

Meeting Agenda

Meeting Title: Market Advisory Committee

Date: Tuesday 28 July 2020

Time: 9:30 AM – 11:15 AM

Location: Online meeting

Persons who would like to attend the online MAC meeting are asked to register with RCP Support (Support@rcpwa.com.au) by close of business on Friday 24 July 2020.

RCP Support will then send an invite to all of the registered attendees on Monday 27 July 2020 with a link to allow attendees to log into the meeting.

Item	Item	Responsibility	Duration
1	Welcome	Chair	5 min
2	Meeting Apologies/Attendance	Chair	5 min
3	Minutes of Meeting 2020_06_16	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 (no paper)	ETIU	15 min
7	AEMO Procedure Change Working Group Update	AEMO	5 min
8	Rule Changes		
	(a) Overview of Rule Change Proposals	Chair	5 min
	(b) Market Rule Change related to Defining SRMC (no paper – presentation at the meeting)	EPWA	20 min

Item	Item	Responsibility	Duration
	(c) RC_2020_05: Incentivising Generator Performance – Discussion of Pre-Rule Change Proposal	Perth Energy	20 min
9	BRCP Working Group – Approval of the Terms of Reference	Chair	10 min
10	General Business	Chair	5 min

Next Meeting: 8 September 2020

Please note, this meeting will be recorded.

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 Frood	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	

Item	Subject	Action
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:	

Item	Subject	Action
•	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.”
	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.	
	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.	
	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.	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. 	
	<ul style="list-style-type: none"> ● 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	<p>Potential Manifest Error – Loss Factor Adjustment of Ancillary Service Quantities in the Forecast BMO at the Price Caps</p>	
	<p>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.</p>	
	<p>The MAC confirmed that it was happy to discuss the issue at this meeting despite the late submission of the paper.</p>	
	<p>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.</p>	
	<p>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</p>	

Item	Subject	Action
	<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>	

Item	Subject	Action
	<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	<p>Update on the Whole of System Plan</p> <p>The Chair noted that ETIU had withdrawn this agenda item.</p>	

Item	Subject	Action
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 	

Item	Subject	Action
	<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

Item	Subject	Action
	<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 	

Item	Subject	Action
	<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.

Agenda Item 4: MAC Action Items

Meeting 2020_07_28

Shaded	Shaded action items are actions that have been completed since the last Market Advisory Committee (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
27/2019	The Economic Regulation Authority (ERA) is to advise the MAC on whether the ERA considered it should be assigned responsibility under the Market Rules for setting document retention requirements and confidentiality statuses.	ERA	2019_11_26	Open The ERA is considering its position regarding this action item but will not be in a position to provide a response to the MAC until about September 2020.
28/2019	RCP Support and Energy Policy WA (EPWA) to develop principles for identifying which rules should be Protected Provisions for presentation and discussion by the MAC.	RCP Support/ EPWA	2019_11_26	Open RCP Support and EPWA are continuing to discuss the principles for determining which rules should be Protected Provisions and will present them to the MAC for discussion in the near future.

Item	Action	Responsibility	Meeting Arising	Status
6/2020	RCP Support and AEMO to prepare a MAC workshop regarding RC_2019_01.	RCP Support/ AEMO	2020_03_24	Closed The MAC workshop for RC_2019_01 was held on 20 July 2020. RCP Support and AEMO will now collaborate on developing a strawman proposal for a dynamic baseline for consultation with the MAC.
8/2020	The Energy Transformation Implementation Unit (ETIU) to provide an update to the MAC on whether Market Generators will still be required to pay network access charges under the new constrained network access regime.	ETIU	2020_05_05	Closed ETIU provided a response on this action item at the MAC meeting on 16 June 2020 – see the minutes from that meeting for more information.
12/2020	RCP Support to amend the minutes of the 5 May 2020 MAC meeting to reflect the agreed changes and publish on the Rule Change Panel's (Panel) website as final.	RCP Support	2020_06_16	Closed The MAC minutes were published on 17 June 2020.
13/2020	RCP Support to seek approval from the Panel to develop a Rule Change Proposal to address the manifest error identified by AEMO at the 16 June 2020 MAC meeting; and, subject to that approval, to work with AEMO to agree a rule change option for discussion at the 28 July 2020 MAC meeting.	RCP Support / AEMO	2020_06_16	Open The Panel discussed this issue at its meeting on 19 June 2020 and agreed that: <ul style="list-style-type: none"> the issue is a manifest error; RCP Support should develop a Rule Change Proposal to address the issue; the Rule Change Proposal should be progressed using the Fast Track Rule Change Process; the issue is to have a 3 – Medium urgency rating; and RCP Support should develop the Rule Change Proposal as soon as it is able to

