort involved in the development of the dynamic refund mechanism and the other urgent problems facing the market, it may not be reasonable to consider further changes to refunds before any evidence is available to suggest that the new mechanism is not working.

Mr Ditric noted the dynamic refund methodology rule change also reallocated refund payments from Market Customers to Market Generators. The rationale for the latter change was that Market Generators were affected by additional capacity due to a reduction in the Capacity Price, and so should receive compensation if that capacity was then not made available. Mr Ditric considered that any changes to refund rates should be consistent with this rationale and the Reserve Capacity Mechanism as a whole.

Ms Ng considered that, given the pending retirement of 380 MW of Synergy fleet and the growth of renewable generation, the refund rate may start to reach the six times limit very quickly. Mr Ditric replied that the original proposal was for a 12 times limit. There was some discussion about the level of the maximum refund rate originally proposed by the Lantau Group, and whether high refund rates were needed to ensure that Market Generators took all reasonable steps to avoid Forced Outages.

Ms Ng agreed that it may be too early to reconsider the refund methodology, but reiterated her view that a six times multiplier is potentially punitive.

Mr Stevens suggested that to progress a Rule Change Proposal it would be necessary to present evidence to show that the new dynamic refund rates were inefficient. Mr Chin asked if there was any publicly available literature explaining the arguments for setting the maximum refund rate at six times the Reserve Capacity Price. Ms Laidlaw replied that the documentation produced by the Reserve

Capacity Mechanism Working Group was available on the Rule Change Panel's website.

Mr Peake suggested investigating whether private generators' insurance premiums increase in response to the implementation of the dynamic refund methodology. Mr Peake also suggested reviewing Forced Outages over the last five years to assess in which cases the responsible Market Generator's behaviour could have been affected by having a large refund multiplier.

Mr Peake also considered that smaller participants were penalised by the allocation of refunds to Market Generators, as a smaller Market Generator paying a refund would receive a smaller proportion of that refund back from the market than a larger Market Generator with multiple Facilities.

The Chair summarised that while it was not really possible to dismiss the issue, it was up to Bluewaters and/or ERM Power to provide a justification for further changes to the new dynamic refund methodology at this time. Otherwise, the Chair considered it might be best to defer looking at the issue until the new rules had been in effect for long enough to allow their assessment. Mr Chin proposed to discuss the options internally and then advise RCP Support about how and whether Bluewaters wished to proceed on the issue.

#### Issue 18: Short-term enhancements to the Spinning Reserve procurement process

Mr Kurz and Mr Chin explained their concern that if the ERA published a high draft margin values determination, then Market Generators did not have an opportunity to offer additional Spinning Reserve capacity to the market to try to reduce the overall Spinning Reserve cost. Bluewaters sought the opportunity to respond to the draft margin values determination and amend its contract offering where this would reduce the overall costs of Spinning Reserve to the market.

Mr Sharafi noted that AEMO had requested expressions of interest for additional Spinning Reserve capacity and received some feedback. AEMO was currently working on how much more Spinning Reserve could be assigned to other non-Synergy providers. In response to a question from Mr Stevens, Mr Sharafi noted that the procurement of Spinning Reserve was a complex and circular process.

Mr Chin asked whether the procurement process could be improved without a rule change. Mr Sharafi replied that AEMO believed participation of non-Synergy Generators could be expanded under the current Market Rules.

Mr Kurz and Mr Chin stressed that a Market Generator's commercial decision to offer Spinning Reserve was affected by the applicable margin values (or draft margin values). Mr Chin suggested that it would be helpful for Market Generators if the ERA included a sensitivity analysis in its draft margin values determination, which indicated the effect on the margin values of more or less contracted Spinning Reserve. Mr Chin considered that this would provide a

useful price signal to participants and promote greater efficiency in the provision of Spinning Reserve.

Ms Laidlaw commented that the timing of any contracting would need to be carefully coordinated with the margin values determination process, as the quantity of Spinning Reserve provided by contract would affect the final margin values for a Financial Year.

Mr Stevens considered that in hindsight it would have been preferable to implement a Spinning Reserve market before the LFAS Market, because of its comparative simplicity and the greater number of potential providers.

Mr Sharafi noted that for next year AEMO had started to see how much interest there is in the market to provide Spinning Reserve, and would use this information to establish a marginal price for change. Mr Sharafi suggested that AEMO provide an update on the issue at either the next Generator Forum or the next MAC meeting.

Ms Laidlaw noted that it was still unclear whether there was any need for a Rule Change Proposal to address Bluewaters' concerns. Mr Sharafi agreed to come back to the MAC on whether AEMO was able to do the things suggested by Bluewaters under the current Market Rules, or whether a Rule Change Proposal would be required.

