

Minutes

Meeting Title:	Market Advisory Committee (MAC)
Date:	16 June 2020
Time:	9:30 AM – 12:10 PM
Location:	Online via Microsoft Teams

Attendees¹	Class	Comment
Stephen Eliot	Chair	
Matthew Martin	Small-Use Consumer Representative	
Martin Maticka	Australian Energy Market Operator (AEMO)	
Nicole Markham	System Management	Proxy for Dean Sharafi
Sara O'Connor	Economic Regulation Authority (ERA) Observer	
Andrew Everett	Synergy	
Kei Sukmadjaja	Network Operator	Proxy for Zahra Jabiri
Jacinda Papps	Market Generators	
Wendy Ng	Market Generators	
Dimitri Lorenzo	Market Generators	Proxy for Daniel Kurz
Tom Froad	Market Generators	
Patrick Peake	Market Customers	
Geoff Gaston	Market Customers	
Timothy Edwards	Market Customers	10:30 AM to 10:55 AM
Peter Huxtable	Contestable Customers	

Also in Attendance	From	Comment
Aden Barker	Energy Transformation Implementation Unit (ETIU)	Presenter
Matt Shahnazari	ERA	Presenter

¹ Some members were unable to attend the full meeting due to technical issues.

Also in Attendance	From	Comment
Jenny Laidlaw	RCP Support	Minutes
Kate Ryan	Energy Policy WA (EPWA)	Observer
Paul Arias	Bluewaters Power	Observer
Erin Stone	Point Global	Observer
Jo Anne Chan	Synergy	Observer
Adrian Theseira	AEMO	Observer
Mark Katsikandarakis	AEMO	Observer
Laura Koziol	RCP Support	Observer
Natalie Robins	RCP Support	Observer
Sandra Ng Wing Lit	RCP Support	Observer
Adnan Hayat	RCP Support	Observer
Noel Schubert		Observer

Apologies	From	Comment
Dean Sharafi	System Management	
Zahra Jabiri	Network Operator	
Daniel Kurz	Market Generators	

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1	Welcome The Chair opened the meeting at 9:30 AM and welcomed members and observers to the 16 June 2020 MAC meeting.	
2	Meeting Apologies/Attendance The Chair noted the attendance as listed above.	
3	Minutes of Meeting 2020_05_05 Draft minutes of the MAC meeting held on 5 May 2020 were circulated on 18 May 2020. The Chair noted that a revised draft showing a correction to the heading of agenda item 3 was distributed in the meeting papers. The Chair also noted two corrections that were suggested by Ms Wendy Ng after the distribution of the meeting papers:	

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•	Page 5, Section 6: Update on the Energy Transformation Strategy (ETS), final paragraph:	“Ms Ng asked if a decision had been made on whether generators would still need to pay network access <u>Use of System</u> charges under the new constraint network access regime. Mr Barker replied...”.
•	Page 5, Section 6: Update on the Energy Transformation Strategy (ETS), action item:	“Action: ETIU to provide an update to the MAC on whether Market Generators will still be required to pay network access <u>Use of System</u> charges under the new constrained network access regime.”
<p>Ms Nicole Markham suggested that a comment in the minutes about the Rule Change Panel (Panel) waiting for years for information relating to Rule Change Proposal: Administrative Improvements to the Outage Process (RC_2014_03) was incorrect and requested its removal. Ms Jenny Laidlaw confirmed that she had made the comment during the meeting.</p> <p>The MAC accepted the minutes as a true record of the meeting, subject to the change shown in the revised draft and the changes proposed by Ms Ng.</p>		
<p>Action: RCP Support to amend the minutes of the 5 May 2020 MAC meeting to reflect the agreed changes and publish on the Panel’s website as final.</p>		RCP Support

4 Action Items

The closed action items were taken as read.

Action 27/2019: Open.

Action 28/2019: Open.

Action 6/2020: The Chair noted that RCP Support sent an email to stakeholders on 8 June 2020 seeking views on timing for a workshop on Rule Change Proposal: The Relevant Demand calculation (RC_2019_01). 10 respondents (aside from AEMO) expressed interest in attending the workshop. RCP Support intended to check with ETIU for potential conflicts with future Transformation Design and Operation Working Group (**TDOWG**) meetings before confirming the meeting time and sending out meeting invitations.

Action 8/2020: Mr Aden Barker advised that consideration of Transmission Use of System (**TUoS**) charges for generators and changing the approach to those charges was not within the scope of the ETS. However, changes to the way those services

