

## Meeting Agenda

**Meeting Title:** Market Advisory Committee

**Date:** Tuesday 3 September 2019

**Time:** 9:30 AM – 11:50 PM

**Location:** Training Room No. 1, 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 of Meeting 2019_07_29	Chair	5 min
4	Actions Items	Chair	5 min
5	MAC Market Rules Issues List	Chair	5 min
6	Update on the Energy Transformation Strategy	ETIU	15 min
7	AEMO Procedure Change Working Group Update	AEMO	5 min
8	Rule Changes		
	(a) Overview of Rule Change Proposals	Chair	10 min
	(b) North Country Spinning Reserve Issue	AEMO / RCP Support	45 min
9	Rule Change Panel and RCP Support KPIs for 2018/19	Chair	30 min
10	Revised MAC Schedule for 2020	Chair	5 min
11	General Business	Chair	5 min

Next Meeting: 15 October 2019

Please note, this meeting will be recorded.

## Minutes

<b>Meeting Title:</b>	Market Advisory Committee ( <b>MAC</b> )
<b>Date:</b>	29 July 2019
<b>Time:</b>	09:30 AM – 12:30 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	
Andrew Everett	Synergy	
Margaret Pырchla	Network Operator	
Jacinda Papps	Market Generators	
Wendy Ng	Market Generators	
Daniel Kurz	Market Generators	
Andrew Stevens	Market Generators	
Patrick Peake	Market Customers	
Geoff Gaston	Market Customers	
Tim McLeod	Market Customers	
Peter Huxtable	Contestable Customers	

<b>Apologies</b>	<b>Class</b>	<b>Comment</b>
Chayan Gunendran	Market Customers	

<b>Also in Attendance</b>	<b>From</b>	<b>Comment</b>
Claire Richards	Enel X	Presenter
Aden Barker	Energy Transformation Implementation Unit ( <b>ETIU</b> )	Presenter to 12:15 PM
Miles Jupp	ETIU	Presenter

Jenny Laidlaw	RCP Support	Minutes
Kim Phan	ETIU	Observer
Julian Fairhall	ERA	Observer
Noel Schubert	ERA	Observer
Scott Davis	Australian Energy Council	Observer
Erin Stone	Point Economics	Observer
Kei Sukmadjaja	Western Power	Observer
Ian Porter	Sustainable Energy Now	Observer
Richard Cheng	RCP Support	Observer
Natalie Robins	RCP Support	Observer

Item	Subject	Action
<b>1</b>	<b>Welcome</b>	
	The Chair opened the meeting at 9:30 AM and welcomed members and observers to the 29 July 2019 MAC meeting.	
<b>2</b>	<b>Meeting Apologies/Attendance</b>	
	The Chair noted the attendance as listed above.	
<b>3(a)</b>	<b>Minutes from Previous Meeting</b>	
	Draft minutes of the MAC meeting held on 11 June 2019 were circulated on 19 June 2019. The MAC accepted the minutes as a true and accurate record of the meeting.	
	<b>Action: RCP Support to publish the minutes of the 11 June 2019 MAC meeting on the Rule Change Panel's (Panel's) website as final.</b>	<b>RCP Support</b>
<b>3(b)</b>	<b>Minutes of MAC Workshop 2019_06_10 (RC_2013_15)</b>	
	The MAC noted the final minutes of the MAC drafting review workshop held on 10 June 2019 for Rule Change Proposal: Outage Planning Phase 2 – Outage Process Refinements (RC_2013_15).	
<b>4</b>	<b>Action Items</b>	
	The closed action items were taken as read.	
	<b>Action 10/2019:</b> Mr Dean Sharafi gave a presentation on the results of AEMO's modelling of the impact of the two new North Country generators on the Spinning Reserve requirement, and the options that AEMO has identified to address the market	

Item	Subject	Action
	<p>implications. A copy of AEMO's presentation is available on the Panel's website.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> <li data-bbox="320 416 1158 517">• Mr Sharafi clarified that the two new generators and NewGen Neerabup would not form a single contingency under system normal conditions.</li> <li data-bbox="320 544 1158 719">• In response to a question from Mr Andrew Stevens, Ms Jenny Laidlaw clarified that Synergy would not receive any compensation for providing additional Spinning Reserve unless the additional requirement was incorporated into the next margin values determination.</li> <li data-bbox="320 745 1158 887">• Mr Martin Maticka noted that under the current Spinning Reserve cost allocation mechanism, the two generators would not be allocated a Spinning Reserve cost share that reflected their impact on the Spinning Reserve requirement.</li> <li data-bbox="320 913 1158 1272">• Mr Stevens suggested that if the full runway cost allocation method was amended to consider line contingencies, then there would be no need to worry about constrained off payments because the Facilities involved could make a commercial decision on whether to run at a higher level and pay an increased Spinning Reserve cost, or reduce their output to avoid that cost. Mr Sharafi replied that in some situations it may not be possible to enable enough Spinning Reserve, so System Management will have to constrain the output of one or more generators.</li> <li data-bbox="320 1299 1158 1547">• Ms Laidlaw questioned why a Facility that connects under the Generator Interim Access (<b>GIA</b>) arrangement, with an expectation of operating under a future constrained network access regime, should receive constrained off compensation in these circumstances. No attendee offered a reason why constrained off compensation would be warranted.</li> <li data-bbox="320 1574 1123 1749">• No attendee disagreed with the concept that if System Management was to enable additional Spinning Reserve, then Synergy should be appropriately compensated for providing the additional service, and the additional costs should be allocated on a causer-pays basis.</li> <li data-bbox="320 1776 1158 1917">• Mr Andrew Everett considered that in future it may not always be possible to enable enough Spinning Reserve, even if the new generators are constrained down to prevent them forming the largest contingency.</li> <li data-bbox="320 1944 1158 2042">• Mr Sharafi presented three options to address the problem. There was some discussion about the need for a relatively simple solution and how to assess the economic trade-off</li> </ul>	

Item	Subject	Action
	<p>between potentially higher Spinning Reserve costs and potentially lower energy prices. Mr Sharafi noted that AEMO has not undertaken any market modelling regarding which of the three options is the most efficient.</p>	
	<ul style="list-style-type: none"> <li>• Ms Laidlaw noted that it would be perverse to restrict the output of generators in a Trading Interval where the additional Spinning Reserve requirement could be met without any additional cost to Synergy.</li> <li>• Mr Geoff Gaston asked whether the generators would receive any compensation if they were constrained down by Western Power under their GIA arrangements. Mr Sharafi replied that while generators do not receive compensation if they are constrained down under a GIA arrangement, the GIA arrangements are only used to manage network constraints.</li> <li>• In response to a question from Mr Gaston, Ms Laidlaw confirmed that constrained off payments for Facilities that are constrained off due to a network outage were removed on 1 July 2019 by the Amending Rules for Rule Change Proposal: Removal of constrained off compensation for Outages of network equipment (RC_2018_07).</li> </ul>	
	<p>Ms Laidlaw questioned whether it would be appropriate for NewGen Neerabup to be constrained down ahead of a GIA generator if a network outage created a Spinning Reserve requirement that System Management could not meet.</p>	
	<ul style="list-style-type: none"> <li>• Mr Patrick Peake asked whether the two generators were starting at the same time and, if not, whether any additional Spinning Reserve costs should be borne by the second generator to connect. Mr Sharafi replied that both generators were due to start operations in the first quarter of 2020.</li> <li>• There was further discussion about how the relative efficiency of options 2 (incorporating 2a and 2b) and 3 could be assessed, and how decisions on whether to enable additional Spinning Reserve or constrain generators down might be made in real time. Mr Stevens noted that the modelling results indicated how often the generators would form the largest contingency, but not how often they would create a Spinning Reserve requirement that could not be met.</li> <li>• Mr Stevens considered there was no choice but to agree that the generators should not receive compensation if they are constrained down to reduce the Spinning Reserve</li> </ul>	

Item	Subject	Action
	<p>requirement. Mr Stevens expressed a concern that the issue was not identified and addressed earlier.</p>	
	<ul style="list-style-type: none"> <li>• Mr Sharafi suggested that the issue might provide a case for Western Power to prepare a submission to the ERA to energise the second 330 kV North Country transmission line.</li> <li>• Mr Peake supported option 2 on the basis that it was unacceptable for the additional Spinning Reserve costs to be allocated to the largest generator rather than the responsible wind farms. However, Mr Peake questioned what the relevant Market Generators had been promised by the Government and other parties. Ms Laidlaw noted that the potential for the new generators to increase the Spinning Reserve requirement had been known for several years, so presumably there had been some discussion about the issue.</li> <li>• Mr Stevens questioned whether any other line contingencies might exceed 400 MW. Mr Sharafi replied that the next largest line contingency related to the 220 kV transmission line to the Eastern Goldfields.</li> <li>• Mr Ian Porter considered that demand response could form part of a future solution to the issue. Mr Porter indicated that he would agree with Mr Peake's view on the need to attribute the additional Spinning Reserve liabilities to the wind farms if the liability in future for carbon emissions was attributed to coal-fired power stations.</li> </ul>	
	<p>Mr Sharafi noted that Interruptible Loads already provide Spinning Reserve at the transmission level, although there is no distribution-level demand response. Mr Peake noted that the source of the Spinning Reserve Service did not affect the need to pay for that service.</p>	
	<ul style="list-style-type: none"> <li>• Mr Gaston expressed support for option 2. Mr Daniel Kurz also considered that option 2 would produce the best outcomes but questioned how long it would take to implement the necessary rule changes.</li> </ul>	
	<p>Mr Sharafi considered that options 2a and 2b could be part of the same Rule Change Proposal and suggested that the proposal could be progressed using the Fast Track Rule Change Process. Ms Laidlaw considered that the proposal was unlikely to meet the fast track criteria but was likely to be assigned a High urgency rating.</p>	
	<ul style="list-style-type: none"> <li>• Ms Wendy Ng asked how long it would take to implement the required system changes for option 2. Ms Laidlaw suggested that the changes could be implemented in two</li> </ul>	

Item	Subject	Action
	<p>stages, i.e. the simpler changes (to remove constraint payments) first, and the more complex cost allocation changes later. Mr Maticka agreed that such an approach could be workable.</p>	
	<ul style="list-style-type: none"> <li data-bbox="320 439 1158 613">• Mr Stevens suggested that the owners of the new Facilities should be advised immediately to ensure that their control system designs can cater for the suggested changes. There was some discussion about whether any material changes to the Facilities' control system designs would be required.</li> <li data-bbox="320 642 1158 1003">• The Chair asked if the MAC supported the development of a Rule Change Proposal to address the issues raised by AEMO. Several members explicitly supported the development of a Rule Change Proposal, and no attendees suggested that a Rule Change Proposal should not be progressed. However, Mrs Jacinda Papps noted that AEMO's presentation was not sent to members until late on the previous Friday afternoon (26 July 2019) and indicated she could not offer any position on the proposal at this meeting.</li> <li data-bbox="320 1032 1158 1281">• There was some discussion about next steps and what AEMO is required to do before starting work to develop a Rule Change Proposal. Mr Maticka noted that AEMO had only responded to the action item raised by the MAC; and was presenting options for discussion rather than consulting with the MAC under clause 2.5.1A of the Market Rules about the development of a Rule Change Proposal.</li> <li data-bbox="320 1310 1158 1738">• Mr Maticka and Mr Stevens suggested that the MAC needed more time to reach a position on the development of a Rule Change Proposal, because some members had not had enough time to consider the issue. Mr Everett disagreed, considering that MAC members were at the MAC to form a market view, and that the views of Synergy and Alinta should not alter what the MAC chose to do from a market perspective. Mr Everett advised that he was comfortable with the development of a Rule Change Proposal proceeding, noting that individual representatives can express their individual views on that proposal at a later date.</li> <li data-bbox="320 1767 1158 2016">• The Chair asked AEMO whether, if the MAC was to support the development of a Rule Change Proposal to address the issues, AEMO would be willing to develop that Rule Change Proposal. Mr Sharafi replied that AEMO lacked resources to undertake the work, but if the MAC wanted AEMO to develop a Rule Change Proposal then AEMO would be happy to discuss this with the Rule Change Panel and see</li> </ul>	

Item	Subject	Action
	<p>what could be done. No member raised a concern about AEMO developing a Rule Change Proposal to address the issue.</p>	
	<ul style="list-style-type: none"> <li>• In response to a question from Ms Ng, Mr Sharafi advised that AEMO had no specific preference for option 3, because the new generators will provide low-cost energy to the market and constraining their output unnecessarily might increase energy costs. Ms Ng questioned whether this could be tolerated until the new market arrangements are implemented in 2022; and suggested that option 3 should be further considered before deciding to proceed with option 2.</li> <li>• Further to Ms Ng's comments, Mr Aden Barker encouraged MAC members to consider the issue of timing and implementation resource availability. Mr Barker noted that some of the issues would be resolved through a combination of the application of constrained network access and co-optimisation in the market, under the new market systems and the revised Essential Systems Services framework. Mr Barker questioned how long it would take to develop, progress and implement the rule changes for options 2a and 2b.</li> </ul>	
	<p>However, Mr Barker clarified that he was an observer and therefore not expressing a view on whether a simpler option would be better.</p>	
	<p><b>Action 13/2019:</b> Mr Barker advised he would address the action item under Agenda Item 6(b).</p>	
	<p><b>Action: MAC members to send RCP Support their views on the North Country Spinning Reserve issue (and specifically their views on the three options presented by AEMO at the 29 July 2019 MAC meeting) by 9 August 2019.</b></p>	All
	<p><b>Action: AEMO and RCP Support to consider the views provided by MAC members on the North Country Spinning Reserve issue and discuss options for the development of a Rule Change Proposal, and report to the next MAC meeting.</b></p>	AEMO/ RCP Support
5	<p><b>MAC Market Rules Issues List (Issues List) Update</b></p>	
	<p>The MAC noted the recent updates to the Issues List.</p>	
	<p><u>Issue 14/36 (Capacity Refund Arrangements):</u></p>	
	<p>The Chair noted that on 9 May 2018, the MAC placed issue 14/36 on hold for 12 months (until June 2019) to allow time for historical data on dynamic refund rates to accumulate. Mr Kurz</p>	