Item	Action	Responsibility	Meeting Arising	Status
				<p>do so, given resource availability and other Rule Change Proposal priorities.</p> <p>RCP Support and AEMO met on 15 July 2020 and 21 July 2020 to discuss options to address this matter.</p> <p>AEMO has identified that the IT cost for its originally proposed solution may be higher than anticipated. Feedback will be sought at the MAC meeting on 28 July 2020 regarding any concerns with the balancing submission processes currently implemented by AEMO.</p> <p>AEMO and RCP Support will then use this feedback to help to formulate a Pre-Rule Change Proposal for discussion at a subsequent MAC meeting.</p>
14/2020	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.	RCP Support / ERA	2020_06_16	<p>Closed</p> <p>RCP Support and the ERA developed a Terms of Reference for a BRCP Working Group for approval by the MAC – see Agenda Item 9.</p>

Item	Action	Responsibility	Meeting Arising	Status
15/2020	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.	Western Power	20202_06_16	<p>Closed</p> <p>Western Power provided documentation regarding its 100 MW Challenge to RCP Support on 23 June 2020 and RCP Support distributed the documentation to the MAC on 24 June 2020.</p> <p>MAC members were advised that they could contact Western Power directly if they would like to discuss the program or contact RCP Support if they would like to arrange further discussion at the MAC. No MAC members have asked for further discussion of this program at the MAC.</p>

Agenda Item 5: MAC Market Rules Issues List Update

Meeting 2020_07_28

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 that there have not been any updates to the Issues List since the last MAC meeting;
- provide any further updates to existing issues; and
- indicate whether there are any new issues to be raised.

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

Table 1 – Potential Rule Change Proposals

Id	Submitter/Date	Issue	Urgency and Status
45	AEMO May 2018	<p>Transfer of responsibility for setting document retention requirements</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>Panel rating: Low</p> <p>MAC ratings: Low</p> <p>Status: The ERA is still considering its position on this issue.</p>
46	AEMO May 2018	<p>Transfer of responsibility for setting confidentiality statuses</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 this responsibility as it no longer maintains the broader market development and compliance functions of the IMO.</p>	<p>Panel rating: Low</p> <p>MAC ratings: Low</p> <p>Status: The ERA is still considering its position on this issue.</p>
47	AEMO September 2018	<p>Market Procedure for conducting the Long Term PASA (clause 4.5.14)</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>Panel rating: Low</p> <p>MAC ratings: Low</p> <p>Status: This issue has not been progressed.</p>

Table 1 – Potential Rule Change Proposals

Id	Submitter/Date	Issue	Urgency and Status
55	MAC April 2019	<p>Conflict between Relevant Level Methodology and the early and conditional certification of Intermittent Generators</p> <p>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>	<p>Panel rating: TBD</p> <p>MAC ratings: Low</p> <p>Status:</p> <p>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).</p> <p>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:</p> <ul style="list-style-type: none"> • 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]. • This means that when AEMO receives an application under 4.11.2(b), it can’t calculate

Table 1 – Potential Rule Change Proposals

Id	Submitter/Date	Issue	Urgency and Status
			<p>a reliable Relevant Level value for the Facility, as it is not certain:</p> <ul style="list-style-type: none"> ○ which Scheduled Generators, DSPs, and Non-Scheduled Generators would apply for certification; or ○ what level of CRC would be assigned to these Scheduled Generators and DSPs. <p>AEMO also stated that:</p> <ul style="list-style-type: none"> • Neither a complete set of system demand and Facility actual meter data is available nor are the expected capacity estimates of new Candidate Facilities. • 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. <p>The MAC discussed this issue at its meeting on 3 September 2019 where it was noted that the issue could be addressed as a standalone Rule Change Proposal or as part RC_2019_03. The ERA is considering whether it wants to address the issue as part of RC_2019_03, and if not,</p>