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	<p>are charged may be considered as part of the Access Arrangement 5 (AA5) process and as part of the suite of Access Code changes currently out for consultation. The ERA will be required to develop a new framework and approach document including commentary around the things that might be considered as part of network charges. Stakeholders will have an opportunity to raise their issues regarding TUoS charges both as part of the AA5 process and during development of the ERA's framework and approach document.</p>	
5	<p>MAC Market Rules Issues List (Issues List) Update</p>	
	<p>The MAC noted the recent updates to the Issues List.</p> <p>The Chair noted that issues 2, 16 and 35, and proposed review 1 (Behind-the-meter issues) had been retained on the Issues List pending development of EPWA's program to implement the relevant actions from the recently published Distributed Energy Resources (DER) Roadmap.</p> <p>Mrs Jacinda Papps considered that the proposed recovery of DER Roadmap implementation costs from Market Participants would potentially exacerbate the cross-subsidy problems raised in issues 2, 16 and 35. Mrs Papps noted that Alinta had raised this point in its submission on the proposed Amending Rules to allow AEMO to recover its costs for actions to implement the DER Roadmap.</p>	
6	<p>Update on the Energy Transformation Strategy</p>	
	<p>Mr Barker provided the following updates on the ETS.</p> <ul style="list-style-type: none"> • Resource and market modelling for the Whole of System Plan (WOSP) was progressing well, with early findings being socialised with stakeholders through one-on-one meetings. Mr Barker invited MAC members and other interested parties to contact ETIU to arrange a discussion on the early findings. • The consultation period for proposed Access Code changes to support the DER Roadmap was open until 26 June 2020. The proposed changes related to standalone power, the development of network opportunity maps, non-network solutions, changes to Western Power procurement and improved transparency, as well as the new change management framework for the Technical Rules. • A meeting of the Energy Transformation Taskforce (Taskforce) was scheduled for later in the week to discuss: <ul style="list-style-type: none"> ○ the approach and timing for development of a framework for reliability standards, which were currently 	

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	<p>situated across the regulatory framework in the Wholesale Electricity Market (WEM); and</p> <ul style="list-style-type: none"> ○ the approach to non-co-optimised essential system services, such as system restart and local voltage control, and how they might be procured. <p>ETIU intended to provide an update on the outcomes of the Taskforce meeting at an upcoming TDOWG meeting.</p> <ul style="list-style-type: none"> ● The next TDOWG meeting was scheduled for that afternoon and involved a page turn on the new Chapter 3A of the Market Rules, which related to the new generator performance standards, compliance and monitoring framework. The framework was closely linked with the new Appendix 12, which was not yet released but would contain the standards themselves. The proposed Amending Rules would be formally released for consultation at the beginning of July 2020, and the consultation period would remain open until after the release of the proposed Amending Rules for Appendix 12 in mid-July 2020, so that the two sets of Amending Rules could be considered together. ● The Minister had approved the Constraints Framework and Governance Amending Rules, which were due to commence on 1 July 2020. The early commencement would allow Western Power and AEMO to start the work needed to ensure that limit advice and constraints information was converted to constraint equations in time for the development of market systems and market start in 2022. ● The first major package of Amending Rules, based on numerous policy papers released by the Taskforce to date, was due to be released in early July 2020. The two major components were the Essential System Services framework and the rules around energy and Essential System Services scheduling and dispatch. ETIU would be holding a number of rule drafting TDOWG meetings to discuss the proposed Amending Rules. <p>The package would also address WEM compliance and monitoring more generally.</p>	
7	AEMO Procedure Change Working Group (APCWG) Update	
	<p>Mr Martin Maticka provided the following updates on AEMO's Market Procedures:</p> <ul style="list-style-type: none"> ● AEMO held an APCWG meeting on 21 May 2020 to discuss the Procedure Change Proposal for the new Outstanding Amount calculation resulting from the Reduction of 	

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	<p>Prudential Exposure (RoPE) project (AEPC_2020_06). AEMO planned an extended consultation period for AEPC_2020_06, ending on 15 July 2020.</p> <p>AEMO aimed to deliver the relevant system changes to the market trial environment by 25 June 2020 and to the production environment by 3 July 2020, to allow Market Participants to review the new Outstanding Amount calculations before the proposed 1 August 2020 commencement date.</p> <ul style="list-style-type: none"> • The amended Market Procedure for the recent Procedure Change Proposal: Market Procedure: Certification of Reserve Capacity (AEPC_2020_02) commenced on 15 June 2020. AEMO had conducted two rounds of consultation for AEPC_2020_02 and Mr Maticka thanked the MAC members and organisations that provided feedback, noting that the final Market Procedure had shifted from the version originally proposed. • AEMO would confirm the date of the next APCWG meeting later in June 2020. The next meeting was likely to discuss the Market Procedure: Bilateral Trades and the Reserve Capacity Auction, as well as changes to the Settlement Procedure resulting from Rule Change Proposal: Administrative Improvements to Settlement (RC_2019_04). • AEMO had placed Procedure Change Proposal: Revisions to BMO tie-break methodology (AEPC_2020_01) on hold because of the issue that was to be discussed under agenda item 9. 	