Item	Subject	Action
	and Ms Ng, who originally raised the issue, agreed that it has a low priority and should remain on hold for another 12 months.	
	<u>Issue 52 (Multiple generating units on a single line constituting the largest credible contingency):</u>	
	The MAC agreed to move issue 52 to table 1 (Potential Rule Change Proposals) and set the preliminary MAC urgency rating to High.	
<b>6(a)- 6(d)</b>	<b>Update on the Energy Transformation Strategy (ETS)</b>	
	Mr Barker provided the following updates on the ETS.	
	<ul style="list-style-type: none"> <li>• The Energy Transformation Taskforce (<b>Taskforce</b>) had held several meetings since the last MAC meeting.</li> <li>• On 12 July 2019, ETIU held an industry forum to seek feedback on proposed modelling scenarios for the first Whole of System Plan (<b>WOSP</b>). Approximately 100 stakeholders attended the industry forum.</li> <li>• The first Program Implementation Coordination Group meeting was held on 19 July 2019. The group comprises the Chair of the Taskforce, the ETIU Program Director and senior level representatives from AEMO and Western Power.</li> <li>• On 22 July 2019, ETIU hosted a presentation by Dr Gabrielle Kuiper on her Churchill Fellowship report “The Future of Electricity Distribution Networks”.</li> <li>• During the most recent Taskforce meeting (26 July 2019), the Taskforce approved information papers relating to the change management process for Western Power’s Technical Rules, and the high-level regulatory and legislative framework for Power System Security and Reliability standards.</li> <li>• Two meetings of the Taskforce are scheduled for August 2019. The first meeting will consider matters under the Foundation Regulatory Frameworks work stream, including the foundation market parameters discussed at the first Market Design and Operation Working Group (<b>MDOWG</b>) meeting, the energy scheduling and dispatch matters discussed at the second MDOWG meeting, and the publication of the GHD paper for the technical framework for Essential System Services.</li> </ul>	
	The second Taskforce meeting will include approval of information papers for release on limits information and the first tranche of work on Essential System Services.	

Item	Subject	Action
	<ul style="list-style-type: none"> <li>• The Taskforce published its first newsletter (for July 2019) and intends to publish newsletters on a monthly basis.</li> <li>• A Distributed Energy Resources (<b>DER</b>) Stakeholder Workshop was scheduled for 30 July 2019, with 70 stakeholders registered to attend.</li> <li>• The Strategic Consultative Group was also due to hold its first meeting soon.</li> <li>• The 3 July 2019 MDOWG meeting included a carry-over discussion around scheduling and dispatch of energy (specifically the treatment of fast start facilities and facility aggregation), a discussion of the new technical framework for Essential System Services, and an update on the proposed Reserve Capacity Mechanism (<b>RCM</b>) changes to support constrained network access.</li> </ul>	
	<p>The next meeting was scheduled for 12 August 2019 and would continue the discussion around Essential System Services (and specifically frequency control).</p>	
	<ul style="list-style-type: none"> <li>• With respect to action item 13/2019, the Taskforce was aware of the tight timeframes involved, not just in relation to the RCM but more generally in terms of changes to the market. The September 2019 MDOWG meeting would include a discussion around implementation of the RCM changes, including details of the relevant timelines.</li> </ul>	
	<ul style="list-style-type: none"> <li>• Feedback on the proposed changes to the Terms of Reference for the MDOWG and the Power System Operation Working Group (<b>PSOWG</b>) had raised some legitimate questions about the distinction between the two working groups. While acknowledging the substantial administrative work that had gone into holding PSOWG meetings, ETIU considered that the two working groups should be abolished and replaced with a single working group, convened by the Taskforce and chaired by ETIU.</li> </ul>	
	<p>Mr Barker advised that the new working group, which was likely to be known as the 'TDOWG', would operate in the same way as the former working groups, under new terms of reference that will be published under the Taskforce and ETIU section of the Treasury website. Stakeholders will continue to be able to bring items for discussion to the working group meetings.</p>	
	<p>Mr Barker considered that one of the benefits of the new working group was that it could deal with matters that do not strictly fall under the purview of the MAC, such as matters relating to Western Power's Technical Rules, and any</p>	

Item	Subject	Action
	<p>matters that need to be discussed around the Whole of System Plan and DER Roadmap.</p> <p>The MAC agreed to disband the MDOWG and PSOWG.</p> <p>The Chair asked if ETIU still wished to include a standing item on the MAC agenda for ETS progress updates. Mr Barker and MAC members agreed it would be useful to continue these regular updates.</p> <p>Mr Sharafi noted that AEMO had been working on several subjects for the next PSOWG meeting, including the reliability framework, outage management and frequency regulation, and that these subjects will now be discussed at meetings of the new working group.</p> <p>Mr Noel Schubert supported the working group changes but hoped that they did not adversely affect the momentum of the two former working groups. Mr Barker advised that the work previously assigned to AEMO and Western Power would continue to be undertaken by those parties; and commended the excellent work done by Mr Clayton James in facilitating the PSOWG meetings to date.</p>	
<b>6(e)</b>	<b>Whole of System Plan</b>	
	<p>Mr Miles Jupp provided an update to the MAC on the development of the first WOSP. A copy of ETIU's presentation is available in the meeting papers.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> <li>• Ms Ng asked if ETIU had developed the load profiles for the four scenarios. Mr Jupp replied that ETIU was making use of Western Power's forecasts, which considered residential, commercial and industrial loads separately. The load profiles for the four scenarios were developed using different assumptions about the mix of the three sectors. For example, the Castaway scenario assumed a large number of residential customers leaving the grid, so the load profile reflected the expected loss of some peak residential loads.</li> <li>• Mr Sharafi asked if ETIU had consulted with the AEMO staff who had worked on the development of the Integrated System Plan (<b>ISP</b>) for the National Electricity Market (<b>NEM</b>). Ms Kim Phan replied that Mr Noel Ryan, the Project Lead for the WOSP, had met with the ISP team to discuss their lessons and experiences.</li> <li>• Mr Porter asked what inputs ETIU had considered to prevent the Castaway scenario from occurring, given that a large-scale defection from the grid would not benefit the</li> </ul>	

Item	Subject	Action
	<p>community. Mr Porter also questioned the Government's plans in relation to a future cost on carbon.</p> <p>In response, Mr Jupp noted that the Castaway and Double Bubble scenarios were two 'book end' inputs to the modelling. The WOSP outputs are intended to assist the regulator, policy makers and industry with policy formulation.</p> <p>Mr Jupp noted that ETIU was not including any specific carbon pricing inputs in its modelling because there is no set policy at this stage. Mr Porter considered that eventually there will be a cost for carbon and questioned why that eventuality was not incorporated into the WOSP. Mr Jupp noted that the current WOSP was intended to be the first of a series, and that carbon pricing implications could be considered in a future WOSP once the policy position was clearer.</p> <p>Mr Barker added that ETIU intended to consider the process for developing future WOSPs next year, towards the end of the development of the first WOSP. ETIU would consider matters such as how the WOSP would be developed and how frequently, and how the process would tie into other regulatory processes (e.g. the ERA's consideration of Western Power's access arrangements).</p>	
7	<b>AEMO Procedure Change Working Group (APCWG) Update</b>	
	The MAC noted the update on AEMO's Market Procedures.	
8(a)	<b>Overview of Rule Change Proposals</b>	
	<p>The Chair noted that the Final Rule Change Report for Rule Change Proposal: Outage Planning Phase 2 – Outage Process Refinements (RC_2013_15) was due to be published during August 2019.</p> <p>Ms Laidlaw noted that after further discussion with AEMO on Rule Change Proposal: Administrative Improvements to the Outage Process (RC_2014_03), RCP Support had revised the previous straw man proposal for the management of ex-ante Consequential Outages. Ms Laidlaw sought the preferences of the MAC on whether RCP Support should hold a workshop to discuss the revised straw man (and other aspects of the Rule Change Proposal) before or after the publication of a call for further submissions. There was general agreement from MAC members to hold the workshop before the publication of a call for further submissions.</p> <p>The Chair noted that RCP Support intended to hold a MAC workshop to discuss Rule Change Proposal: Implementation of</p>	

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	<p>30-Minute Balancing Gate Closure (RC_2017_02). The current target date for the workshop was 16 August 2019.</p> <p>Mr Richard Cheng noted that a new version of the Market Rules was due to be published on 1 August 2019.</p> <p>The MAC noted the overview of Rule Change Proposals.</p>	
<b>8(b)</b>	<b>RC_2019_01: The Relevant Demand calculation</b>	
	<p>The Chair noted that the first submission period for Rule Change Proposal: The Relevant Demand calculation (RC_2019_01) was due to close on 9 August 2019.</p>	
	<p>The Chair invited comments on the Rule Change Proposal from Ms Claire Richards (the submitter of RC_2019_01) and then from the MAC. The following points were discussed.</p>	
	<ul style="list-style-type: none"> <li data-bbox="320 837 1158 1010">• Ms Richards noted that the MAC discussed a draft of the Rule Change Proposal at its 5 February 2019 meeting. Enel X had sought to incorporate the comments provided by the MAC, and other specific comments provided by RCP Support, into the final version of the Rule Change Proposal.</li> <li data-bbox="320 1039 1158 1167">• Ms Richards provided an overview of RC_2019_01, including why Enel X submitted the Rule Change Proposal and why it proposed the use of a more dynamic Relevant Demand calculation.</li> <li data-bbox="320 1196 1158 1563">• Ms Richards noted that some fundamental concerns were raised during the 5 February 2019 MAC meeting about the role of the demand side in the RCM. Enel X had not sought to address these concerns in RC_2019_01, because it considered the Final Report for the Minister's RCP Pricing Reforms had clearly indicated the policy position that demand side management was to play an important ongoing role in the Wholesale Electricity Market, and that equivalent remuneration of the supply and demand side should be restored.</li> <li data-bbox="320 1592 1158 1693">• In response to a question from Mr Peter Huxtable, Mr Barker confirmed that RC_2019_01 did not overlap with ETIU's work program.</li> <li data-bbox="320 1722 1158 1966">• Mr Peake queried how a dynamic assignment of Relevant Demand tied in with the certification process. Ms Richards replied that the baseline calculation (whether static or dynamic) was not used in the certification process. The dynamic baseline approach was only used to verify and measure the counterfactual demand when a Demand Side Programme (<b>DSP</b>) was actually dispatched.</li> </ul>	

Item	Subject	Action
	<ul style="list-style-type: none"> <li>• Mr Huxtable suggested that a dynamic baseline calculation would be better for aggregators than individual loads because the risk of a dynamic baseline for an individual load might be too high.</li> <li>• Mr Schubert considered that using a dynamic baseline was sensible because it would provide a more accurate estimate of the counterfactual demand of a DSP.</li> <li>• In response to a question from Mr Matthew Martin, Ms Richards clarified that dynamic baseline methodologies usually only considered quite recent historical data, e.g. from the previous 10 days.</li> <li>• Ms Laidlaw noted that the Market Rules allowed a DSP to be assigned Certified Reserve Capacity for a Capacity Year well before any Loads were associated with the DSP for that Capacity Year, i.e. well before a baseline of any type could be calculated.</li> <li>• Mr Sharafi considered that System Management needed to know whether a DSP's capacity was available to be dispatched and questioned how this would be done if the availability was not monitored on an on-going basis. Ms Richards replied that Enel X had suggested in RC_2019_01 that ongoing monitoring to clarify that a DSP is compliant with its capacity obligations in every Trading Interval is unnecessary, and not an approach taken in other markets. However, in other markets there is usually constant communication between the system operator and the DSP provider during periods when it is likely that the DSP will need to be dispatched. The NEM's Reliability and Reserve Trader mechanism operated in this way.</li> </ul>	
	<p>Ms Laidlaw noted that RC_2019_01 proposed to remove the existing penalty that applied to a DSP when its Relevant Demand was too low to provide its certified capacity. There was some discussion about when the capacity of DSPs and Scheduled Generators should have to be available.</p>	
	<ul style="list-style-type: none"> <li>• Mr Huxtable questioned whether a dynamic baseline methodology would require full outage scheduling for DSPs. Ms Laidlaw replied that several different options existed to manage the equivalent of Outages for DSPs.</li> </ul>	
	<p>The Chair sought a recommendation from the MAC on the urgency rating for RC_2019_01. After some discussion, the MAC agreed to recommend a Medium urgency rating for the Rule Change Proposal, with several members noting that the changes were not urgently required.</p>	