Table 1 – Potential Rule Change Proposals

Id	Submitter/Date	Issue	Urgency and Status
			<p>then RCP Support will bring the issue back to the MAC for further discussion.</p> <p>The Market Rules governing the early and conditional certification of intermittent generation may be addressed by the rule changes that ETIU is developing to assign Capacity Credits under the constrained network access model. The ERA will liaise with ETIU as it develops these rule changes. The ERA intends to base RC_2019_03 on the revised Market Rules developed by ETIU and approved by the Minister.</p>
56	Perth Energy July 2019	<p>Issues with Reserve Capacity Testing</p> <ul style="list-style-type: none"> 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. There is a discrepancy between the number of Trading Intervals for self-testing vs. AEMO testing. There is ambiguity in the timing requirements for a second test when the relevant generator is on an outage. There is ambiguity on the number of Capacity Credits that AEMO is to assign when certain test results occur. 	<p>Panel rating: TBD</p> <p>MAC ratings: TBD</p> <p>Status:</p> <p>Perth Energy has indicated that it will develop a Pre-Rule Change Proposal for consideration by the MAC.</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	<p>IRCR calculations and capacity allocation</p> <p>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’.</p>	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?	<p>To be considered in the preliminary reviews of behind-the-meter issues and the basis for allocation of Market Fees.</p> <p>The WA Government published the DER Roadmap on 5 April 2020, but the MAC agreed to keep this issue on the list until further information is available on how EPWA intends to develop and implement the actions from the DER Roadmap.</p>
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.

Table 2 – Broader Issues

Id	Submitter/Date	Issue	Urgency and Status
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.
16	Bluewaters November 2017	<p>Behind the Meter (BTM) 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 subsidising 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>	<p>To be considered in the preliminary reviews of behind-the-meter issues and the basis for allocation of Market Fees.</p> <p>The WA Government published the DER Roadmap on 5 April 2020, but the MAC agreed to keep this issue on the list until further information is available on how EPWA intends to develop and implement the actions from the DER Roadmap.</p>

Table 2 – Broader Issues

Id	Submitter/Date	Issue	Urgency and Status
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 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>	To be considered in the preliminary review of the basis for allocation of Market Fees.
30	Synergy November 2017	<p>Reserve Capacity Mechanism</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"> • assessment of reserve capacity requirement criteria, reserve capacity capability and reserve capacity obligations; • IRCR assessment; • Relevant Demand determination; • determination of NTDL status; • Relevant Level determination; and 	To be considered in the preliminary review of the Reserve Capacity Mechanism.

Table 2 – Broader Issues

Id	Submitter/Date	Issue	Urgency and Status
		<ul style="list-style-type: none"> assessment of thermal generation capacity. <p>The review will support Wholesale Market Objectives (a) and (d).</p>	
35	ERM Power November 2017	<p>BTM generation and apportionment of Market Fees, ancillary services, etc.</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> <p>The WA Government published the DER Roadmap on 5 April 2020, but the MAC agreed to keep this issue on the list until further information is available on how EPWA intends to develop and implement the actions from the DER Roadmap.</p>
39	Alinta Energy November 2017	<p>Commissioning Test Process</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</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>8:00 AM on the Scheduling Day on which the Commissioning Test Plan would apply.</p> <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"> • withdraw the Commissioning Test Plan; or • 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. <p>Specific Issues:</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>Examples for improvements are:</p> <ul style="list-style-type: none"> • allowing participants to manage delays to the start of an approved plan; and • allowing participants to repeat tests and push the remainder of the Commissioning Test Plan out. 	

Table 2 – Broader Issues

Id	Submitter/Date	Issue	Urgency and Status
		<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> <p>Wholesale Market Objective Assessment:</p> <p>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:</p> <ul style="list-style-type: none"> • Wholesale Market Objective (a): <ul style="list-style-type: none"> ○ 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): 	

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

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) Behind-the-meter issues	<p>Issues: 2, 16, 35.</p> <p>Status: Preliminary discussion is not yet scheduled.</p> <p>EPWA is working on its DER Roadmap, which will address behind-the-meter issues (amongst other things). A preliminary discussion of behind-the-meter issues is to be deferred until the DER Roadmap is published and then the MAC will consider whether a discussion is still required.</p> <p>The WA Government published the DER Roadmap on 5 April 2020, but the MAC agreed to keep this review on the list until further information is available on how EPWA intends to develop and implement the actions from the DER Roadmap.</p>
(2) Forecast quality	<p>Issues: 9.</p> <p>Status: Preliminary discussion is not yet scheduled.</p>
(3) Commissioning Tests	<p>Issues: 39.</p> <p>Status: Preliminary discussion is not yet scheduled.</p>
(4) The basis of allocation of Market Fees	<p>Issues: 2, 16, 23 and 35.</p> <p>Status: Preliminary discussion is not yet scheduled.</p>
(5) The Reserve Capacity Mechanism (excluding the pricing mechanism)	<p>Issues: 1, 3, 4, and 30.</p> <p>Status: Preliminary discussion is not yet scheduled. The preliminary discussion should address outstanding customer-side issues.</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"> • incorporation of storage facilities; • distinction between non-scheduled and semi-scheduled generating units; • reconsideration of potential for Dispatchable Loads in the future (which were proposed for removal in RC_2014_06); • whether to retain Interruptible Loads or to move to an aggregated facility approach (like Demand Side Programmes); and • whether to retain Intermittent Loads as a registration construct or to convert to a settlement construct. <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</p>	This issue was initially flagged for consideration as part of the preliminary review of roles in the market.