8(a) Overview of Rule Change Proposals

The paper for agenda item 8(a) was taken as read. The Chair provided the following updates:

- The further submission period for Rule Change Proposal: Amending the Minimum STEM Price definition and determination (RC_2019_05) was due to close that afternoon.
- The Final Rule Change Report for Rule Change Proposal: Estimates for GIA facilities (RC_2020_03) was due to be published on 23 June 2020.
- The Minister's decision on the Amending Rules for Rule Change Proposal: Administrative Improvements to Settlement (RC_2019_04) was due on 18 June 2020. The Panel had agreed to a request from AEMO to extend the commencement date until two weeks after the Minister approved the Amending Rules. This would shift the

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	commencement date to 2 July 2020, assuming that the Minister approved the Amending Rules on 18 June 2020.	
8(b)	Prioritisation of Rule Change Proposals	
	<p>Ms Markham gave a presentation on AEMO's discussion paper: Prioritisation of Rule Change Proposals. The discussion paper is available in the meeting papers and 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"> The Chair noted that the criteria presented by AEMO in its discussion paper were those that AEMO proposed to use to determine how it prioritises its work to support the Panel. The Panel had reviewed the discussion paper and continued to endorse the Panel's existing prioritisation framework. The Chair considered that the two prioritisation frameworks could work together successfully. The Chair noted that AEMO recommended progressing some Rule Change Proposals as part of the ETS. The Chair questioned how much this would actually reduce AEMO's resourcing obligations, as it would just shift the timing of some (but not all) proposals and change the identity of the decision-maker. The Chair noted that ETIU previously indicated that it wanted the Panel to continue to progress all the current Rule Change Proposals outside of the ETS; and that it is up to the Government, not AEMO, the MAC or the Panel, to decide what was included in the ETS. <p>The Chair asked Mr Barker and Ms Kate Ryan if ETIU had changed its view on whether any of the current Rule Change Proposals (or parts of the current Rule Change Proposals) should be moved into the ETS.</p> <p>Mr Barker replied that the North Country Spinning Reserve issue was one case where ETIU saw that the likely outcome was going to be aligned with the ETS, so ETIU decided to incorporate that change into the ETS. Mr Barker indicated that when deciding whether a new Rule Change Proposal should be incorporated into the ETS, ETIU would consider whether the proposed changes were consistent with the direction and timing of the ETS and likely to be subsumed anyway. However, ETIU preferred that other changes, which were for commencement prior to the new market arrangements or were not consistent with the direction and timing of the ETS, should continue to be progressed using the normal rule change process as per the Market Rules.</p> <p>Mr Barker noted that ETIU was already drafting Amending Rules to be made by the Minister from September 2020, so</p>	

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	<p>it was fairly late to incorporate any additional content. While there may be a case in some instances to cease progressing a Rule Change Proposal because it would be superseded by ETS changes, ETIU's capacity to take on additional Rule Change Proposals was relatively minimal.</p>	
	<ul style="list-style-type: none"> • The Chair noted that the Panel could reject a Rule Change Proposal but did not have the ability to simply stop progressing a Rule Change Proposal. • Ms Markham asked if there were any objections to AEMO's suggested approach to prioritising its resources. Mr Andrew Everett replied that he did not support the deferral or movement into the ETS of RC_2019_05. • The Chair asked if Ms Markham wished to discuss AEMO's suggestions for each of the open Rule Change Proposals. Ms Markham replied that in the first instance she was keen to get confirmation that there was no in-principle objection to the prioritisation approach, and to check whether anything else should be included in the criteria. • The Chair questioned whether AEMO's third proposed criterion - Does the rule change development/assessment/ implementation require a low level of effort from Rule Participants? (e.g. will resources be able to continue with ETS reforms as well as the rule change?) – was relevant, unless it was strictly a resourcing issue. 	
	<p>The Chair considered that AEMO needs to be clear if it simply does not have the resources to work on a Rule Change Proposal, and asked Ms Markham if that was the point of the criterion. Ms Markham replied that AEMO had finite resources and if those resources were invested in rule change activities they were not focussing on other activities.</p>	
	<p>The Chair questioned why a Rule Change Proposal that took a lot of effort but was worth that effort should not proceed. Mr Maticka replied that one of the reasons why AEMO had included the criterion was that it acknowledged it did not have a universal view of other Rule Participants' workloads, and wanted to take the impact on other Rule Participants into account in any assessment. AEMO considered it might be inefficient if AEMO worked on a Rule Change Proposal that was then delayed because of the impact on the workloads of Market Participants.</p>	
	<ul style="list-style-type: none"> • Ms Laidlaw considered that while there was general agreement that AEMO's core 'keeping the lights on' functions and support for the ETS were its highest priorities, some of AEMO's project activities appeared to be both 	

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	<p>discretionary and resource-hungry. Ms Laidlaw suggested that when AEMO prioritises such work against Rule Change Proposals then it would be preferable to see that done transparently, so that the work that is most important and gives the most benefit to the market receives priority. However, AEMO had not listed its discretionary projects in the discussion paper appendix for comparison with the Rule Change Proposals.</p>	
	<p>Ms Markham acknowledged Ms Laidlaw's point but considered that AEMO navigated through that comparison process internally. AEMO had not included all its activities in the discussion paper due to the large number of activities involved. The Chair questioned how the MAC could form a view on whether to endorse deferring a Rule Change Proposal or moving it to the ETS because AEMO's resources were better placed elsewhere if it did not know where those resources would otherwise be placed.</p>	
	<p>Ms Markham noted that AEMO's work was listed at a high level in the discussion paper and its proposed capital projects were in line with its most recent Allowable Revenue submission. AEMO intended to provide an update on its capital projects at the next WA Electricity Consultative Forum meeting.</p>	
	<ul style="list-style-type: none"> Ms Ng asked what options were available if AEMO found itself unable to meet the commencement date for an approved Rule Change Proposal. The Chair replied that AEMO could contact the Panel to seek an extension of the commencement date. The Panel would need to consult with Rule Participants if they were also significantly affected, but was able to extend the commencement date if it was necessary for AEMO and acceptable to other Rule Participants. 	
	<p>Mr Adrian Theseira noted that extending the commencement date for some changes would reduce their already limited life span. The Chair noted that a short horizon for benefits was one of the factors that the Panel took into consideration when making its decisions on Rule Change Proposals.</p>	
	<ul style="list-style-type: none"> Ms Jo-Anne Chan asked whether, if the proposed framework was adopted, AEMO would make the prioritisation decisions or whether the decisions would require endorsement from the MAC. Ms Markham considered that AEMO would use the criteria to feed into its initial discussions with RCP Support regarding new Rule Change Proposals. 	