***Action: AEMO to investigate and report to the MAC on whether a rule change is needed to improve efficiency in the Spinning Reserve procurement process by allowing Market Generators to offer additional Spinning Reserve in response to the draft margin values determination.***

**AEMO**

Issue 20/38: Spinning Reserve Cost Allocation

Mr Kurz noted that Bluewaters' proposal was to modify the 200 MW boundary for Block 1 in Appendix 2 of the Market Rules (Spinning Reserve Cost Allocation), as the setting of the boundary at this level was a limiting factor and imposed a large step change in Bluewaters' SRMC. Mr Kurz was aware of the intention to move to a full runway model for Spinning Reserve cost allocation in the longer term, but questioned whether in the shorter term there was any need to maintain the 200 MW boundary or whether it could be set to a higher value.

Ms Laidlaw noted previous MAC discussions on the issue had concluded that changes to the modified runway model block sizes only shifted costs from some specific generators to others, but did not address the fundamental problems with the methodology. Ms Laidlaw considered that as the full runway model resolved the underlying problem it may be difficult to justify a rule change that was limited to modifying the block sizes, noting that AEMO had indicated at the previous MAC meeting that it would be feasible for AEMO to implement a full runway model in advance of other major energy market reforms.

Mr Chin suggested that a change to increase the 200 MW boundary would deliver material efficiency benefits and could be implemented faster than the full runway model. Mr Stevens considered that the full runway model was the more efficient option and was also likely

to be the faster option to implement, as it was generally supported by the market. There was some discussion about how Bluewaters' suggested change would affect the distribution of Spinning Reserve costs among Market Generators.

Ms Laidlaw suggested that when MAC members provided their suggested urgency rating for this issue they should also provide an urgency rating for a Rule Change Proposal to implement the full runway model. Mrs Papps noted that Alinta would support the full runway model as the more appropriate solution, and suggested bringing that option forward as soon as possible.

#### Issue 31: Removal of Synergy LFAS Report obligation

Mr Bargmann noted that the Market Rules require Synergy to give AEMO ex-post information regarding which Facilities actually provided LFAS in each Trading Interval. The requirement was originally designed to allow the IMO to check which Facilities actually provided LFAS and compare those Facilities with those Synergy expected to provide LFAS when it made its Balancing Submissions.

Synergy's issue is that because System Management is Synergy's dispatch agent, AEMO already has the information on which Facilities provide LFAS by virtue of the fact that System Management is now a part of AEMO. This means that the required reports serve no purpose, as Synergy does not have any relevant information that AEMO does not already have.

In response to a question from Mr Stevens, Mr Sharafi confirmed that AEMO had all the information required and did not need Synergy to provide the report.

No concerns were raised by MAC members about the progression of a Rule Change Proposal to address Synergy's issue.

#### Request for Feedback

Ms Laidlaw asked MAC members and observers for feedback on each the issues discussed, as well issue 17 (in case it cannot be included in RC\_2014\_03) and the implementation of a full runway model for Spinning Reserve cost allocation. For each issue, the requested feedback included what urgency rating they would suggest for a Rule Change Proposal to address the issue (including an urgency rating of zero, meaning that the proposal should not be progressed); and whether the respondent's organisation would be interested in developing a Rule Change Proposal to address the issue.

Ms Laidlaw noted that RCP Support intended to collate the information received, obtain a preliminary urgency rating for each issue from the Rule Change Panel, and then publish the results for the consideration of stakeholders.

**Action: MAC members and observers to provide feedback on each of the six issues identified by the MAC as potential Rule Change Proposals (13, 14, 18, 20, 31 and 43) and issue 17 (in case it cannot be included in RC\_2014\_03), regarding what urgency rating they would suggest for a Rule Change Proposal addressing the issue (i.e. Essential, High, Medium, Low,**

All

	<b><i>Housekeeping or Don't Progress); and whether their organisation is interested in developing a Rule Change Proposal to address the issue.</i></b>	
<b>10</b>	<p><b>General Business</b></p> <p><u>MAC Meeting Schedule for 2018</u></p> <p>The MAC noted the proposed meeting schedule for 2018. The Chair advised that the schedule was still to be formally approved by the Rule Change Panel, but requested MAC members block out the relevant meeting dates in their calendars.</p> <p>Mrs Papps asked whether MAC members would be agreeable to starting MAC meetings earlier in the day. Although some members indicated that starting the meetings in the morning would be problematic, several expressed support for a 12:00-12:30 PM start.</p> <p><b><i>Action: MAC members to advise RCP Support whether they would have any problems with starting MAC meetings at 12:00 PM or 12:30 PM rather than 1:00 PM.</i></b></p> <p><u>MAC Composition Review for 2017 and Call for Nominations for 2018</u></p> <p>The Chair noted that the terms of two MAC members expire in 2018: Dr Steve Gould (Market Customers) and Mr Stevens (Market Generators).</p> <p>Mr Richard Cheng noted that nominations for the open positions were due by Friday, 29 December 2017. The Rule Change Panel was expected to make a decision on the new appointments in February 2018, and both incoming and outgoing members would be invited to attend the March 2018 MAC meeting.</p>	<b>All</b>

**The meeting closed at 4:00 PM.**