Table 4 – Issues on Hold

Id	Submitter/Date	Issue	Urgency and Status
		<p>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 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>	<p>However, ETIU has advised that the issue will be covered as part of the Energy Transformation Strategy, so the issue has been put on hold until the regulatory changes for the Foundation Regulatory Frameworks workstream are known (mid-2020).</p> <p>ETIU is currently developing a Whole of System Plan (WOSP) to be delivered to Government and published in mid-2020. ETIU has indicated that the intent is to develop and publish updated Whole of System Plans on an ongoing, regular basis. The MAC agreed to keep issue 11 open pending publication of the WOSP.</p>
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>EPWA 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</p>

Table 4 – Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
			Regulatory Frameworks workstream are known (mid-2020).
14/36	Bluewaters and ERM Power November 2017	<p>Capacity Refund Arrangements:</p> <p>The current capacity refund arrangement is overly punitive as Market Participants face excessive capacity refund exposure. This refund 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"> • 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 • excessive insurance premiums and cost for meeting prudential support requirements. <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"> • 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 • unnecessary excessive insurance premium and prudential support costs, the saving of which can be passed on to consumers. 	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. On 29 July 2019, the MAC agreed that this issue has a low priority and should remain on hold for another 12 months.

Table 4 – Issues on Hold

Id	Submitter/Date	Issue	Urgency and Status
17	Bluewaters November 2017	<p>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.</p> <p>This can result in under reporting of Forced Outages, and as a consequence, use of incorrect information used in WEM settlements.</p> <p>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>	On hold pending a final decision on RC_2014_03: Administrative Improvements to the Outage Process.
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</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
		to lead to a more efficient economic outcome and in turn promote the Wholesale Market Objectives.	
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"> • shortcomings in the process for reviewing assumptions; • inability to shape load profile; • lack of transparency: <ul style="list-style-type: none"> (a) modelling was a “black box”; (b) confidential information limits stakeholders’ ability to query the results; and • lack to retrospective evaluation of spinning reserve margin values. <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"> • promoting transparency – better informed Market Participants would be able to better respond to Spinning Reserve requirement in the WEM; and 	<p>On hold until the regulatory changes for the Foundation Regulatory Frameworks workstream are known (mid-2020).</p> <p>Also, AEMO and the ERA to consider whether any options exist to improve transparency of the current margin values process.</p>

Table 4 – Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
		<ul style="list-style-type: none"> 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. 	
22	Bluewaters November 2017	<p>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).</p> <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</p>	On hold pending completion of AEMO's 'Reduction of Prudential Exposure 2' project scheduled for the second quarter of 2020.

Table 4 – Issues on Hold

Id	Submitter/Date	Issue	Urgency and Status
		<p>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	<p>Kleenheat November 2017 MAC August 2018</p>	<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 because shifting the rule change function to the Panel has removed some of the potential conflicts of interest that led to the original classification of some Protected Provisions.</p>	<p>On hold pending the outcome of an EPWA review of the current Protected Provisions in the Market Rules, with timing dependent on Energy Transformation Strategy.</p> <p>EPWA and RCP Support are to develop principles for identifying which rules should be Protected Provisions for presentation and discussion by the MAC.</p>
28	<p>Kleenheat November 2017</p>	<p>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.</p>	<p>On hold until the regulatory changes for the Foundation Regulatory Frameworks workstream are known (mid-2020).</p>
33	<p>ERM Power November 2017</p>	<p>Logging of Forced Outages</p> <p>The market systems do not currently allow Forced Outages to be amended once entered. This can have the distortionary effect of</p>	<p>On hold pending a final decision on RC_2014_03: Administrative Improvements to the Outage Process.</p>

Table 4 – Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
		<p>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>	
42	ERA November 2017	<p>Ancillary Services approvals process</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> <ul style="list-style-type: none"> • 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; • 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); 	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"> • 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; • 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 • 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. <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>	
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 Amending Rules from RC_2018_07 commenced on 1 July 2019. The MAC agreed to keep this issue on hold until 1 July 2020 to see if the issue requires further consideration.
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.