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	<p>The Chair noted, and Ms Markham agreed, that AEMO's proposed framework related to how AEMO assigns its resources to various tasks. AEMO was presenting its proposed criteria so that the MAC could understand where any conflicts with the Panel's prioritisation framework lay. AEMO could then take the MAC's views into account in deciding how it assigned its resources. However, ultimately it was AEMO's decision as to how it assigned its resources.</p>	
	<ul style="list-style-type: none"> Mr Everett observed that there had been a hiatus in the progression of Rule Change Proposals for some years because of pending market reforms. The opportunity had since arisen to make enhancements to the market, with the resurrection of older Rule Change Proposals and the progression of some new Rule Change Proposals. Mr Everett considered that the MAC should be expressing frustration that this process was being restricted because one party did not have the resources to do what it should be doing. Mr Everett suggested that AEMO should be reviewing its resources so that it can support the market in the way that it should be, and did not accept that 'business-as-usual', 'keeping the lights on' or a short-term pandemic should prevent the progression of Rule Change Proposals. 	
	<p>Ms Markham explained the difficulty that AEMO faces in recruiting experienced staff. For example, System Management was short a handful of experienced staff and the volume of deep expertise was not available. AEMO was developing the required expertise but this took time (e.g. it takes six to nine months to train someone in a power system security engineer role to be able to run business-as-usual).</p>	
	<p>Ms Markham noted that AEMO was working internally to see how it could continue to pull resources in and work differently to free up its critical subject matter experts to better leverage their expertise.</p>	
	<p>Ms Markham also noted that while the COVID-19 pandemic was a short-term problem it had adversely affected AEMO's efficiency.</p>	
	<ul style="list-style-type: none"> The Chair commented that at least one MAC member still appeared to hold the view provided at the previous MAC meeting (i.e. that while there was a general understanding that AEMO has resourcing constraints, the MAC would like to see Rule Change Proposals progressed to the greatest extent possible). The Chair noted that AEMO was funded for both its business-as-usual activities and the ETS reforms, but agreed that if resources were unavailable even 	

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	<p>with sufficient funding then that would create resourcing issues.</p>	
	<ul style="list-style-type: none"> • Mr Tom Flood considered that all organisations have resourcing constraints, and suggested that the measure should be the extent to which activities were being delayed. If work continued to be delayed, then this might raise a question about AEMO's resourcing. 	
	<p>The MAC then discussed AEMO's suggestions regarding each of the open Rule Change Proposals.</p>	
	<p><u>RC_2014_03: Administrative Improvements to the Outage Process:</u></p>	
	<ul style="list-style-type: none"> • Ms Markham outlined AEMO's assessment that: <ul style="list-style-type: none"> ○ RC_2014_03 would address some manifest errors; ○ the urgency of the Rule Change Proposal was not clear; ○ the changes would require about six months to implement once the Amending Rules were approved; ○ the expected implementation cost was \$470,000 to \$670,000, to be confirmed once the Amending Rules were approved; ○ the changes were likely to require some Market Participant process changes and potentially system changes; ○ the Consequential Outage and triggering outage changes had a limited life span, while the outage quantity changes will continue to apply in the new market; and ○ the benefits are not quantified. 	
	<p>AEMO suggested that the lasting changes be progressed as part of the ETS and the other changes be rejected.</p>	
	<ul style="list-style-type: none"> • The Chair noted that the MAC had reviewed RC_2014_03 on several occasions and retained its High urgency rating. The Panel was trying to work with AEMO to determine the costs and benefits of the component changes, to determine which components should be progressed. In response to a question from the Chair, no other MAC members suggested a different urgency rating for the Rule Change Proposal. 	
	<ul style="list-style-type: none"> • Ms Laidlaw noted that because the Consequential Outage and triggering outage changes had a limited life span, RCP Support was proposing the cheapest possible option that would achieve the desired market transparency outcomes. 	