Item	Subject	Action
	The MAC recommended that RCP Support hold a workshop to discuss RC_2019_01 and its development and implementation options before deciding on the next steps for the progression of the Rule Change Proposal.	
<b>8(c)</b>	<b>RC_2019_03: Method used for the assignment of Certified Reserve Capacity to Intermittent Generators</b>	
	The Chair noted that the ERA had developed Pre-Rule Change Proposal: Method used for the assignment of Certified Reserve Capacity to Intermittent Generators (RC_2019_03) following discussions at the 5 February 2019 and 30 April 2019 MAC meetings.	
	Ms Sara O'Connor noted that the Pre-Rule Change Proposal was based on the recommendations of the ERA's recent review of the Relevant Level Methodology. The ERA had consulted broadly throughout the review period and had spoken to the MAC on two occasions about what it intended to include in the Pre-Rule Change Proposal. Ms O'Connor asked members to raise any issues they had with the Pre-Rule Change Proposal so that the ERA could consider those issues before the proposal was submitted into the formal rule change process.	
	In response to a request from Mrs Papps, Ms O'Connor advised that the ERA would be willing to provide Market Participants with the redacted information in Table 5 of Attachment 2 of the Pre-Rule Change Proposal that was relevant to their Candidate Facilities.	
	The Chair asked if attendees had any questions or comments that they would like the ERA to address before it submitted the Rule Change Proposal. Mr Maticka indicated that he intended to discuss a few minor issues with Ms O'Connor directly. Ms Laidlaw also noted that she had some questions about the drafting that she would discuss with Ms O'Connor directly.	
	The Chair sought the views of the MAC on the urgency rating for RC_2019_03, suggesting that it should be either High or Medium. Ms O'Connor noted that the ERA recommended a High urgency rating for two reasons: firstly, because it had concluded that the current method is flawed; and secondly, because it was aware of the current discussions under the ETS about the assignment of Capacity Credits within a constrained network environment, and wanted the proposed rule change to be included in that discussion.	
	Mr Barker noted that ETIU intended to present more information about the proposed constrained network access certification process at the September 2019 TDOWG meeting.	

Item	Subject	Action
	<p>Mrs Papps suggested that the issues with the current methodology identified by the ERA provide a compelling case for the assignment of a High urgency rating. Mrs Papps considered that if both RC_2019_01 and RC_2019_03 were assigned a Medium urgency rating, then RC_2019_03 should be considered the more urgent of the two proposals.</p> <p>Mr Stevens agreed with Mrs Papps' preference for a High/Medium High rating. Mr Maticka considered that RC_2019_03 was a well thought out proposal and AEMO would not have any objections if it was assigned a High urgency rating.</p> <p>The MAC agreed to recommend a High urgency rating for RC_2019_03.</p>	

## 9 Issues with Reserve Capacity Testing

Mr Peake gave a presentation on several issues identified by Perth Energy around the provisions in the Market Rules for Reserve Capacity Tests. A copy of Perth Energy's presentation is available in the meeting papers.

The following points were discussed.

### Issue 1: Cost-benefit of running a test

- Mr Stevens considered that Perth Energy was responsible for the high cost of its Reserve Capacity Tests because it had decided to certify its Facility using diesel as its fuel. Mr Peake explained that the Facility usually ran on gas, but it was not feasible for a standalone peaking generator to have a gas contract that would satisfy the certification requirements in the Market Rules, so that it was necessary to certify and test using diesel.
- There was some discussion about whether a Market Generator should be able to reduce its Capacity Credits without refunding any payments already received for the reduced capacity. Mr Maticka noted that DSPs were permitted to reduce their Capacity Credits in similar circumstances.
- Mr Stevens agreed that a Market Generator who failed a Reserve Capacity Test should have the option to reduce its Capacity Credits rather than undertake a second Reserve Capacity Test. However, Mr Stevens considered that Market Generators in these situations should refund any payments have already been received for the reduced capacity.

### Issue 2: Cost difference between self-testing and AEMO-testing



Item	Subject	Action
	<ul style="list-style-type: none"> <li data-bbox="320 271 1161 600">• Mr Maticka questioned whether a Reserve Capacity Test should cover one or two Trading Intervals and, if two Trading Intervals, whether those Trading Intervals should be consecutive. Mr Maticka considered that self-tests and directed tests should be the same length, rather than using a longer period for directed tests as a form of penalty for failing to complete a self-test. Mr Peake noted that for practical reasons Market Generators often run for at least two Trading Intervals when conducting a self-test.</li> </ul> <p data-bbox="376 622 1161 801">Ms Laidlaw asked whether it was a frequent occurrence for a Facility to achieve its target in one Trading Interval of a directed test but not both. Ms Ng suggested that a Facility may pass one Trading Interval but not another due to temperature differences.</p> <p data-bbox="376 824 1161 1037">Mr Peake noted that Perth Energy had run two tests on different days and achieved the same output within 1 kW. While a subsequent meter test did not identify any problem, the meters were changed shortly after the test and Perth Energy has had no problem achieving its target output since the new meters were installed.</p> <p data-bbox="376 1059 1161 1350">There was some discussion about how many Trading Intervals are needed to verify the performance and reliability of a Facility. Mr Gaston considered that all Reserve Capacity Tests should cover two Trading Intervals. Mrs Papps considered that this would be a large change and questioned whether the market had experienced any problems due to Market Generators self-testing their Facilities over a single Trading Interval.</p> <p data-bbox="376 1373 1161 1478">In response to a question from Ms Laidlaw, Mr Peake confirmed that Perth Energy was not proposing any change to the current durations of self-tests and directed tests.</p>	

### Issue 3: Ambiguity if a plant is on outage

- Mr Peake questioned whether, if a Facility fails a directed Reserve Capacity Test and is then on an outage during the prescribed period for the second test (between 14 and 28 days after the first test), AEMO should delay the second test or restart the entire test process once the Facility is available again. Mr Peake considered a rule change was needed because the Market Rules do not account for this scenario.
- Mr Peake expected Perth Energy's suggestion would be to give AEMO two weeks to conduct the test once the Facility returned to service from the outage.

Item	Subject	Action
	<p><u>Issue 4: AEMO must reduce Capacity Credits “to reflect the maximum capabilities achieved in either Reserve Capacity Test”</u></p>	
	<ul style="list-style-type: none"> <li>Mr Peake questioned how clause 4.25.4(a) of the Market Rules should be interpreted, using the scenario set out in the presentation as an example. Specifically, Mr Peake asked whether the maximum capability achieved in a directed Reserve Capacity Test was the greater of the output achieved in the first Trading Interval and the output achieved in the second Trading Interval, or the average output over the two Trading Intervals.</li> </ul>	
	<p>Mr Stevens suggested that the lower of the two output values should be used, as it provided a better indication of what the Facility could reliably achieve; and that the Facility’s Capacity Credits should be set to the lowest of the four relevant Trading Interval output values.</p>	
	<p>Mr Peake replied that using the lowest value would expose Facilities to the risk of losing all their Capacity Credits if they tripped during a directed Reserve Capacity Test. There was some discussion about whether investors would find this risk unacceptable.</p>	
	<ul style="list-style-type: none"> <li>Mr Peake questioned whether AEMO had breached clause 4.25.4(a) by not increasing the Facility’s Capacity Credits above its certified level because it had exceeded its certified level in one Trading Interval. Mr Stevens replied that the clause only required AEMO to ‘reduce’ Capacity Credits under certain conditions.</li> </ul>	
	<ul style="list-style-type: none"> <li>There was further discussion about how the maximum capacity of a Facility should be calculated from the two test results. Ms Ng noted that Perth Energy’s Facility regularly ran and demonstrated its availability using gas as its fuel. Mr Maticka noted that System Management can require a test at any time if it suspects that a Facility is unable to meet its Reserve Capacity Obligations.</li> </ul>	
	<ul style="list-style-type: none"> <li>Mr Everett noted that the real issue was that the meaning of clause 4.25.2(a) was unclear. In response to a question from the Chair, Mr Maticka advised that AEMO currently interpreted the maximum capability to be the maximum output achieved in any of the four Trading Intervals.</li> </ul>	
	<p>Mr Peake noted this meant that for the scenario in the presentation there was no point to the second test, because the Facility had exceeded Capacity Credit level in one of the Trading Intervals in the first test. Mr Peake suggested that the maximum capability should be the capability of the Facility</p>	

Item	Subject	Action
	<p>over the one-hour test period, rather than over a single Trading Interval.</p> <p>Mr Peake advised that Perth Energy would prepare a Pre-Rule Change Proposal to address the issues raised in the presentation for consideration at a future MAC meeting.</p>	
10	<p><b>MAC Schedule for 2020</b></p> <p>The Chair sought feedback from MAC members regarding the proposed MAC meeting schedule for 2020 in the meeting papers.</p> <p>Mrs Papps noted that 28 January 2020 was the day after the Australia Day public holiday; and several members advised that they would be unable to attend meetings that conflict with school holidays. The Chair agreed to review the schedule in light of public holiday dates.</p>	<p><b>RCP Support</b></p>
	<p><b>Action: RCP Support to update the proposed 2020 MAC meeting schedule for consideration by the MAC.</b></p>	
11	<p><b>General Business</b></p> <p>The Chair noted that the Panel's annual stakeholder satisfaction survey closed on 15 July 2019 and RCP Support intended to table the results at the next MAC meeting.</p> <p>The Chair noted that the Panel's annual activities report for 2018/19 was with the Panel for review. The Panel will submit the report to the Minister by the end of August 2019 and the Minister then has two months to table the report in Parliament.</p>	
<p><b>The meeting closed at 12:30 PM.</b></p>		

## Agenda Item 4: MAC Action Items

Meeting 2019\_09\_03

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
10/2019	AEMO to conduct further modelling to assess how often the connection of multiple generators on a single North Country line will increase the size of the largest contingency beyond the output of any single generator and report back to the MAC with the results.	AEMO	2019_06_11	<b>Closed</b> AEMO presented its modelling at the MAC meeting on 29 July 2019.
13/2019	RCP Support to include a discussion about certification timeframes, requirements and processes for the 2020 Reserve Capacity Cycle on the agenda for the 29 July 2019 MAC meeting.	RCP Support	2019_06_11	<b>Closed</b> The ETIU provided a response to this action item at the MAC meeting on 29 July 2019.

Item	Action	Responsibility	Meeting Arising	Status
14/2019	RCP Support to publish the minutes of the 11 June 2019 MAC meeting on the Rule Change Panel ( <b>Panel's</b> ) website as final.	RCP Support	2019_07_29	<b>Closed</b> The minutes were published on the Panel's website on 31 July 2019.
15/2019	MAC members to send RCP Support their views on the North Country Spinning Reserve issue (and specifically their views on the three options presented by AEMO at the 29 July 2019 MAC meeting) by 9 August 2019.	MAC Members	2019_07_29	<b>Closed</b> RCP Support received responses from nine MAC members and observers. A summary of these responses is provided under Agenda Item 9.
16/2019	AEMO and RCP Support to consider the views provided by MAC members on the North Country Spinning Reserve issue and discuss options for the development of a Rule Change Proposal, and report to the next MAC meeting.	AEMO and RCP Support	2019_07_29	<b>Closed</b> AEMO and RCP Support met on 22 August 2019 to discuss how the North Country Spinning Reserve issue can progressed. This issue is further discussed under Agenda Item 9.
17/2019	RCP Support to update the proposed 2020 MAC meeting schedule for consideration by the MAC.	RCP Support	2019_07_29	<b>Closed</b> A revised proposed MAC meeting schedule for 2020 is provided for consideration by the MAC under Agenda Item 11.

## Agenda Item 5: MAC Market Rules Issues List Update

Meeting 2019\_09\_03

The latest version of the Market Advisory Committee (**MAC**) Market Rules Issues List (**Issues List**) is available in Attachment 1 of this paper.

The MAC maintains the Issues List to track and progress 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.

Updates to the Issues List are indicated in red font, while issues that have been closed since the last publication are shaded in grey.

### Recommendation:

RCP Support recommends that the MAC:

- note the updates to the Issues List;
- indicate whether there are any new issues to be raised;
- discuss how it would like to progress with issue 55; and
- discuss the questions raised under issue 15/35.