Table 4 – Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
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"> • 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. • 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. • 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. 	<p>On hold until the regulatory changes for the Foundation Regulatory Frameworks workstream are known (mid-2020).</p> <p>AEMO agreed to provide an update to the MAC on the proposed arrangements for generator performance models proposed as part of the Energy Transformation Strategy.</p>
57	MAC October 2019	<p>Identification of services subject to outage scheduling</p> <p>The Market Rules do not clearly define the ‘services’ that should be subject to outage scheduling (e.g. what services are provided by different items of network equipment, Intermittent Load facilities, dual-fuel Scheduled Generators, etc), and how the ‘availability’ of these services should be measured for each Outage Facility. This</p>	<p>The MAC agreed that this issue should be placed on hold until the regulatory changes for the Foundation Regulatory Frameworks workstream are known (mid-2020).</p>

Table 4 – Issues on Hold			
Id	Submitter/Date	Issue	Urgency and Status
		<p>can lead to ambiguity about what constitutes an Outage for certain Outage Facilities.</p> <p>Additionally, if a Facility or item of network equipment can provide multiple services that require outage scheduling, then this concept should be clearly reflected in the Market Rules. The Amending Rules for RC_2013_15 clarified that a Scheduled Generator or Non-Scheduled Generator that is subject to an Ancillary Service Contract is required to schedule outages in respect of both sent out energy and each contracted Ancillary Service but did not seek to address the broader issue.</p> <p>(See section 7.2.2.5 of the Final Rule Change Report for RC_2013_15.)</p>	
58	MAC October 2019	<p>Outage scheduling for dual-fuel Scheduled Generators</p> <p>'0 MW' outages are currently used to notify System Management when a dual-fuel Scheduled Generator is unable to operate on one of its nominated fuels. There is no explicit obligation in the Market Rules or the Power System Operation Procedure: Facility Outages to request/report outages that limit the ability of a Scheduled Generator to operate using one of its fuels. In terms of the provision of sent out energy (the service used to determine Capacity Cost Refunds), it is questionable whether this situation qualifies as an outage at all.</p> <p>More generally, the Market Rules lack clarity on the nature and extent of a Market Generator's obligations to ensure that its Facility can operate on the fuel used for its certification, what (if anything)</p>	The MAC agreed that this issue should be placed 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
		<p>should occur if these obligations are not met, and the implications for outage scheduling and Reserve Capacity Testing. (See section 7.2.2.5 of the Final Rule Change Report for RC_2013_15.)</p>	
59	MAC October 2019	<p>Ancillary Service outage scheduling anomalies</p> <p>Currently Registered Facilities that provide Ancillary Services under an Ancillary Service Contract must be included on the Equipment List. This creates the following potential anomalies:</p> <ul style="list-style-type: none"> • some Ancillary Service Contracts may include outage reporting provisions that are specific to the service and may differ from the standard outage scheduling provisions for Equipment List Facilities; • Market Participants are not required to schedule outages in relation to the availability of their LFAS Facilities to provide LFAS; • Synergy is not required to schedule outages in relation to the availability of its Facilities to provide uncontracted Ancillary Services; and • a contracted Ancillary Service may not always be provided by a Registered Facility. <p>A review of the outage scheduling requirements relating to Ancillary Services may be warranted to resolve any anomalies and ensure that the obligations on Rule Participants to schedule outages for Ancillary Services are appropriate and consistent.</p>	The MAC agreed that this issue should be placed 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
		(See section 7.2.2.5 of the Final Rule Change Report for RC_2013_15.)	
60	MAC October 2019	<p>Outage scheduling obligations for Interruptible Loads</p> <p>The Market Rules require all Registered Facilities that are subject to an Ancillary Service Contract to be included on the Equipment List. This includes the Interruptible Loads that are used to provide Spinning Reserve Service. However, the Market Rules do not explicitly state who is responsible for outage scheduling for Interruptible Loads.</p> <p>This is a problem because the counterparty to an Interruptible Load Ancillary Service Contract may be an Ancillary Service Provider, and not the Market Customer (usually a retailer) to whom the Interruptible Load is registered. An Ancillary Service Provider is not subject to obligations placed on a ‘Market Participant or Network Operator’, while the retailer for an Interruptible Load may not have any involvement with the Interruptible Load arrangement or the management of outages for that Load.</p> <p>(See section 7.2.3.1 of the Final Rule Change Report for RC_2013_15.)</p>	The MAC agreed that this issue should be placed on hold until the regulatory changes for the Foundation Regulatory Frameworks workstream are known (mid-2020).
61	MAC October 2019	<p>Direction of Self-Scheduling Outage Facilities</p> <p>An apparent conflict exists in the Market Rules between clauses that appear to allow System Management to reject or recall Planned Outages of Self-Scheduling Outage Facilities (e.g. clauses 3.4.3(a), 3.4.3(b), 3.4.4 and 3.5.5(c)) and clauses that</p>	The MAC agreed that this issue should be placed 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
		<p>appear to exempt Planned Outages of Self-Scheduling Outage Facilities from rejection or recall, such as:</p> <ul style="list-style-type: none"> • clause 3.18.2A, which explicitly exempts Self-Scheduling Outage Facilities from obligations under section 3.20; • clause 3.19.5, which allows System Management to reject an approved Scheduled Outage or Opportunistic Maintenance but fails to mention Planned Outages of Self-Scheduling Outage Facilities (which are neither Scheduled Outages nor Opportunistic Maintenance); and • clause 3.19.6(d), which sets out a priority order for System Management to consider when it determines which previously approved Planned Outage to reject but does not include any reference to Planned Outages of Self-Scheduling Outage Facilities. <p>(See section 7.2.3.2 of the Final Rule Change Report for RC_2013_15.)</p>	
62	MAC October 2019	<p>Outage scheduling obligations for non-intermittent Non-Scheduled Generators</p> <p>Under the Market Rules:</p> <ul style="list-style-type: none"> • a non-intermittent generation system with a rated capacity between 0.2 MW and 10 MW may be registered as a Non-Scheduled Generator; and • a non-intermittent generation system with a rated capacity less than 0.2 MW can only be registered as a Non-Scheduled Generator. 	The MAC agreed that this issue should be placed 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
		<p>To date, no non-intermittent generation systems have been registered as Non-Scheduled Generators. However, if a non-intermittent Non-Scheduled Generator was registered it would be able to apply for Capacity Credits, and if assigned Capacity Credits would also be assigned a non-zero Reserve Capacity Obligation Quantity (RCOQ).</p> <p>While this would make the Non-Scheduled Generator subject to the same RCOQ-related Scheduling Day obligations as a Scheduled Generator, the Non-Scheduled Generator's Balancing Market obligations are more uncertain and were not considered in the development of RC_2013_15. The Balancing Submissions for a Non-Scheduled Generator comprise a single Balancing Price-Quantity Pair with a MW quantity equal to the Market Generator's "best estimate of the Facility's output at the end of the Trading Interval". There is no clear obligation to make the Facility's RCOQ available for dispatch or to report an outage for capacity not made available, because new section 7A.2A, which will clarify these obligations for Scheduled Generators, does not apply to Non-Scheduled Generators.</p> <p>The need to cater for non-intermittent, Non-Scheduled Generators also affects the determination of capacity-adjusted outage quantities and outage rates and is likely to increase IT costs and the complexity of the Market Rules.</p> <p>(See section 7.2.3.4 of the Final Rule Change Report for RC_2013_15.)</p>	