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	<p>However, AEMO's estimated implementation cost included provision for a significantly more expensive implementation option. RCP Support questioned whether that more expensive option was required, given the low transaction volumes and the short life span of the changes.</p> <p>Ms Laidlaw noted that since the outage quantity changes were expected to continue under the new market arrangements, the question was whether the changes should be made before the start of the new market to achieve the benefits earlier.</p> <p>More generally, Ms Laidlaw noted that RCP Support had some concerns about AEMO's cost estimate, which seemed very high given that several components of the proposal had already been removed to reduce costs; and that AEMO had never appeared to assign a high priority to its work on RC_2014_03.</p>	
	<ul style="list-style-type: none"> The Chair asked Mr Barker whether ETIU was considering including any aspects of RC_2014_03 into the ETS. Mr Barker replied that the Taskforce's intentions were broadly aligned with both RC_2014_03 and Rule Change Proposal: Outage Planning Phase 2 – Outage Process Refinements (RC_2013_15), notwithstanding that the concept of Consequential Outages would be removed with the implementation of security constrained economic dispatch. 	
	<p>ETIU was working on drafting in relation to outage management, using the assumption that at least some of the components of those Rule Change Proposals would be progressed. More generally, ETIU's focus was on implementing the new market arrangements on 1 October 2022, rather than improvements to the current market that can be implemented earlier.</p>	
	<p>Mr Barker also noted that ETIU would not be supportive of bringing forward a change to the existing market that impinged on the ability of AEMO or others to prepare for the new market arrangements in 2022.</p>	
	<ul style="list-style-type: none"> The Chair summarised that ETIU did not intend to include any components of RC_2014_03 under the ETS and wanted the Panel to ensure that it accounted for the impact of the Rule Change Proposal on the ETS; and that the MAC had provided neither support nor opposition to AEMO's proposal for resourcing RC_2014_03. 	
	<p><u>RC_2014_05: Reduced Frequency of the Review of the Energy Price Limits and the Maximum Reserve Capacity Price:</u></p>	

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	<ul style="list-style-type: none"> The Chair noted that RC_2014_05 was currently on hold. <p><u>RC 2017 02: Implementation of 30-Minute Balancing Gate Closure:</u></p> <ul style="list-style-type: none"> There was general agreement that RC_2017_02 should continue to be progressed as planned. <p><u>RC 2018 03: Capacity Credit Allocation Methodology for Intermittent Generators:</u></p> <ul style="list-style-type: none"> The Chair noted that the Panel intended to progress RC_2018_03 in conjunction with the ERA's expected Rule Change Proposal for the Relevant Level Methodology (RC_2019_03). <p><u>RC 2019 01: The Relevant Demand calculation:</u></p> <ul style="list-style-type: none"> Ms Markham considered that RC_2019_01: <ul style="list-style-type: none"> did not address any manifest errors or urgent issues; would require significant effort from AEMO resources and create some resource contention issues with the ETS; had a fairly broad estimated cost range due to the current lack of drafting; and had a life span beyond the start of the new market, but did not fit into any existing ETS work package. <p>AEMO was not sure of the benefits of RC_2019_01, but suggested that the changes could be progressed as part of the ETS (if important) or otherwise deferred.</p> Mr Peter Huxtable considered that the currently planned meetings to discuss RC_2019_01 would progress the Rule Change Proposal without the need for much input from AEMO. Mr Huxtable suggested that the Rule Change Proposal should continue to be progressed in the short term, to determine the simplicity of the proposal. The Chair asked Ms Markham why progressing RC_2019_01 under the ETS would help with AEMO's resourcing. Ms Markham referred the question to Mr Theseira, who agreed with Mr Huxtable that RC_2019_01 would not require much input from AEMO in the short term, while noting that AEMO would need to be heavily involved later in the rule change process. Mr Theseira agreed that it was a little too early to make a decision on the progression of the RC_2019_01. <p><u>RC 2019 03: Method used for the assignment of Certified Reserve Capacity to Intermittent Generators:</u></p>	

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	<ul style="list-style-type: none"> • The Chair noted that the ERA had not yet submitted RC_2019_03. The Chair understood that the ERA and ETIU were working together to determine how the ERA's proposed changes to the Relevant Level Methodology could be integrated with ETIU's proposed Network Access Quantity framework. The Chair also understood that ETIU did not wish to progress RC_2019_03 under the ETS, because it was the ERA's proposal and not ETIU's. Once the ERA and ETIU had determined how to align their proposed changes, the ERA intended to submit the Rule Change Proposal, for which Market Participants had recommended a High urgency rating. • Mr Barker and Ms Sara O'Connor agreed with the Chair's summary. Mr Barker noted that, in relation to both RC_2019_01 and RC_2019_03, ETIU had necessarily limited the scope of its proposed Reserve Capacity Mechanism changes to consequential changes that were required to implement the new market arrangements and constrained network access. Ms O'Connor noted that the ERA had included both ETIU and AEMO in discussions on the development of the RC_2019_03, and would continue to do so. • Mrs Papps noted that Alinta agreed that RC_2019_03 was a High urgency Rule Change Proposal. • In response to a question from the Chair, Ms O'Connor advised that the development of the Rule Change Proposal was still a work in progress. Ms Markham noted that it would be helpful for AEMO to have a good sense of the timing for RC_2019_03 to assist with its resource planning. 	
	<p><u>RC 2019 05: Amending the Minimum STEM Price definition and determination:</u></p> <ul style="list-style-type: none"> • Ms Markham outlined AEMO's assessment that: <ul style="list-style-type: none"> ○ RC_2019_05 did not address any manifest error; ○ the urgency of the Rule Change Proposal was unclear; ○ AEMO was experiencing resource contention issues in relation to the Rule Change Proposal; ○ the changes could result in an increase in operational costs of up to \$300,000 per year; ○ the life span of the changes extended beyond the start of the new market; and 	