## Agenda Item 5 – Attachment 1 – MAC Market Rules Issues List

29 July 2019

**Table 1 – Potential Rule Change Proposals**

Id	Submitter/Date	Issue	Urgency and Status
31	Synergy November 2018	<p><b>LFAS Report</b></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><b>Panel rating:</b> Low, but OK to progress using the Fast Track Rule Change Process</p> <p><b>MAC ratings:</b></p> <p>Low: Alinta, Bluewaters</p> <p>Medium: Geoff Gaston, AEMO</p> <p>High: Peter Huxtable</p> <p><b>Status:</b></p> <p>This issue has not been progressed.</p>
45	AEMO May 2018	<p><b>Transfer of responsibility for setting document retention requirements</b></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>	<p><b>Panel rating:</b> Low</p> <p><b>MAC ratings:</b> Low</p> <p><b>Status:</b></p> <p>Waiting on the ERA to provide its position on the proposal, but this is a low priority issue for the ERA.</p>
46	AEMO May 2018	<p><b>Transfer of responsibility for setting confidentiality statuses</b></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</p>	<p><b>Panel rating:</b> Low</p> <p><b>MAC ratings:</b> Low</p> <p><b>Status:</b></p>

Table 1 – Potential Rule Change Proposals

Id	Submitter/Date	Issue	Urgency and Status
		this responsibility as it no longer maintains the broader market development and compliance functions of the IMO.	Waiting on the ERA to provide its position on the proposal, but this is a low priority issue for the ERA.
47	AEMO September 2018	<p><b>Market Procedure for conducting the Long Term PASA (clause 4.5.14)</b></p> <p>The scope of this procedure currently includes describing the process that the ERA must follow in conducting the five-yearly review of the Planning Criterion and demand forecasting process.</p> <p>AEMO considers that its Market Procedure should not cover the ERA's review, and the ERA should be able to independently scope the review. As such, AEMO recommends removing this requirement from the head of power in clause 4.5.14 of the Market Rules.</p>	<p><b>Panel rating:</b> Low</p> <p><b>MAC ratings:</b> Low</p> <p><b>Status:</b> This issue has not been progressed.</p>
52	MAC February 2019	How should potential future scenarios be managed where multiple generating units that are connected to the same line constitute the largest credible contingency, without imposing excessive constraint payment costs on Market Customers?	<p><b>Panel rating:</b> <u>TBD</u></p> <p><b>MAC ratings:</b> <u>High</u></p> <p><b>Status:</b> <u><a href="#">The MAC discussed this issue at its meetings on 11 June and 29 July 2019. AEMO has proposed three options to address this issue, which will be further discussed on 3 September 2019 (see Agenda Item 9).</a></u></p>
53	Alinta February 2019	<p><b>TES Recalculation</b></p> <p>Alinta is seeking a rule change to allow the recalculation of TES after the current 15 Business Day deadline.</p>	<p><b>Panel rating:</b> Low</p> <p><b>MAC ratings:</b> Low</p> <p><b>Status:</b></p>



Table 1 – Potential Rule Change Proposals

Id	Submitter/Date	Issue	Urgency and Status
			This issue has not been progressed.
55	MAC April 2019	There is a conflict between the current and proposed Relevant Level Methodologies and the early and conditional certification of new Intermittent Generators, because the methodologies depend on information that is not available before the normal certification time for a Reserve Capacity Cycle.	<p><b>Panel rating:</b> TBD</p> <p><b>MAC ratings:</b> Low</p> <p><b>Status:</b></p> <p><u>On 15 August 2019, Mr Maticka advised RCP Support that AEMO has revised its position and is now of the view that there is an opportunity as part of RC 2019 03 to remove Clause 4.28C.7 that relates to Early Certification of Reserve Capacity (CRC).</u></p> <p><u>The draft proposal states that AEMO “must reject the early certification application if it has cause to believe that it cannot reliably set the Early CRC...”; otherwise, AEMO must set Early CRC within 90 days of receiving the application. It appears that it is almost certain that AEMO cannot reliably set the Early CRC for an early certification application if an intermittent Facility nominates to use clause 4.11.2(b) for the assessment. This is because:</u></p> <ul style="list-style-type: none"> <li><u>An early certification application may be submitted at any time before 1 January of Year 1 of the Reserve Capacity Cycle to which the application relates [clause 4.28C.2].</u></li> </ul>

Table 1 – Potential Rule Change Proposals

Id	Submitter/Date	Issue	Urgency and Status
			<ul style="list-style-type: none"> <li>• <u>This means that when AEMO receives an application under 4.11.2(b), it can't calculate a reliable Relevant Level value for the Facility, as it is not certain:</u> <ul style="list-style-type: none"> <li>○ <u>which Scheduled Generators, DSPs, and Non-Scheduled Generators would apply for certification; or</u></li> <li>○ <u>what level of CRC would be assigned to these Scheduled Generators and DSPs.</u></li> </ul> </li> </ul> <p><u>AEMO also stated that:</u></p> <ul style="list-style-type: none"> <li>• <u>Neither a complete set of system demand and Facility actual meter data is available nor are the expected capacity estimates of new Candidate Facilities.</u></li> <li>• <u>It almost implies that in fact only Scheduled Generators can apply and be certified for Early Certification. Noting an application of this nature has not been provided in the past years, AEMO suggests removal of this clause completely.</u></li> </ul>
56	Perth Energy <u>July 2019</u>	<p><b><u>Issues with Reserve Capacity Testing</u></b></p> <ul style="list-style-type: none"> <li>• <u>Market Generators that fail a Reserve Capacity Test may prefer to accept a small shortfall in a test (and a corresponding reduction in their Capacity Credits) than to run a second test.</u></li> </ul>	<p><b>Panel rating:</b> <u>TBD</u></p> <p><b>MAC ratings:</b> <u>TBD</u></p> <p><b>Status:</b></p>

Table 1 – Potential Rule Change Proposals

Id	Submitter/Date	Issue	Urgency and Status
		<ul style="list-style-type: none"> <li>• <u>There is a discrepancy between the number of Trading Intervals for self-testing vs. AEMO testing.</u></li> <li>• <u>There is ambiguity in the timing requirements for a second test when the relevant generator is on an outage.</u></li> <li>• <u>There is ambiguity on the number of Capacity Credits that AEMO is to assign when certain test results occur.</u></li> </ul>	<p><u>Perth Energy has indicated that it will develop a Pre-Rule Change Proposal for consideration by the MAC.</u></p>

## Notes:

- The Potential Rule Change Proposals are well-defined issues that could be addressed through 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 from the Rule Change Panel (**Panel**) and will 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 Panel.

Table 2 – Broader 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 review 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 reviews 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 review of the Reserve Capacity Mechanism.
4	Shane Cremin November 2017	Incentives for maintaining appropriate generation mix.	To be considered in the preliminary review 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 review of forecast quality.

Table 2 – Broader Issues

Id	Submitter/Date	Issue	Urgency and Status
16	Bluewaters November 2017	<p>Behind the Meter (<b>BTM</b>) 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 reviews of behind-the-meter issues and the basis for allocation of Market Fees.
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</p>	To be considered in the preliminary review of the basis for allocation of Market Fees.

Table 2 – Broader Issues

Id	Submitter/Date	Issue	Urgency and Status
		<p>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>	
30	Synergy November 2017	<p><b>Reserve Capacity Mechanism</b></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"> <li>• assessment of reserve capacity requirement criteria, reserve capacity capability and reserve capacity obligations;</li> <li>• IRCR assessment;</li> <li>• Relevant Demand determination;</li> <li>• determination of NTDL status;</li> <li>• Relevant Level determination; and</li> <li>• assessment of thermal generation capacity.</li> </ul> <p>The review will support Wholesale Market Objectives (a) and (d).</p>	To be considered in the preliminary review of the Reserve Capacity Mechanism.

Table 2 – Broader Issues

Id	Submitter/Date	Issue	Urgency and Status
35	ERM Power November 2017	<p><b>BTM generation and apportionment of Market Fees, ancillary services, etc.</b></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 daytime 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 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.</p>	<p>To be considered in the preliminary reviews of behind-the-meter issues and the basis for allocation of Market Fees.</p> <p>The MAC recognised that the Minister has commenced work on BTM issues and flagged that issue 35 should be considered as part of the Energy Transformation Strategy.</p>
39	Alinta Energy November 2017	<p><b>Commissioning Test Process</b></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>To be considered in the preliminary review of the Commissioning Tests.</p>

Table 2 – Broader Issues

Id	Submitter/Date	Issue	Urgency and Status
		<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"> <li>• withdraw the Commissioning Test Plan; or</li> <li>• 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.</li> </ul> <p><b>Specific Issues:</b></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 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><b>Examples for improvements are:</b></p> <ul style="list-style-type: none"> <li>• allowing participants to manage delays to the start of an approved plan; and</li> <li>• allowing participants to repeat tests and push the remainder of the Commissioning Test Plan out.</li> </ul> <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>	



**Wholesale Market Objective Assessment:**

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:

- Wholesale Market Objective (a):
  - 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 management of commissioning processes, timeframes and costs in turn promotes the economically efficient production and supply of electricity.
- 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):
  - 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.

Table 2 – Broader Issues			
Id	Submitter/Date	Issue	Urgency and Status
		<ul style="list-style-type: none"> <li>○ 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.</li> </ul>	

## Notes:

- Some issues require further discussion/review before specific Rule Change Proposals can be developed. For these issues, the MAC will:
  - group the issues together where appropriate;
  - determine the order of priority for the grouped Broader Issues;
  - conduct preliminary reviews to scope out the Broader Issues; and
  - refer the Broader Issues to the appropriate body for consideration/development.
- RCP Support will aim to schedule preliminary reviews 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 review and any agreed follow-up discussions on the issue.
- The current list of preliminary reviews is shown in Table 3.

Table 3 – Preliminary Reviews

Review	Status
(1) Review of roles in the market	<p><b>Issues:</b> 11 and 12.</p> <p><b>Status:</b> Review deferred until Issues 11 and 12 are reopened following completion of the Energy Transformation Strategy.</p>
(2) Behind-the-meter issues	<p><b>Issues:</b> 2, 16, 35.</p> <p><b>Status:</b> Preliminary discussion is not yet scheduled.</p>
(3) Forecast quality	<p><b>Issues:</b> 9.</p> <p><b>Status:</b> Preliminary discussion is not yet scheduled.</p>
(4) Commissioning Tests	<p><b>Issues:</b> 39.</p> <p><b>Status:</b> Preliminary discussion is not yet scheduled. However, on 22 May 2018 AEMO held a workshop on Commissioning Test issues in connection with its proposed changes to the Power System Operation Procedure: Commissioning and Testing.</p>
(5) The basis of allocation of Market Fees	<p><b>Issues:</b> 2, 16, 23 and 35.</p> <p><b>Status:</b> Preliminary discussion is not yet scheduled.</p>
(6) The Reserve Capacity Mechanism (excluding the pricing mechanism)	<p><b>Issues:</b> 1, 3, 4, and 30.</p> <p><b>Status:</b> Preliminary discussion is not yet scheduled.</p>

Table 4 – Issues on Hold

Id	Submitter/Date	Issue	Urgency and Status
7	Community Electricity November 2017	Improved definition of the quantity of LFAS (a) required and (b) dispatched.	On hold until the regulatory changes for the Foundation Regulatory Frameworks workstream are known (mid-2020), 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"> <li>• incorporation of storage facilities;</li> <li>• distinction between non-scheduled and semi-scheduled generating units;</li> <li>• reconsideration of potential for Dispatchable Loads in the future (which were proposed for removal in RC_2014_06);</li> <li>• whether to retain Interruptible Loads or to move to an aggregated facility approach (like Demand Side Programmes); and</li> <li>• whether to retain Intermittent Loads as a registration construct or to convert to a settlement construct.</li> </ul> <p>Would support new entry, competition and market efficiency; particularly supporting the achievement of Wholesale Market Objectives (a) and (b).</p>	<p>On hold until the regulatory changes for the Foundation Regulatory Frameworks workstream are known (mid-2020).</p> <p>Treatment of storage facilities was considered under the preliminary review of the treatment of storage facilities in the market.</p>
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</p>	<p>This issue was initially flagged for consideration as part of the preliminary review of roles in the market.</p> <p>However, the Energy Transformation Implementation Unit has advised that the issue will be covered as part of the Energy</p>

Table 4 – Issues on Hold

Id	Submitter/Date	Issue	Urgency and Status
		<p>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>	Transformation Strategy, so the issue has been put on hold until the regulatory changes for the Foundation Regulatory Frameworks workstream are known (mid-2020).
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>Potential changes to responsibilities for setting document retention requirements and confidentiality statuses have been listed as Potential Rule Change Proposals (issues 45 and 46). Potential changes to clause 4.5.14 have also been listed as a Potential Rule Change Proposal (issue 47).</p> <p>The PUO has advised that the remaining issues will be covered as part of the Energy Transformation Strategy, so the remaining issues have been put on hold until the regulatory changes for the Foundation Regulatory Frameworks workstream are known (mid-2020).</p>
14/36	Bluewaters and ERM Power	<p>Capacity Refund Arrangements:</p> <p>The current capacity refund arrangement is overly punitive as Market Participants face excessive capacity refund exposure. This refund</p>	On 29 May 2018, the MAC agreed to place this issue on hold for 12 months (until June 2019) to allow time for historical data on dynamic refund rates to accumulate. <a href="#">On 29 July 2019, the MAC</a>

Table 4 – Issues on Hold

Id	Submitter/Date	Issue	Urgency and Status
	November 2017	<p>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"> <li>• 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</li> <li>• excessive insurance premiums and cost for meeting prudential support requirements.</li> </ul> <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"> <li>• 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</li> <li>• unnecessary excessive insurance premium and prudential support costs, the saving of which can be passed on to consumers.</li> </ul>	<p><u>agreed that this issue has a low priority and should remain on hold for another 12 months.</u></p>
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"> <li>• 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</li> </ul>	<p>On hold pending a final decision on RC_2013_15: Outage Planning Phase 2 – Outage Process Refinements.</p> <p><u>The Final Rule Change Report for RC_2013_15 was published on 26 August 2019. The MAC is asked to consider whether Issue 15/34 should be closed?</u></p>

Table 4 – Issues on Hold

Id	Submitter/Date	Issue	Urgency and Status
		<p>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).</p> <ul style="list-style-type: none"> <li>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.</li> </ul> <p>Bluewaters recommendation: clarify in the Market Rules so that System Management can approve a Planned Outage extension application.</p>	
17	Bluewaters November 2017	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.	On hold pending a final decision on RC_2014_03: Administrative Improvements to the Outage Process.