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, 28 July 2020

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	23 July 2020	TBA
Market Procedures for discussion	Market Procedure: Declaration of Bilateral Trades and the Reserve Capacity Auction (consequential changes as a result of the RCM Pricing rule amendments together with revisions to align with the latest version of the WEM Rules and improve the structure and flow of the Procedure).	Market Procedure: Settlements (consequential changes required in relation to RC_2019_04 Administrative Improvements to Settlement)

3. AEMO PROCEDURE CHANGE PROPOSALS

The status of AEMO Procedure Change Proposals is described below, current as at 20 July 2020. 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_2020_06 RoPE Procedure changes: <ul style="list-style-type: none"> Market Procedure: Prudential Requirements Market Procedure: Capacity Credit Allocation 	The proposed amendments are required to implement phase 2 of the RoPE project to improve the accuracy of the Outstanding Amount calculation to deliver a dynamic, daily calculation based on the settlement calculation specified in the WEM Rules, the latest operational data or estimates of operational data when that data is not available.	Consultation closed	Procedure Change Report	July 2020
AEPC_2020_05 Market Procedure: Reserve Capacity Security	The proposed changes include amendments required to document DSM Reserve Capacity Security as a result of the RCM Pricing rule amendments and changes to reflect the Reserve Capacity Security Guideline (the guideline will be replaced by the amended Market Procedure).	Commenced		1 July 2020
AEPC_2020_04 Market Procedure: Reserve Capacity Testing	The proposed amendments are intended to align the procedure with the current version of the WEM Rules, improve clarity and reflect AEMO's latest Market Procedure template.	Informal consultation	Procedure Change Report	August 2020
AEPC_2020_02 Market Procedure: Certification of Reserve Capacity	The proposed amendments are intended to clarify the process for applying for Certified Reserve Capacity and the supporting documentation required	Commenced		15 June 2020