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	<ul style="list-style-type: none"> ○ there was a broader issue around whether AEMO or the ERA should be responsible for Energy Price Limit reviews. ● Mr Theseira added that AEMO remained supportive of the concept of RC_2019_05. However, given the question had been raised about which agency should be responsible for reviewing the Minimum STEM Price, Mr Theseira questioned whether a more holistic consideration was appropriate and whether the Rule Change Proposal should be delayed until the Taskforce clarified its policy on responsibilities for all future Energy Price Limit reviews. 	
	<p>The Chair noted that the ETS was looking at market power mitigation and presumably will have a view on who should be responsible for setting the Maximum STEM Price and Alternative Maximum STEM Price. The Chair was uncertain as to whether the ETS work would also consider how the Minimum STEM Price should be set. If the Taskforce published its information paper on market power mitigation before it was time for the Panel to make a decision on RC_2019_05, then the Panel could account for that paper. Otherwise, the question was whether it would make sense to make changes for an interim period until the ETS reforms are in place.</p>	
	<p>Ms Ryan considered the approach described by the Chair was sound. ETIU was looking at the market power mitigation framework broadly, but it was too early to say in which specific areas changes would be proposed. ETIU was also starting to consider whether any of the existing market reviews needed modification as part of the ETS.</p>	
	<p>Ms Ryan considered that ETIU and RCP Support would need to keep in touch in relation to these matters. Once the Taskforce published a policy position the Panel could formally address that position in the context of the Rule Change Proposal, but hopefully ETIU and RCP Support would have had some discussions on the issues before then.</p>	
	<ul style="list-style-type: none"> ● Mrs Papps noted that Alinta's support for RC_2019_05 was subject to consideration of the issues that would be raised in its further submission on the Rule Change Proposal. ● The Chair noted that the further submission period for RC_2019_05 closed that afternoon. ● Ms Markham asked whether Synergy's and Alinta's preference to not defer RC_2019_05 was affected by 	

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	<p>Ms Ryan's comments. Mr Everett replied that Synergy's position was unchanged.</p> <p><u>RC_2020_03: Estimates for GIA facilities:</u></p> <ul style="list-style-type: none"> The Chair noted that the Final Rule Change Report for RC_2020_03 was due the following week. There was general support for continuing to progress the Rule Change Proposal. <p>The Chair asked Ms Markham whether the discussion record in the meeting minutes would be sufficient to advise AEMO on the MAC's views on how AEMO should assign its resources. Ms Markham replied that the minutes would provide a good start, and that she had gleaned from the discussion that MAC members were still keen for AEMO to sort out its resourcing. However, Ms Markham did not identify any fundamental push back on the intent of AEMO's assessment criteria, and considered the next step was to determine how to feed that into the Panel's processes.</p>	

9 Potential Manifest Error – Loss Factor Adjustment of Ancillary Service Quantities in the Forecast BMO at the Price Caps

Mr Maticka provided an overview of a potential manifest error relating to Loss Factor adjustment of Balancing Submission prices that AEMO had recently identified. Copies of AEMO's discussion paper and presentation slides are available on the Panel's website.

The MAC confirmed that it was happy to discuss the issue at this meeting despite the late submission of the paper.

Mr Maticka asked whether MAC members recollected the rationale for the Balancing Submission Loss Factor adjustment rules and whether they agreed with AEMO's interpretation of the rules. Ms Laidlaw remembered that the MAX and MIN bidding options were included for practicality and convenience, and were intended to mean that the Loss Factor Adjusted Prices for the relevant quantity should be set to the relevant Price Caps. This removed the need to coordinate Balancing Submission prices with the timing of changes to Loss Factors or Energy Price Limits. Ms Laidlaw considered this was a sensible approach that should be allowed to continue.

Ms Laidlaw noted the main question was whether the Energy Price Limits should apply to 'sent out' offer prices or the Loss Factor Adjusted Prices at which the market bought and sold energy at the Reference Node. Ms Laidlaw suggested that it would make sense for the Energy Price Limits to apply to Loss