Table 4 – Issues on Hold

Id	Submitter/Date	Issue	Urgency and Status
		<p>This can result in under reporting of Forced Outages, and as a consequence, use of incorrect information used in WEM settlements. 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>	
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 more efficient economic outcome and in turn promote the Wholesale Market Objectives.</p>	On hold until the regulatory changes for the Foundation Regulatory Frameworks workstream are known (mid-2020).
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"> <li>• shortcomings in the process for reviewing assumptions;</li> <li>• inability to shape load profile;</li> </ul>	On hold until the regulatory changes for the Foundation Regulatory Frameworks workstream are known (mid-2020).



Table 4 – Issues on Hold

Id	Submitter/Date	Issue	Urgency and Status
		<ul style="list-style-type: none"> <li>• lack of transparency:               <ul style="list-style-type: none"> <li>(a) modelling was a “black box”;</li> <li>(b) confidential information limits stakeholders’ ability to query the results; and</li> </ul> </li> <li>• lack to retrospective evaluation of spinning reserve margin values.</li> </ul> <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"> <li>• promoting transparency – better informed Market Participants would be able to better respond to Spinning Reserve requirement in the WEM; and</li> <li>• 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.</li> </ul>	<p>Also, AEMO and the ERA to consider whether any options exist to improve transparency of the current margin values process.</p>
22	Bluewaters November 2017	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).	On hold pending AEMO’s proposed review of its process for Credit Limit determination.

Table 4 – Issues on Hold

Id	Submitter/Date	Issue	Urgency and Status
		<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>	
27/54	Kleenheat November 2017	<p>Review what should constitute a Protected Provision of the Market Rules, to provide greater clarity over the role of the Minister for Energy.</p> <p>A review of the Protected Provisions in the Market Rules is required to identify any that they no longer need to be Protected Provisions. This is</p>	On hold pending the outcome of a PUO review of the current Protected Provisions in the Market Rules, with timing dependent on Energy Transformation Strategy.

Table 4 – Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
	MAC August 2018	because shifting the rule change function to the Rule Change Panel has removed some of the potential conflicts of interest that led to the original classification of some Protected Provisions.	
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 until the regulatory changes for the Foundation Regulatory Frameworks workstream are known (mid-2020).
33	ERM Power November 2017	<p><b>Logging of Forced Outages</b></p> <p>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.</p> <p>If a participant could cancel or amend its Forced Outage information, it will likely provide more accurate and transparent signals to the market of what capacity is really available to the system. This should also assist System Management in generation planning for the system.</p>	On hold pending a final decision on RC_2014_03: Administrative Improvements to the Outage Process.
42	ERA November 2017	<p><b>Ancillary Services approvals process</b></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>	On hold until the regulatory changes for the Foundation Regulatory Frameworks workstream are known (mid-2020).

Table 4 – Issues on Hold

Id	Submitter/Date	Issue	Urgency and Status
		<ul style="list-style-type: none"> <li>• 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;</li> <li>• 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);</li> <li>• 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;</li> <li>• 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</li> <li>• 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.</li> </ul> <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>	

Table 4 – Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
49	MAC November 2018	Should the method used to calculate constrained off compensation be amended to better reflect the actual costs incurred by Market Generators?	The MAC agreed to include this issue in the Issues List and place it on hold until a decision is made on RC_2018_07, and if the Rule Change Proposal is approved, the changes have been in place for 12 months.
50	MAC November 2018	Should the Minimum STEM Price (currently -\$1,000/MWh) be increased to reduce the potential magnitude of constrained off compensation (e.g. by restoring the former practice of setting the Minimum STEM Price to the Maximum STEM Price multiplied by -1):	The MAC agreed to include this issue in the Issues List and place it on hold pending the outcomes of the ERA's next review of the methodology for setting the Energy Price Limits under clause 2.26.3 of the Market Rules.
51	MAC November 2018	There is a need to provide Market Customers with timely advance notice of their upcoming constraint payment liabilities.	The MAC agreed to place this issue on hold pending implementation of AEMO's proposed changes to the Outstanding Amount calculation in 2019.
53	MAC August 2018	<p>MAC members have identified the following issues with the provisions relating to generator models that were Gazetted by the Minister on 30 June 2017 in the <i>Wholesale Electricity Market Rules Amending Rules 2017 (No. 3)</i>:</p> <ul style="list-style-type: none"> <li>The provisions allow for System Management, where it deems that the performance of a Generator does not conform to its models, to request updated models from Western Power and constrain the output of the Generator until these were provided, placing the Generator on a new type of Forced Outage and making it liable for Capacity Cost Refunds.</li> </ul>	On hold until the regulatory changes for the Foundation Regulatory Frameworks workstream are known (mid-2020).

Table 4 – Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
		<ul style="list-style-type: none"> <li>Western Power is only required to comply with a request from System Management for updated models “as soon as reasonably practicable”, leaving a Market Generator potentially subject to a Forced Outage for an extended period with no control over the situation.</li> <li>The generator model information is assigned a confidentiality status of System Management Confidential, so that System Management is not permitted under the Market Rules to tell the Network Operator what model information it needs or explain the details of its concerns to the Market Generator.</li> </ul>	

## Notes:

- 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.

# MARKET ADVISORY COMMITTEE MEETING, 3 SEPTEMBER 2019

FOR NOTING

SUBJECT: UPDATE ON AEMO'S MARKET PROCEDURES

AGENDA ITEM: 7

## 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	8 Aug 2019	TBA, anticipated Oct/Nov 2019
Market Procedures for discussion	Procedures related to RC_2015_03 (Formalisation of the Process for Maintenance Applications): <ul style="list-style-type: none"> <li>• Market Procedure: Individual Reserve Capacity Requirements</li> <li>• Market Procedure: Consumption Deviation Applications</li> </ul>	TBA, but may include: <ul style="list-style-type: none"> <li>• PSOP: Outages (due to RC_2013_15)</li> <li>• PSOP: Dispatch (second round of changes to relocate settlement data and administration matters to a new PSOP)</li> <li>• Procedures related to Reserve Capacity pricing rule changes</li> </ul>

### 3. AEMO PROCEDURE CHANGE PROPOSALS

The status of AEMO Procedure Change Proposals is described below, current as at 23 August 2019. 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_2019_09: Market Procedure: Individual Reserve Capacity Requirements Market Procedure: Consumption Deviation Applications	The proposed amendments predominantly arise from Rule Change RC_2015_03 (Formalisation of the Process for Maintenance Applications)	Considered by APCWG 8 Aug 2019. Procedure Change Proposal published 19 Aug 2019.	Submissions close	16 Sep 2019



## Agenda Item 8(a): Overview of Rule Change Proposals (as at 27 August 2019)

Meeting 2019\_09\_03

- Changes to the report provided at the previous MAC meeting are shown in **red font**.
- The next steps and the timing for the next steps are provided for Rule Change Proposals 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	Commenced
RC_2015_01	03/03/2015	IMO	Removal of Market Operation Market Procedures	01/08/2019

### Approved Rule Change Proposals Awaiting Commencement

Reference	Submitted	Proponent	Title	Commencement
RC_2013_15	24/12/2013	IMO	Outage Planning Phase 2 – Outage Process Refinements	01/02/2020
RC_2015_03	27/03/2015	IMO	Formalisation of the Process for Maintenance Applications	01/10/2019
RC_2018_06	26/11/2018	PUO	Full Runway Allocation of Spinning Reserve Costs	01/09/2019

### Rule Change Proposals Rejected since the last MAC Meeting

Reference	Submitted	Proponent	Title	Rejected
None				

## Rule Change Proposals Awaiting Approval by the Minister

Reference	Submitted	Proponent	Title	Approval Due Date
RC_2018_05	27/09/2018	ERA	ERA access to market information and SRMC investigation process	20/09/2019

## Formally Submitted Rule Change Proposals

Reference	Submitted	Proponent	Title	Urgency	Next Step	Date
<b>Fast Track Rule Change Proposals with Consultation Period Closed</b>						
None						
<b>Fast Track Rule Change Proposals with Consultation Period Open</b>						
None						
<b>Standard Rule Change Proposals with Second Submission Period Closed</b>						
None						
<b>Standard Rule Change Proposals with Second Submission Period Open</b>						
None						
<b>Standard Rule Change Proposals with First Submission Period Closed</b>						
RC_2014_03	27/11/2014	IMO	Administrative Improvements to the Outage Process	High	MAC Workshop	Sept 2019
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	31/12/2019
RC_2014_09	13/03/2015	IMO	Managing Market Information	Low	Publication of Draft Rule Change Report	31/10/2019

Reference	Submitted	Proponent	Title	Urgency	Next Step	Date
RC_2017_02	04/04/2017	Perth Energy	Implementation of 30-Minute Balancing Gate Closure	Medium	MAC Workshop	06/09/2019 (tentative)
RC_2018_03	01/03/2018	Collgar Wind Farm	Capacity Credit Allocation Methodology for Intermittent Generators	Medium	Publication of Draft Rule Change Report	31/12/2019
RC_2019_01	21/06/2019	Enel X	The Relevant Demand calculation	TBD	Publication of Draft Rule Change Report	30/06/2020

### Standard Rule Change Proposals with the First Submission Period Open

Reference	Submitted	Proponent	Title	Urgency	Next Step	Date

### Pre-Rule Change Proposals

Reference	Proponent	Description	Next Step	Submitted
RC_2019_03	ERA	Method used for the assignment of Certified Reserve Capacity to Intermittent Generators	Submit Rule Change Proposal	TBD
TBD	Perth Energy	Issues with Reserve Capacity Testing	Submit Rule Change Proposal	TBD
TBD	AEMO	Adjusting Non-STEM Settlements using latest available data	Submit Rule Change Proposal	TBD

## Agenda Item 8(b): Options to Address the North Country Spinning Reserve Issue

Meeting 2019\_09\_03

### 1. Background

In the first half of 2020, two new Intermittent Generators with capacities of 210 MW and 180 MW are expected to connect to the single 330 kV line between Neerabup Terminal and Three Springs Terminal. The new generators are likely at times to constitute the largest single generation contingency in the South West Interconnected System because a network fault on the 330 kV line could trip both generators.

AEMO raised concerns about the impact of the new generators on the Spinning Reserve requirement at the 9 May 2018 and 11 June 2019 MAC meetings.

In response to an action item raised at the 11 June 2019 meeting, AEMO provided further information on the likely frequency of the problem at the 29 July 2019 MAC meeting. AEMO's 29 July 2019 presentation also identified three options to address the issues raised by the connection of the new generators:

1. manage the issue within the existing framework (i.e. adjust Spinning Reserve to the level required considering the largest contingency or constrain generators down to avoid a High Risk Operating State);
2. a combination of two rule changes:
  - a. amend the full runway Spinning Reserve cost allocation methodology to take account of transmission contingencies; and
  - b. remove constrained off payments for generators when they are constrained to reduce their impact on the Spinning Reserve requirement; and
3. a rule change to amend AEMO's powers to constrain generators to prevent a transmission contingency exceeding the size of the largest single generator.<sup>1</sup>

MAC members were asked to send RCP Support their views on the issue, and specifically their views on the three options presented by AEMO. AEMO and RCP Support agreed to consider the views provided by MAC members and discuss options for the development of a Rule Change Proposal, and report to the next MAC meeting.

### 2. Summary of MAC feedback on AEMO's three options

RCP Support received nine responses from MAC members and observers, which are summarised as follows:

- one respondent (Western Power) supported Option 1;
- seven respondents supported Option 2;

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<sup>1</sup> During the MAC discussion it was noted that Rule Change Proposal to implement Option 3 would probably also seek the removal of constrained off payments when generators were constrained to reduce their impact on the Spinning Reserve requirement (similar to Option 2b).

- however, four of these respondents noted that Option 3 may be a better short-term solution given that the Energy Transformation Strategy reforms are expected to resolve the issue in October 2022, and that cost/benefit analysis should be used to determine whether Option 2 or Option 3 is preferred; and
- one respondent supported Option 3.

Several of respondents reiterated the view that an Option 3 solution should also include the removal of constrained off payments when the generators are constrained down to reduce the Spinning Reserve requirement.

### 3. Discussion

RCP Support and AEMO met on 22 August 2019 to discuss the MAC's feedback and the options for development of a Rule Change Proposal to address the issue. AEMO indicated that it was willing to develop a Rule Change Proposal if requested by the MAC; but was uncertain when it would be able to deliver a Pre-Rule Change Proposal due to its current resourcing constraints.