ID	Summary of changes	Status	Next steps	Date
AEPC_2020_01 Revisions to BMO tie-break methodology: <ul style="list-style-type: none"> • Market Procedure: Balancing Facility Requirements • Market Procedure: Balancing Market Forecast 	The proposed amendments to the BMO tie-break methodology will assist AEMO manage the security of the power system during periods of low demand by enabling Facilities to offer minimum generation quantities as a separate tranche at the Minimum STEM Price.	On hold (Refer to paper for 16 June 2020 MAC meeting agenda item 9)	Procedure Change Report	TBA

Agenda Item 8(a): Overview of Rule Change Proposals (as at 21 July 2020)

Meeting 2020_07_28

- Changes to the report provided at the previous Market Advisory Committee (**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 (**Panel**) or the Minister.

Indicative Rule Change Panel Activity Until the Next MAC Meeting

Reference	Title	Events	Indicative Timing
RC_2019_05	Amending the Minimum STEM Price definition and determination	Publication of the Final Rule Change Report	31/07/2020

Rule Change Proposals Commenced since the Report presented at the last MAC Meeting

Reference	Submitted	Proponent	Title	Commenced
RC_2018_05	27/09/2018	ERA	ERA access to market information and SRMC investigation process	21/07/2020
RC_2019_04	18/11/2019	AEMO	Administrative Improvements to Settlement	02/07/2020
RC_2020_03	13/05/2020	Alinta	Estimates for GIA facilities	24/06/2020

Approved Rule Change Proposals Awaiting Commencement

Reference	Submitted	Proponent	Title	Commencement
RC_2017_02	04/04/2017	Perth Energy	Implementation of 30-Minute Balancing Gate Closure	01/12/2020

Rule Change Proposals Rejected since Report presented at 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
None				

Formally Submitted Rule Change Proposals

Reference	Submitted	Proponent	Title	Urgency	Next Step	Date
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Fast Track Rule Change Proposals with Consultation Period Closed

None						
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Fast Track Rule Change Proposals with Consultation Period Open

None						
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Standard Rule Change Proposals with Second Submission Period Closed

RC_2019_05	25/10/2019	Synergy	Amending the Minimum STEM Price definition and determination	High	Publication of the Final Rule Change Report	31/07/2020
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Standard Rule Change Proposals with Second Submission Period Open

None						
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Reference	Submitted	Proponent	Title	Urgency	Next Step	Date
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Standard Rule Change Proposals with First Submission Period Closed

RC_2014_03	27/11/2014	IMO	Administrative Improvements to the Outage Process	High	Publication of Draft Rule Change Report	30/10/2020
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	31/12/2020
RC_2018_03	01/03/2018	Collgar Wind Farm	Capacity Credit Allocation Methodology for Intermittent Generators	Medium	Publication of Draft Rule Change Report	31/12/2020
RC_2019_01	21/06/2019	Enel X	The Relevant Demand calculation	Medium	Publication of Draft Rule Change Report	31/12/2020

Standard Rule Change Proposals with the First Submission Period Open

None						
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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
RC_2020_04	Panel	Balancing Facility Loss Factor Adjustment	Develop Pre-Rule Change Proposal for discussion with the MAC	TBD
RC_2020_05	Perth Energy	Incentivising Generator Performance	Submit Rule Change Proposal	02/07/2020
TBD	Perth Energy	Issues with Reserve Capacity Testing	Submit Pre-Rule Change Proposal	TBD

Rule Changes Made by the Minister

Gazette	Date	Title	Commencement
2020/111	30/06/2020	Wholesale Electricity Market Amendment (Distributed Energy Resources Register and Roadmap Implementation – Costs) Rules 2020	01/07/2020
2020/108	26/06/2020	Wholesale Electricity Market Amendment (Technical Rules Change Management) Rules 2020	01/01/2021
2020/95	16/06/2020	Wholesale Electricity Market Amendment (Constraints Framework and Governance) Rules 2020	01/07/2020
2020/24	21/02/2020	Wholesale Electricity Market Amendment (Reserve Capacity Pricing Reforms) Rules 2019	22/02/2020 01/10/2021 ¹

¹ The *Wholesale Electricity Market Amendment (Reserve Capacity Pricing Reforms) Rules 2019* will commence in two tranches – the first commenced on 22 February 2020 and the second will commence on 1 October 2021.