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	<p>Factor Adjusted Prices, as this would be consistent with the application of the Energy Price Limits in the STEM.</p> <p>Mr Maticka discussed the three options identified by AEMO to address the issue:</p> <ol style="list-style-type: none"> 1) a Rule Change Proposal to apply the Price Caps once (rather than twice) in the Market Rules; 2) AEMO remaining non-compliant until the issue was addressed in October 2022 through the ETS; or 3) AEMO changing its IT systems to comply with the current rule requirements. <p>The MAC generally agreed that the issue identified by AEMO was a manifest error in the Market Rules.</p> <p>The Chair noted that other changes could be made to the Market Rules to address the manifest error. Ms Laidlaw expressed two concerns with AEMO's proposed rule changes:</p> <ul style="list-style-type: none"> • simply removing all validation on submitted prices would allow Synergy to offer prices in the Forecast BMO outside the Price Caps; and • applying a Loss Factor adjustment to MIN and MAX prices would be contrary to the practical intent of those price options. <p>There was general support for the development of a Rule Change Proposal to address the manifest error, with the details of the proposal to be determined. Mr Mark Katsikandarakis agreed that several different rule changes could be used to address the problem, while noting that the option presented by AEMO was probably the easiest to implement.</p> <p>Mr Katsikandarakis proposed a further discussion with RCP Support about the potential rule change options.</p> <p>The Chair asked the MAC to recommend an urgency rating for the Rule Change Proposal. Mr Maticka suggested a High urgency rating because the changes would address a manifest error and what would be either a compliance or a system security issue; and because the system changes proposed by AEMO would have a small system cost.</p> <p>The Chair questioned whether progressing the Rule Change Proposal was a high priority, if the impact of the manifest error was not currently felt by the market. Mr Everett noted that the market had been living with the manifest error for eight years. Mr Maticka replied that the market had been living with incorrect systems for that period, which had produced some incorrect financial outcomes according to the existing rules. Mr Maticka considered that a Rule Change Proposal should be progressed,</p>	

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	<p>which would lead to a more balanced discussion in terms of the action AEMO would have to take in terms of its systems being non-compliant. Mr Maticka considered that an advantage of using the Fast Track Rule Change Process was expediency for progressing the change.</p> <p>Ms Laidlaw noted that RC_2014_03 also addressed a manifest error where AEMO was currently non-compliant with the Market Rules, and expressed uncertainty as to why AEMO's approach to this manifest error was different. Mr Maticka replied that he would need to refresh his memory of that particular point.</p> <p>Mr Everett agreed that the issue was a manifest error but questioned whether it should be prioritised ahead of other open Rule Change Proposals. Mr Everett proposed a Low or Medium urgency rating for the Rule Change Proposal.</p> <p>Mr Peake considered that as the error had now been identified it should be fixed, and so proposed a High urgency rating.</p> <p>Mr Gaston considered the matter was more of an audit issue, and therefore struggled to reconcile AEMO's proposal with its previous presentation on resourcing. Mr Gaston agreed with Mr Everett's proposed urgency rating and suggested that the change should be relegated to one of the periodic housekeeping omnibus Rule Change Proposals.</p> <p>The Chair observed that the MAC's views on the urgency rating were split, and that RCP Support would inform the Panel of both of views expressed.</p> <p>The MAC generally agreed that the Rule Change Proposal should be addressed using the Fast Track Rule Change Process.</p> <p>In response to a question from the Chair, Mr Maticka advised that AEMO would prefer the Panel to develop the Rule Change Proposal. The Chair agreed to seek the Panel's approval to develop the Rule Change Proposal and, if the Panel gave its approval, to meet with AEMO to agree a rule change option for discussion at the next MAC meeting.</p>	<p>RCP Support / AEMO</p>
10	Update on the Whole of System Plan	
	<p>The Chair noted that ETIU had withdrawn this agenda item.</p>	

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11	<p>Review of Market Procedure – the Benchmark Reserve Capacity Price (BRCP)</p> <p>Dr Matt Shahnazari gave an update on the ERA’s intentions for its upcoming review of the BRCP Market Procedure (Procedure). A copy of the ERA’s presentation is available in the meeting papers.</p> <p>Dr Shahnazari asked the MAC if it required a MAC Working Group to be convened to support the ERA’s review.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> Mrs Papps questioned the distinction between a review of the BRCP methodology and a review of the Procedure. Mrs Papps considered that a review of the reference technology seemed to be part of a broader review of the methodology, whereas reviewing some of the Weighted Average Cost of Capital (WACC) values that are hardcoded in the Procedure was part of a review of the Procedure. Mrs Papps did not disagree that a review of the matters listed in the ERA’s proposed review scope needed to occur. <p>Dr Shahnazari agreed that it was difficult to tell the exact difference between the methodology review required under clause 2.26.3 and the Procedure review required under clause 4.16.9. The two reviews were very interconnected, which was why the ERA had commenced them together in 2019.</p> <p>Dr Shahnazari noted that calculating the BRCP requires an estimate of the number of Capacity Credits to assign to the marginal new entrant. However, the new process for assignment of Capacity Credits to new and existing Facilities was currently unclear, although greater clarity was expected over the next few months. This created uncertainty about whether a future new entrant would receive Capacity Credits for all its Certified Reserve Capacity in future.</p> <p>The ERA decided to postpone its methodology review because of this uncertainty, but decided to continue with the Procedure review, mainly because it agreed with stakeholders that the WACC calculation was out of date.</p> <ul style="list-style-type: none"> In response to a question from Mrs Papps, Dr Shahnazari clarified that the ERA intended the review to focus on the size of the reference technology rather than its type. Mr Patrick Peake considered that the ETS reforms were placing significant additional costs onto Market Generators (e.g. the costs associated with the new generator 	