RCP Support notes the following in relation to the development of a Rule Change Proposal:

- A Rule Change Proposal to implement Options 2 or 3 would be progressed using the Standard Rule Change Process, which typically requires at least 4-5 months to complete.
- The process to determine the margin values for the 2020/21 Financial Year has already commenced. The margin values (which determine the amount paid to Synergy for the provision of Spinning Reserve Service) will likely be materially affected by the assumptions used in the modelling process about the level of constraints on the two new generators during the 2020/21 Financial Year.
- A Rule Change Proposal for Option 3 is likely to be faster and less expensive to develop and implement than a for Option 2. However, Option 2 may provide a more efficient market outcome than Option 3.
- Option 3 could be proposed as an interim solution until the more complex IT changes required for Option 2 could be implemented.
- While RCP Support agrees that Option 2 is likely to produce more efficient market outcomes than Option 3, it is unaware of any analysis undertaken to date to confirm this view or quantify the additional market benefit. RCP Support considers that the Rule Change Panel would probably need to consider the relative efficiency of the two options regardless of which option was presented in a Rule Change Proposal, unless resourcing conflicts with the ETS preclude Option 2 for reasons of practicality.
- The Energy Transformation Implementation Unit has not advised RCP Support of any restrictions on the development or implementation of a Rule Change Proposal to implement Option 2 or Option 3.

### 4. Recommendation

That:

1. the MAC discuss the feedback provided by MAC members on the three options presented by AEMO to address the North Country Spinning Reserve issue;
2. AEMO provide an update to MAC members on whether/when it could develop a Rule Change Proposal to implement Option 2 and/or Option 3; and
3. the MAC discuss the next steps to address the issue.

## Agenda Item 9: Rule Change Panel and RCP Support KPIs for 2018/19

Meeting 2019\_09\_03

### 1. Background

The Rule Change Panel's (**Panel**) governing legislation and regulations do not require it to establish or report on key performance indicators (**KPIs**). However, the Panel has established KPIs for the Panel and RCP Support as a matter of best practice. In the interests of full transparency, the Panel has decided to report on:

- the Panel's KPIs, including the results of the related stakeholder satisfaction survey, in the annual Activities Report for 2018/19;<sup>1</sup> and
- RCP Support's and the Panel's KPIs, including the results of the related stakeholder satisfaction survey, to the Market Advisory Committee (**MAC**), Gas Advisory Board (**GAB**) and Economic Regulation Authority (**ERA**).

The Panel and RCP Support each have eight KPIs focusing on rule change efficiency, effective governance and stakeholder management; with the KPIs on stakeholder management based on the Panel's annual stakeholder satisfaction survey.

### 2. Recommendation

It is recommended that the MAC:

- review and consider the report titled 'Rule Change Panel and RCP Support KPIs for 2018/19' (attachment 1); and
- advise on the questions raised in section 6 of the attached report.

### Attachments

1. Rule Change Panel and RCP Support KPIs for 2018/19

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<sup>1</sup> Regulation 28(1) of the *Energy Industry (Panel) Regulations 2016* requires the Panel to prepare and submit an Activities Report to the Minister for Energy on an annual basis. The Activities Report must cover the Panel's general activities for the financial year, and must be submitted within 2 months after 30 June in each year (i.e. by 31 August each year). The Minister must then table the Activities Report before both houses of Parliament within 21 days of receiving the report.



## Rule Change Panel and RCP Support KPIs for 2018/19

27 August 2019

## Contents

<b>1. Background .....</b>	<b>3</b>
<b>2. KPI Results .....</b>	<b>4</b>
<b>3. Stakeholder Satisfaction Survey Results .....</b>	<b>8</b>
<b>4. Assessment of the KPIs .....</b>	<b>11</b>
<b>5. Assessment of the Stakeholder Satisfaction Survey .....</b>	<b>12</b>
<b>6. Points for Further Discussion.....</b>	<b>14</b>



## 1. Background

The Rule Change Panel's (**Panel**) governing legislation and regulations do not require it to establish or report on key performance indicators (**KPIs**). However, the Panel has established KPIs for the Panel and RCP Support as a matter of best practice. In the interests of full transparency, the Panel has decided to report on:

- the Panel's KPIs, including the results of the related stakeholder satisfaction survey, in the annual Activities Report for 2018/19;<sup>1</sup> and
- RCP Support's and the Panel's KPIs, including the results of the related stakeholder satisfaction survey, to the Market Advisory Committee (**MAC**), Gas Advisory Board (**GAB**) and Economic Regulation Authority (**ERA**).

This report presents:

- the results of the Panel's and RCP Support's KPIs for 2018/19 (section 2);
- the results of the stakeholder satisfaction survey for 2018/19 (section 3);
- an assessment of the Panel's and RCP Support's KPIs for 2018/19 (section 4);
- an assessment of the stakeholder satisfaction survey for 2018/19 (section 5); and
- some points for further discussion with the MAC, GAB and ERA (section 6).

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## 2. KPI Results

The Panel established eight KPIs to measure its performance and RCP Support's performance on an annual basis.<sup>2</sup> Table 1 presents the Panel's and RCP Support's performance against the eight KPIs for 2018/19.

Table 1 – KPI Results for 2018/19			
Category	KPI	Result for the Panel	Result for RCP Support
Rule change efficiency	1. Manage rule changes in accordance with the <i>Framework for Rule Change Proposal Prioritisation and Scheduling (Prioritisation Framework)</i> .	<p>✓ All Rule Change Proposals (<b>Proposals</b>) for the Market Rules and GSI Rules were prioritised in accordance with the Prioritisation Framework.</p> <p>✗ However, the timelines for progressing Proposals that are set out in the Prioritisation Framework were not achieved for all Proposals.</p>	
	2. No breaches of any of the legislation, regulations, or rules that govern the Panel.	<p>✓ No breaches of the Panel's governing legislation or regulations have been identified in 2018/19.</p> <p>✓ No breaches of the Market Rules by the Panel have been identified in 2018/19.</p> <p>✗ One minor breach of the GSI Rules by the Panel was identified in 2018/19.<sup>3</sup></p>	

<sup>2</sup> The KPIs for the Panel and RCP directly overlap, except for KPI number 5, where the Panel has an additional KPI regarding effective governance and RCP Support has an additional KPI regarding rule change efficiency.

<sup>3</sup> On 16 July 2018, RCP Support published a Rule Change Notice on behalf of the Panel for GRC\_2018\_01 (GAB Zones). AEMO had submitted GRC\_2018\_01 on 6 July 2018 and the Proposal was progressed under the Standard Rule Change Process.

Subrule 135(1) of the GSI Rules requires the Panel to, within one Business Day after publication of a Rule Change Notice being progressed using the Standard Rule Change Process, notify GAB members whether the Panel considers that a GAB meeting should be convened to discuss the Proposal, and the reasons why. For GRC\_2018\_01, this notice should have been sent to the GAB by the end of 17 July 2018 but was not sent until 23 July 2018 (four business days late) due to flooding at the RCP Support's offices and the consequential closure of the offices.

RCP Support reported this breach to the ERA on 23 July 2018 and the ERA determined on 20 August 2019 that the Panel breached subrule 135(1). The ERA confirmed that the RCP Support has internal procedures in place to comply with subrule 135(1) and recommended that consideration be given to internal education on these procedures to mitigate the risk of process failures if similar circumstances arise in the future.

Table 1 – KPI Results for 2018/19

Category	KPI	Result for the Panel	Result for RCP Support															
	3. No rule change processes to correct for errors in previous rule changes approved by the Panel.	✓ There was no need to propose any rule changes to correct for errors made by the Panel in 2018/19.																
	4. No procedural or legal reviews requested of the Panel's decisions upheld. <sup>4</sup>	✓ No legal reviews were sought of the Panel's decisions in 2018/19.																
	5. The percentage of RCP Support time spent on rule changes is not to materially decline from year-to-year.	N/A	✓ RCP Support's time in 2017/18 and 2018/19 was spent as follows: <sup>5</sup> <table border="1"> <thead> <tr> <th></th> <th>2017/18</th> <th>2018/19</th> </tr> </thead> <tbody> <tr> <td>Rule changes</td> <td>55.7%</td> <td>51.0%</td> </tr> <tr> <td>Overheads</td> <td>28.9%</td> <td>34.1%</td> </tr> <tr> <td>Leave and training</td> <td>15.4%</td> <td>9.0%</td> </tr> <tr> <td>Market Reform</td> <td>0.0%</td> <td>5.9%</td> </tr> </tbody> </table>		2017/18	2018/19	Rule changes	55.7%	51.0%	Overheads	28.9%	34.1%	Leave and training	15.4%	9.0%	Market Reform	0.0%	5.9%
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Leave and training	15.4%	9.0%																
Market Reform	0.0%	5.9%																

<sup>4</sup> The Panel's rule change process is based on its best interpretation of its requirements for approving rule changes under the governing legislation, regulations and rules; and is informed by legal review by qualified legal practitioners. However, the Panel's decision in respect of any rule change may be subject to review by the Electricity Review Board or may be challenged in the courts. Therefore, there is a need to recognise that despite the Panel's best endeavours, a successful procedural or legal review is possible and that this should not necessarily be considered a negative outcome.

<sup>5</sup> RCP Support staff log the time that they spend on various activities in the ERA's TimeFiler database and this data was the basis of the results for KPI 5 for RCP Support. Note that time for maternity leave for two staff members was excluded from this analysis as it was skewing the results by inflating the time allocated to leave. Caution should be taken in comparing the data on staff time between 2017/18 and 2018/19 because RCP Support did not develop a standard process for coding its time until late in 2017/18, so the data are not necessarily accurate for the entirety of 2017/18. Appropriate codes and guidelines on how RCP Support staff code their time were implemented on 6 July 2018, so data on RCP Support time will be more reliable from 2018/19 forward.

Table 1 – KPI Results for 2018/19			
Category	KPI	Result for the Panel	Result for RCP Support
			<p>RCP Support has spent a lower percentage of its time on rule changes in 2018/19 than in 2017/18, but this is not considered material because:</p> <ul style="list-style-type: none"> <li>○ even though the percentage of time spent on rule changes decreased from 2017/18 to 2018/19, the total amount of time spent on rule changes has increased;</li> <li>○ some of RCP Support's time was diverted from processing Proposals to work on the WA Government's electricity market reform programs; and</li> <li>○ some of RCP Support's time was spent on finalising internal procedures that is unlikely to be repeated in the future.</li> </ul>
<b>Effective Governance</b>	<p>5. Fully comply with the Panel's governance structure, including the:</p> <ul style="list-style-type: none"> <li>• Governance Manual;</li> <li>• Code of Conduct; and</li> <li>• Meeting Rules.</li> </ul>	<p>✓ The Panel has not identified any breaches of its governance arrangements in 2018/19.</p>	N/A

Table 1 – KPI Results for 2018/19

Category	KPI	Result for the Panel	Result for RCP Support
	6. Review and update the Risk Register every 12 months, including taking any steps identified in the register to mitigate the Panel's risks.	✓ The Panel finalised the first version of its Risk Register in August 2018, and reviewed the register in November 2018 and August 2019.	
Stakeholder management <sup>6</sup>	7. Over 60% of respondents to the annual stakeholder satisfaction survey are satisfied with the level of service being provided by the Panel. <sup>7</sup>	<p>✓ The Panel received satisfactory ratings from over 60% of survey respondents on six of the eight aspects of its services.</p> <p>✗ The Panel received a satisfactory rating from less than 60% of survey respondents for two of the eight aspects of its services.</p>	
	8. The trend in stakeholder satisfaction with the level of service being provided by the Panel is not negative.	<p>There was no substantive change in stakeholder satisfaction from 2017/18 to 2018/19 in most aspects of the Rule Change Panel's services. However:</p> <p>✓ There was an improving trend in stakeholder satisfaction with timeliness of rule change processes.</p> <p>✗ There was a declining trend in stakeholder satisfaction with the quality of administration of MAC meetings.</p>	

<sup>6</sup> Individual stakeholders' responses to surveys will likely be significantly influenced by the impact of rule changes on the individual stakeholders. A rule change that has a positive overall effect on the market, but a negative effect on a particular segment of the market will likely negatively skew survey results (the level of satisfaction and the trend) if there are a large number of participants in the segment that has been negatively impacted (e.g. intermittent generators).

<sup>7</sup> A 'satisfactory' response from the stakeholder satisfaction survey is defined as a response of 'meets expectations', 'above expectations' or 'excellent'.

### 3. Stakeholder Satisfaction Survey Results

The Panel distributed its stakeholder satisfaction survey for 2018/19 on 28 June 2019 and sought responses by 12 July 2019. The survey was an anonymous, online survey that asked eight questions; and sought ratings for stakeholder satisfaction on a scale of:

1. poor;
2. below expectations;
3. meets expectations;
4. above expectations; and
5. excellent.

The eight questions in the survey were:

1. please rate the quality of the Panel's decisions;
2. please rate the quality of the Panel's reports;
3. please indicate your satisfaction with the timeliness of the Panel's rule change processes;
4. please indicate your satisfaction with the timeliness of the Panel's consultation processes;
5. please indicate your satisfaction with how the Panel has set the priorities of Proposals;
6. please rate the quality of the Panel's communications;
7. please rate the quality of the Panel's administration of MAC meetings; and
8. please rate the quality of the Panel's administration of GAB meetings.