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	<p>performance standards and associated compliance requirements, and the costs associated with new dispatch processes and settlement systems). Mr Peake considered that it would be appropriate for the ERA to consider these new additional costs in its review.</p> <p>Mr Peake suggested that since market start the impositions on generators had increased while the actual payments to generators had decreased, and the BRCP may not be high enough to support new conventional generation when it is needed. Mr Peake considered that a Working Group would be worthwhile to discuss some of these matters.</p> <ul style="list-style-type: none"> • Mr Gaston agreed with Mr Peake that some additional costs may need to be included in the calculation of the BRCP. Mr Gaston also considered that the choice of reference technology was not a Procedure review matter, but instead a fundamental market policy issue that should probably be addressed as part of a major reform program, not a Procedure review. • Mrs Papps and Mr Huxtable considered that a Working Group was required given the scope of the proposed review. There was general agreement that the formation of a Working Group was appropriate. • The Chair agreed to work with the ERA to establish terms of reference for the new Working Group that the ERA would chair. 	
	<p>Action: RCP Support and the ERA to develop terms of reference for a MAC Working Group to support the ERA's review of the BRCP Market Procedure, for consideration and approval by the MAC.</p>	<p>RCP Support/ ERA</p>

12 General Business

Meeting venue/videoconferencing

The Chair acknowledged the technical difficulties that had affected the meeting but noted that, at least in the near future, MAC meetings would continue to be held by videoconference due to COVID-19 concerns. The Chair sought the views of MAC members on the use of videoconferencing for MAC meetings in the longer term.

Mr Everett, Mrs Papps, Mr Frood, Ms Kei Sukmadjaja, and Mr Matthew Martin all supported the continued use of videoconferencing. Mr Gaston was supportive of both videoconferencing and in-person meetings, while Mr Huxtable

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	<p>suggested videoconferencing in the short term but a move back to in-person meetings in the longer term.</p> <p>The Chair proposed to continue with videoconferencing for the next six months and then consider whether there was a need for an in-person meeting.</p> <p><u>Western Power's 100 MW Challenge</u></p> <p>The Chair noted several MAC members had requested a presentation from Western Power about its 100 MW Challenge (Challenge) project. Western Power agreed that a presentation would be appropriate, but the relevant staff had not been available for this meeting. Western Power proposed to provide some documentation on this matter to MAC members, who could follow up on any questions directly with Western Power. RCP Support would also schedule a MAC discussion on the matter if MAC members still wished this after reviewing the information provided by Western Power.</p> <p>Ms Sukmadjaja advised that Western Power was preparing an information pack which it hoped to distribute in the next few weeks. Western Power was also happy to provide a presentation at the next MAC meeting if need be.</p> <p>Mr Peake noted that Perth Energy had tried to obtain information on the Challenge from Western Power with no success. For example, no information was available on how billing for the Challenge would work, or what sort of contracts would be made with Perth Energy's customers. While the provision of more information in a few weeks was welcome, the Challenge raised serious issues if Western Power was making deals with end-customers that excluded the relevant retailers.</p> <p>Ms Sukmadjaja replied that she would ask the Western Power subject matter expert who was responsible for the Challenge to contact Mr Peake directly. Mr Peake requested that Western Power contact Ms Liz Aitken, who was handling the matter for Perth Energy.</p> <p>Mr Gaston raised several concerns about the Challenge:</p> <ul style="list-style-type: none"> • Western Power had not issued any notification to Market Participants about the Challenge, and the webpage describing the Challenge was very difficult to find on Western Power's website. • It was unclear who would be paying for the Challenge, which Mr Gaston estimated could potentially cost around \$10 million to run. • Mr Gaston considered it would be ridiculous to pay customers to turn off their solar systems (probably at the 	

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	<p>expense of Market Participants) when Western Power or AEMO have the power to direct customers to do so.</p> <ul style="list-style-type: none"> Based on the limited information available, Mr Gaston understood that Western Power was requesting information by the end of June 2020, and potentially making decisions and commencing testing in July-August 2020. This meant that the provision of an information pack in a few weeks' time and a MAC discussion in late July 2020 would be too late to be useful. <p>Ms Sukmadjaja replied that she would endeavour to include some information regarding Mr Gaston's payment question in the information pack.</p> <p>Mrs Papps noted that Alinta had received an email indicating that a workshop on the Challenge was held in January 2020. Alinta was not invited to the workshop and knew nothing about it. Alinta was concerned that the Challenge was being developed without full industry participation, but considered the additional information Western Power proposed to provide would be valuable.</p> <p>Mr Everett noted that from what he could observe, the Challenge was going to be highly controversial and, he suspected, globally resisted.</p> <p>Ms Markham noted that AEMO had not been actively engaged in the process and was unclear about how it was going to work. Ms Markham observed that 100 MW of load was larger than the market's current LFAS requirement, so from a power system security perspective, AEMO would like some engagement to understand how the Challenge would work and how AEMO would interact with it.</p> <p>The Chair concluded that based on the MAC's feedback it would be preferable for Western Power to circulate the information pack sooner rather than later. Ms Sukmadjaja agreed and thanked the MAC for its comments.</p> <p>In response to a question from Ms Markham, the Chair clarified that RCP Support would schedule a further discussion of the matter at the next MAC meeting if any MAC members requested this following the circulation of the information pack.</p>	
	<p>Action: Western Power to distribute an information pack on Western Power's 100 MW Challenge project to MAC members via RCP Support as soon as practicable.</p>	<p>Western Power</p>

The meeting closed at 12:10 PM.