The survey was sent to 214 people that are on the RulesWatch, MAC and GAB distribution lists. The Panel received 17 responses to the survey, which represents an 8% response rate.

The results from the survey are provided in Table 2 and Figures 1 to 8.<sup>8</sup>

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<sup>8</sup> The stakeholder satisfaction survey allowed respondents to provide a N/A response because WEM participants would not necessarily have an interest in the gas market, and gas market participants would not necessarily have an interest in the WEM. However, the N/A responses obscure the survey results to some extent, so the results in Table 2 and Figures 1 to 8 exclude the N/A responses.

Table 2 – Comparison of Results of the 2017/18 and 2018/19 Stakeholder Satisfaction Surveys

Question	Poor		Below Expectations		Meets Expectations		Above Expectations		Excellent		Total	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
<b>Number of responses</b>												
Quality of decisions	1	1	3	2	10	11	2	0	1	0	17	14
Quality of reports	0	0	1	4	13	8	2	3	1	0	17	15
Timeliness of rule change processes	3	4	7	4	7	6	1	0	1	2	19	16
Timeliness of consultation processes	0	0	3	3	13	8	0	2	2	2	18	15
Setting of priorities	1	1	4	2	10	8	2	3	1	2	18	16
Quality of communications	0	0	1	2	13	8	4	1	1	4	19	15
Quality of administration of MAC meetings	0	1	2	4	6	4	4	1	2	0	14	10
Quality of administration of GAB meetings	0	0	1	3	4	3	1	2	1	0	7	8
<b>Percentage of Responses</b>												
Quality of decisions	6%	7%	18%	14%	59%	79%	12%	0%	6%	0%	100%	100%
Quality of reports	0%	0%	6%	27%	76%	53%	12%	20%	6%	0%	100%	100%
Timeliness of rule change processes	16%	25%	37%	25%	37%	37%	5%	0%	5%	13%	100%	100%
Timeliness of consultation processes	0%	0%	17%	20%	72%	54%	0%	13%	11%	13%	100%	100%
Setting of priorities	6%	6%	22%	12%	56%	50%	11%	19%	6%	13%	100%	100%
Quality of communications	0%	0%	5%	13%	68%	53%	21%	7%	5%	27%	100%	100%
Quality of administration of MAC meetings	0%	10%	14%	40%	43%	40%	29%	10%	14%	0%	100%	100%
Quality of administration of GAB meetings	0%	0%	14%	37%	57%	38%	14%	25%	14%	0%	100%	100%

Figure 1: Quality of Decisions

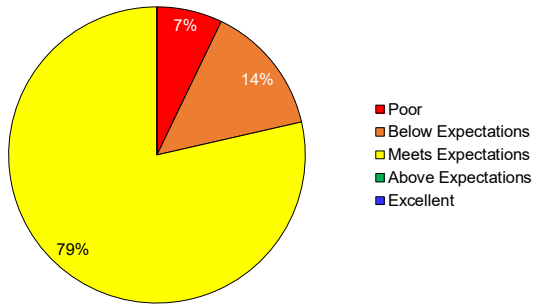


Figure 2: Quality of Reports

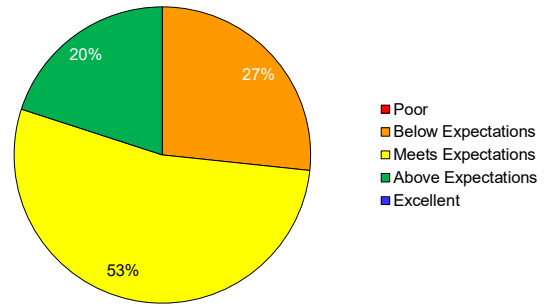


Figure 3: Timeliness of Rule Change Processes

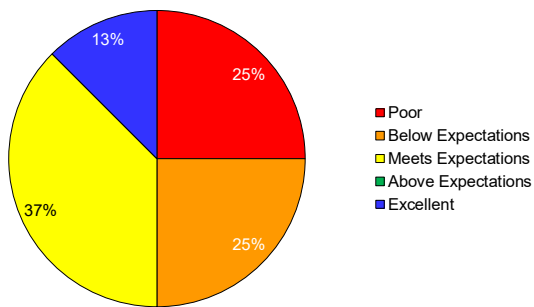


Figure 4: Timeliness of Consultation Processes

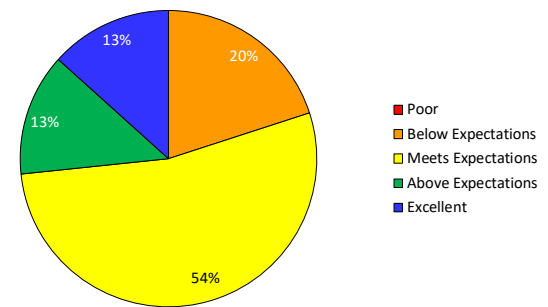


Figure 5: Setting of Priorities

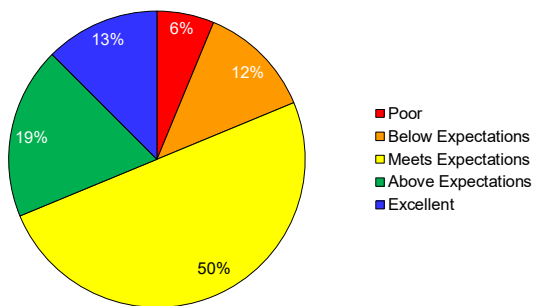


Figure 6: Quality of Communications

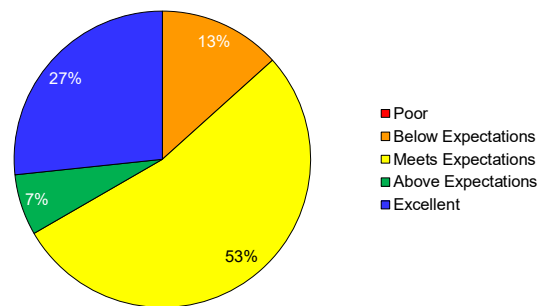


Figure 7: Quality of Administration of MAC Meetings

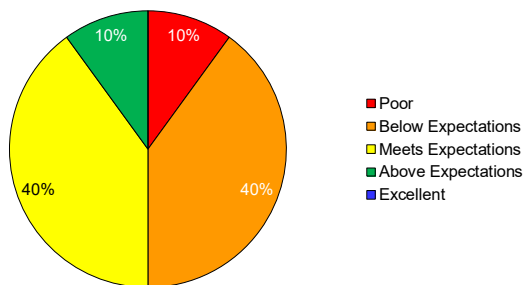
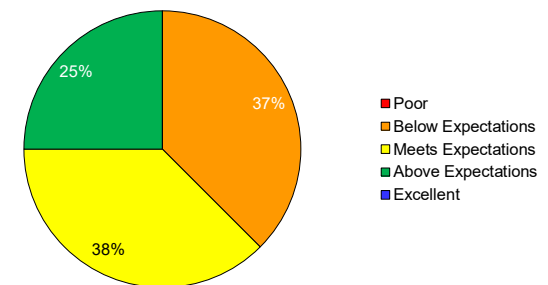


Figure 8: Quality of Administration of GAB Meetings





## 4. Assessment of the KPIs

The results of KPIs 1 to 6 are relatively straightforward. However, some further observations can be made about KPIs 7 and 8.

Regarding KPI 7, the stakeholder satisfaction survey indicates that the Panel is generally meeting or exceeding stakeholder expectations in terms of the:

- quality of decisions;
- quality of reports;
- timeliness of consultation processes;
- setting of priorities of Proposals;
- quality of communications; and
- quality of administration of GAB meetings.

However, stakeholders expressed concern with the timeliness of rule change processes and with the administration of MAC meetings.

The Panel acknowledges stakeholders' concerns with timeliness of its rule change processes and is working to further improve timeliness of its processes as follows:

- the ERA has commenced procuring additional resources for RCP Support;
- the Panel is looking to streamline how it handles the complex legacy Proposals;<sup>9</sup> and
- the Panel has worked with AEMO to facilitate timelier support for Proposals, in line with priorities agreed with the MAC and GAB, noting that AEMO now has clarity on cost recovery for this support.

Despite this, the Panel also notes that the more recent Proposals, such as those submitted in 2018, have been processed in a much timelier manner.<sup>10</sup>

Based on comments provided in the stakeholder survey, concerns with the administration of MAC meetings appear to relate to:

- digression of MAC discussions; and
- lack of accountability for delivery in response to MAC decisions.

The Chair of the MAC will discuss with the MAC about how meetings can be better managed to keep discussions concise and on topic (see section 6 of this report).

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<sup>9</sup> The legacy Proposals are those submitted to the Independent Market Operator prior to establishment of the Panel (i.e. prior to RC\_2017\_01). The legacy Proposals have taken up a significant amount of RCP Support resources because:

- some of the legacy Proposals are large and very complex;
- the Minister for Energy has made numerous changes to the Market Rules since the legacy Proposals were submitted, leading to significant challenges in processing Proposals that are no longer consistent with the rules that were in place at the time the Proposal was submitted; and
- a significant amount of time has elapsed since the legacy Proposals were submitted, which has driven the need for additional consultation.

<sup>10</sup> In 2018/19, the Panel approved Proposals GRC\_2018\_01, RC\_2018\_01, RC\_2018\_04, RC\_2018\_05, RC\_2018\_06 and RC\_2018\_07.

Regarding KPI 8, the stakeholder satisfaction survey indicates that there was no substantive change in stakeholder satisfaction from 2017/18 to 2018/19 in most aspects of the Panel's services. Of note was:

- an improving trend in stakeholder satisfaction with the timeliness of rule change processes; and
- a declining trend in stakeholder satisfaction with the quality of administration of MAC meetings.

The Panel determined the trend for each of the eight aspects of its services based on the median score (out of five) for each survey question in 2017/18 and 2018/19, as indicated in Table 3.

	2017/18	2018/19	Trend
Quality of decisions	3.0	3.0	Same
Quality of reports	3.0	3.0	Same
Timeliness of rule change processes	2.0	2.5	Improving
Timeliness of consultation processes	3.0	3.0	Same
Setting of priorities	3.0	3.0	Same
Quality of communications	3.0	3.0	Same
Quality of administration of MAC meetings	3.0	2.5	Declining
Quality of administration of GAB meetings	3.0	3.0	Same

However, the Panel cautions reliance on the above results given that:

- there are issues with survey response numbers – the response rate was 15% in 2017/18 and 8% in 2018/19, so it is unclear whether the survey results accurately assess the views of Market Participants; and
- there is a small number of data points – the survey has only been in use for two years, so it is questionable whether the survey results accurately present the trend in RCP Support and Panel performance.

## 5. Assessment of the Stakeholder Satisfaction Survey

### (1) Quality of Decisions:

Stakeholders were generally satisfied with the quality of Panel decisions in 2018/19. Almost 80% of survey respondents indicated that the Panel's decisions meet expectations.

However, about 20% of the respondents were dissatisfied with decisions. It is not surprising that there were some 'poor' and 'below expectations' responses given that some of the decisions may have a negative impact on particular Market Participants or members of their class, such as the decision on RC\_2018\_07 (Removal of constrained off compensation for Outages of network equipment).

## (2) Quality of the Reports:

Stakeholders were generally satisfied with the quality of Panel reports in 2018/19, with 73% of the respondents providing a response of 'meets expectations' or better. There were no 'poor' responses, but 27% of the responses were 'below expectations'.

The Panel introduced a new structure to its decision reports in 2018/19, as discussed in section 6 of this report. This change may have resulted in some of the comments about the reports. There was also some stakeholder criticism that reports have too much detail.

## (3) Timeliness of Rule Change Processes:

There was continued dissatisfaction in 2018/19 with timeliness of the rule change processes, with 50% of the respondents indicating satisfaction of 'poor' or 'below expectations'.

The Panel expected concerns to be raised about timeliness of rule change processes due to frustration expressed by Market Participants with the continued existence of the backlog of Proposals and that significant benefits to the market can be obtained by quickly processing the backlog. The continued existence of the backlog of Proposals is tied to:

- under-resourcing of RCP Support;
- continued difficulties with addressing the complex legacy Proposals;
- timeliness of support from AEMO; and
- prioritisation of some newer Proposals (such as RC\_2018\_05, RC\_2018\_06 and RC\_2018\_07).

## (4) Timeliness of Consultation Processes:

Stakeholders seem to be generally satisfied with the timeliness of the Panel's consultation process, with 80% of the respondents providing a response of 'meets expectations' or better. Market participants appear to recognise the need for robust consultation on Proposals and accept that the Panel's processes meet this need.

## (5) Setting of Priorities:

Stakeholders appear to be generally satisfied with how the Panel sets priorities for Proposals, with 82% of the respondents providing a response of 'meets expectations' or better. Nevertheless, 18% of the respondents provided a rating of 'below expectations' or 'poor', which indicates that there is room for improvement.

This response is not unexpected – it is inevitable that some stakeholders will be dissatisfied with how the Panel sets its priorities for Proposals. That is, the Panel cannot progress all Proposals concurrently, and proponents of a Proposal will always want their Proposal to take precedence over others (e.g. the Panel is aware that Perth Energy is dissatisfied with the delays in consideration of RC\_2017\_02).

## (6) Quality of Communications:

It appears that stakeholders are generally satisfied with the quality of Panel communications, as only 13% of the respondents to this question provided a rating lower than 'meets expectations', and 87% of respondents rated this as meeting expectations or better.

## (7) Quality of Administration of MAC Meetings:

There has been a decline in the MAC participants' satisfaction with the administration of MAC meetings. Based on stakeholder comments, it appears that this dissatisfaction stems from:

- digression of MAC discussions; and
- lack of accountability for delivery in response to MAC decisions.

Comments relating to the digression of MAC discussions are not unexpected, as some MAC members tend to provide commentary that sometimes strays off topic. The Chair of the MAC will discuss with the MAC how meetings can be better managed to keep discussions concise and on topic without limiting the need for debate (see section 6 of this report).

Regarding the purported lack of accountability for delivery in response to MAC decisions, it is noted that the MAC is an advisory body, not a decision-making body; and that the Panel and the Chair of the MAC do not have any authority to require Market Participants, AEMO or the Government and its entities to take any action to develop/submit Proposals in response to MAC discussions. The frustration of MAC members appears to be more tied to the legislative and governance structure for the Panel and the MAC, which limits the power of the Panel and the MAC to drive change.

## (8) Quality of Administration of GAB Meetings:

It appears that respondents are generally satisfied with the administration of GAB meetings. Despite this satisfaction, as with the MAC, there appears to be some frustration amongst GAB members with the legislative and governance structure for the Panel and the GAB, which limits the power of the Panel and the GAB to drive change.

# 6. Points for Further Discussion

Stakeholders raised several concerns in the stakeholder satisfaction survey for 2018/19 and the Panel is providing/seeking additional feedback on these concerns to/from the MAC and GAB.

## (1) Under-developed Proposals:

Concerns were raised that the Panel is progressing under-developed Proposals, and that this is causing inefficiencies and increased costs to the market. The term 'under-developed Proposals' appears to mean ones that:

- do not consider all of the relevant related issues; and/or
- do not include proposed drafting for Amending Rules.

The relevant rules on what constitutes a valid Proposal include:

- any person may make a Proposal by submitting a form to the Panel;<sup>11</sup>
- the form must request information on a number of things, including:
  - the issues to be addressed;<sup>12</sup> and
  - any proposed specific changes to particular rules.<sup>13</sup>

<sup>11</sup> See clause 2.5.1 of the Market Rules or clause 129(1) of the GSI Rules.

<sup>12</sup> See clause 2.4.4(b)ii of the Market Rules or clause 130(b)(ii) of the GSI Rules.

<sup>13</sup> See clause 2.4.4.(b)iv of the Market Rules or clause 130(b)(iv) of the GSI Rules.

The Panel must decide within five Business Days whether to progress the Proposal.<sup>14</sup>

Neither the Market Rules nor GSI Rules provide guidance for the Panel's decision on whether to progress a Proposal; and the Panel's policy is that all Proposals should be progressed unless they are:

- incomplete;
- manifestly inconsistent with the Wholesale Market Objectives or GSI Objectives; or
- materially the same as another Proposal that the Panel has recently considered.

This policy means that the Panel will only decide to not progress a Proposal if parts of the form are missing or unclear (and cannot be clarified as per the process in the rules). The Panel will decide to progress a Proposal that raises a valid issue but does not consider all possible related issues.

As an example, consider RC\_2017\_02 (Implementation of 30-minute Balancing Gate Closure), in which Perth Energy proposed to change the Balancing Gate Closure for independent power producers. The Panel decided to progress RC\_2017\_02 on the basis of its preliminary assessment that the Proposal is consistent with the Wholesale Market Objectives.

However, Synergy argued in its first period submission that there was insufficient information in the Proposal to justify the Panel's decision to progress the Proposal, and that Perth Energy should have been required to formulate and re-submit a more credible and coherent Proposal.

The Panel considers that its decision to progress RC\_2017\_02 was appropriate because it is the role of the Panel, not the proponents of Proposals, to:

- conduct the necessary consultation regarding a Proposal;
- gather the relevant information and undertake the necessary analysis regarding a Proposal; and
- determine whether there is sufficient justification to approve a Proposal.

It would be unreasonable to expect the proponent of a Proposal to conduct all necessary consultation and analysis prior to even submitting a Proposal,<sup>15</sup> or to consider the implications of the Proposal on other Market Participants (particularly its competitors).<sup>16</sup>

It would also be unreasonable for the Panel to decide whether to progress a Proposal on the merits of the Proposal, within 5 Business Days, without having conducted any consultation or analysis.

Instead, the test on whether the Panel should progress a Proposal is based on whether the Proposal raises a reasonable issue.

A second example is RC\_2019\_01 (the Relevant Demand calculation), in which Enel X proposed to implement a dynamic baseline methodology for Demand Side Programmes.

<sup>14</sup> See clause 2.5.6(c) of the Market Rules or clause 131(b) of the GSI Rules.

<sup>15</sup> Perth Energy does not have the authority to require AEMO to provide it with the necessary data to fully analyse the issue covered by RC\_2017\_02, and some of the necessary data may be confidential, so it may be inappropriate for AEMO to voluntarily provide the data to Perth Energy.

<sup>16</sup> Synergy raised the issue of its Balancing Gate Closure in the first period submission for RC\_2017\_02. It would have been unreasonable for the Panel to require Perth Energy to consider Synergy's Gate Closure before the Panel agreed to progress RC\_2017\_02, but the Panel can consider Synergy's Balancing Gate Closure as part of RC\_2017\_02 because this is directly relevant to the central issue raised in the Proposal.

The Panel decided to progress RC\_2019\_01 on the basis that stakeholders should be given an opportunity to consider the Proposal and provide submissions through the rule change process, even though the Proposal does not contain specific drafting for the Amending Rules. The Panel considers that Enel X has raised a valid issue, and that it would be unreasonable to not progress RC\_2019\_01 because Enel X has not developed specific drafting for the Amending Rules. It may be a barrier to lodging Proposals to require proponents to provide Amending Rules in all cases, because the proponents may not have the necessary expertise.

If the proponent for a Proposal elects to submit their Proposal without considering all related issues and/or without drafting for the Amending Rules, then the Panel may need to extend the timeline for progressing such Proposals. These extensions may be for a considerable length of time. Therefore, the Panel strongly recommends use of the pre-rule change process to help proponents better define the scope of their Proposals and the potential solutions.

The views of the MAC and GAB are sought on:

- (a) Are there any concerns with the Panel's approach to deciding whether to progress Proposals?
- (b) If there are concerns with how the Panel decides whether to progress Proposals, then on what basis should the Panel make these decisions?

## (2) The length and complexity of rule change reports:

Concerns were raised that Draft Rule Change Reports and Final Rule Change Reports are too long and complex.

The Panel notes that it does not have authority to constrain the scope of Proposals – it must consider all issues raised in Proposals and in submissions to Proposals; and must document this in the rule change reports; or it will be subject to procedural review.

The Panel also notes that there is an additional layer of complexity in considering legacy Proposals, as these Proposals must be brought up to date before they can be appropriately addressed. This is taking considerable time and effort; and is adding significant length and complexity to reports. This problem should reduce as the legacy Proposals are completed.

Further, the Panel is likely to continue to receive large and complex Proposals, and the rule change reports for such Proposals are likely to be accordingly long and complex.

The Panel introduced a new structure for its rule change reports in 2018/19. The rule change reports now state the Panel's decision and provide a high-level summary of the reasons for the decision upfront in section 2 of the reports, with a detailed explanation of the reasons for the decision that addresses all issues raised in the Proposal and in submissions to the Proposal in subsequent sections. This structure is intended to inform readers of the decision and give a brief indication of the reasons for the decision, and to allow parties that are interested in the details to find them in the subsequent sections.

The views of the MAC and GAB are sought on:

- (c) Are there any concerns with the structure of Panel's decision reports? Are there any suggestions for improvement?

### (3) Responses to stakeholder feedback:

A comment was made that the Panel's responses to stakeholder concerns are often weak in Draft Rule Change Reports and Final Rule Change Reports.

The views of the MAC and GAB are sought on:

- (d) Can specific examples be provided where the Panel has provided a weak response to stakeholder concerns?

### (4) Splitting Up Proposals:

A comment was made that it does not seem possible to progress a Proposal that combines numerous matters in a reasonable time frame; and it was suggested that the Panel should investigate the possibility of splitting up Rule Changes

The Panel notes that it does not have authority to spit up a Proposal once it has been submitted. This stresses the importance of the pre-rule change process to make sure that the scope of Proposals is appropriate.

The Panel also notes that it may be more efficient and cost effective to consider interrelated issues in a single Proposal if AEMO can develop, test and implement the resulting IT and procedural changes using a single process. It should be manageable to run such rule changes processes so long as RCP Support has sufficient resources to process the Proposals and receives the necessary support from external sources, such as AEMO, and once the backlog of Proposals has been addressed.

### (5) Effectiveness of the MAC and GAB:

Some commentary was provided on the effectiveness of the MAC and GAB, including:

- MAC meetings often lack a sense of purpose and direction;
- the MAC should be used to drive decisions and action, but the Chair of the MAC often takes no accountability to ensure that conversations are valuable and that someone is accountable for delivering in response to a decision;
- the MAC is a bit of a pointless talk-fest most of the time;
- meetings have constant late papers or agenda items with no papers, so MAC members cannot adequately prepare for meetings;
- the Chair of the MAC could be more forceful in keeping comments/discussions on point; and
- fewer critical issues go to GAB, and one strategic item of WA gas market considerations does not seem to be progressing quickly.

The Panel notes that neither the Panel nor the Chair of the MAC/GAB have any authority to require Market Participants, AEMO or the Government and its entities to take any action to develop/submit Proposals in response to MAC/GAB discussions. Further, the Panel only has authority to develop a Proposal in response to MAC or GAB discussions in the limited circumstances specified in clause 2.5.4 of the Market Rules or clause 129(5) of the GSI Rules (i.e. to correct a manifest error). The legislated roles of the MAC and GAB are not analogous to that of the Australian Energy Market Commission in the National Energy Market.

Given the Panel's current regulatory and governance structure, the MAC and GAB participants will need to take on a larger role in driving changes to the market than has historically been the case.

Regarding the MAC and GAB being talk-fests, since the MAC and GAB are advisory bodies, the Chair of the MAC/GAB has been reluctant to cut off discussion unless it veers substantially off topic because discussion that is of little interest to some MAC/GAB members may be of significant interest to others. Nevertheless, steps can be taken to keep MAC/GAB discussions more on point.

The views of the MAC and GAB are sought on:

- (e) Should the Chair of the MAC/GAB take steps to cut-off discussions at meetings, perhaps setting a time limit for each speaker?

Regarding MAC papers, it is recognised that some agenda items have been discussed with late papers or no papers, particularly when the agenda item is lodged by a MAC member or an update is provided by an external agency. The Chair of the MAC has been tabling all papers at the MAC that are submitted to RCP Support, irrespective of whether they are late, and allowing the MAC to decide whether to discuss the paper or defer it to the following meeting.

The views of the MAC and GAB are sought on:

- (f) Should tabling of any late papers for discussion at the MAC/GAB be automatically deferred to the next MAC/GAB meeting, or should the current practice for the treatment of late papers continue?
- (g) Should papers be required for all agenda items?

Regarding MAC agendas, it is acknowledged that there is a preference to simplify the agendas, and that not all parties are interested in all topics before the MAC. As a result, RCP Support has commenced the practice of holding workshops to deal with the details of specific Proposals.

## **(6) Prioritisation of Proposals:**

A comment was made that there is a lack of clarity of the Panel's priorities at any given time.

RCP Support tables an 'Overview of Proposals' at each MAC and GAB meeting that includes information on the priority of Proposals. These reports are published on the Panel website.

The views of the MAC and GAB are sought on:

- (h) Would it be useful to receive additional reporting on the Panel's priorities? If so, what additional reporting would the participants like to see?



## Agenda Item 10: Revised MAC Schedule for 2020

Meeting 2019\_09\_03

The Rule Change Panel (**Panel**) has:

- considered and accepted a proposed schedule for Panel meetings for 2020; and
- noted proposed meeting dates for 2020 for the Market Advisory Committee (**MAC**) and the Gas Advisory Board (**GAB**).

The MAC is asked to consider and agree to the revised proposed schedule for MAC meetings for 2020, as indicated in the table below. MAC meetings are proposed to occur every six weeks, on Tuesday mornings, starting at 9:30 AM.

The schedule for Panel meetings and the proposed schedule for GAB meetings are provided for information purposes.

Month	Proposed MAC Meetings	Proposed GAB Meetings	Panel Meetings
January 2020			
February 2020	11 February 2020		27 February 2020
March 2020	24 March 2020	12 March 2020	
April 2020			9 April 2020
May 2020	5 May 2020		21 May 2020
June 2020	16 June 2020		25 June 2020
July 2020	28 July 2020		
August 2020			13 August 2020
September 2020	8 September 2020	17 September 2020	24 September 2020
October 2020	20 October 2020		
November 2020			5 November 2020
December 2020	1 December 2020		10 December 2020