Agenda Item 8(c): RC_2020_05: Incentivising Generator Performance – Discussion of Pre-Rule Change Proposal

Meeting 2020_07_28

1. Background

On 2 July 2020, Perth Energy submitted a Pre-Rule Change Proposal: Incentivising Generator Performance (RC_2020_05) to RCP Support for discussion by the Market Advisory Committee (**MAC**) – see Attachment 1.

Perth Energy has identified that clause 4.11.1(h) of the Market Rules allows AEMO to reduce the number of Capacity Credits assigned to a generator if its forced and/or planned outage rate exceed the levels specified in clause 4.11.1D. Perth Energy proposes to delete clauses 4.11.1(h) and 4.11.1D because generators already have an incentive to generate, and because the clauses are arbitrary and will substantially increase risk for generators when the Network Access Quantity (**NAQ**) regime is implemented as part of the Energy Transformation Strategy.

2. Discussion

The MAC is asked to:

- (1) Provide feedback to Perth Energy regarding Pre-Rule Change Proposal RC_2020_05, noting that:
 - the Economic Regulation Authority (**ERA**) is currently conducting a review of the Market Rules about incentives to improve availability of generators in the Wholesale Electricity Market, which will impact the clauses identified by Perth Energy;¹ and
 - the Energy Transformation Implementation Unit is still developing the details of the NAQ regime.
- (2) Recommend an urgency rating for RC_2020_05, noting that Perth Energy has recommended a **3 – Medium** urgency rating in the Pre-Rule Change Proposal.²

Attachments

- (1) RC_2020_05: Incentivising Generator Performance

Notes

- ¹ The ERA must publish the final report for this review by 31 December 2020. Further information regarding this review is available at <https://www.era.gov.au/electricity/wholesale-electricity-market/methodology-reviews/2020-review-of-incentives-to-improve-availability-of-generators>.
- ² The urgency ratings from the Framework for Rule Change Proposal Prioritisation and Scheduling are:

Urgency	Description	Resourcing Implications
1	<p>Essential</p> <p>The Proposal:</p> <ul style="list-style-type: none"> • is a legal necessity; • addresses unacceptable outcomes for the Wholesale Electricity Market or the gas market; or • addresses a serious threat to: <ul style="list-style-type: none"> ○ power system security and reliability; or ○ security, reliability or availability of the supply of natural gas in the State. 	Do not delay – acquire additional resources, and request an increase to the ERA budget from Treasury if necessary.
2	<p>High</p> <p>The Proposal is compelling and is:</p> <ul style="list-style-type: none"> • likely to have a large net benefit; and/or • necessary to avoid serious perverse market outcomes. 	Do not delay – acquire additional resources if available, subject to overall ERA budget limitations.
3	<p>Medium</p> <p>The net benefit of the Proposal:</p> <ul style="list-style-type: none"> • may be large but needs more analysis to determine; or • is material but not large enough to warrant a High rating. 	Delay up to 3 months if budgeted resources are unavailable.
4	<p>Low</p> <p>The Proposal has minor net benefit (e.g. reduced administration costs).</p>	Delay up to 6 months if budgeted resources are unavailable.
5	<p>Housekeeping</p> <p>The Proposal has negligible market benefit (e.g. it improves the readability of the Market Rules or GSI Rules).</p>	Delay up to 12 months if budgeted resources are unavailable.



Wholesale Electricity Market Rule Change Proposal

Rule Change Proposal ID: *[to be filled in by the RCP]*
Date received: *[to be filled in by the RCP]*

Change requested by:

Name:	Patrick Peake
Phone:	0437 209 972
Email:	p.peake@perthenergy.com.au
Organisation:	<i>Perth Energy</i>
Address:	L24, The Forrest Centre, 22 St Georges Terrace, Perth
Date submitted:	<date submitted to the RCP>
Urgency:	3-medium,
Rule Change Proposal title:	Incentivising Generator Performance
Market Rule(s) affected:	

Introduction

Clause 2.5.1 of the Wholesale Electricity Market (WEM) Rules (Market Rules) provides that any person may make a Rule Change Proposal by completing a Rule Change Proposal form that must be submitted to the Rule Change Panel.

This Rule Change Proposal can be sent by:

Email to: support@rcpwa.com.au

Post to: Rule Change Panel
 Attn: Executive Officer
 C/o Economic Regulation Authority
 PO Box 8469
 PERTH BC WA 6849

The Rule Change Panel will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the Wholesale Market Objectives.

The objectives of the market are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

Details of the Proposed Rule Change

1. Describe the concern with the existing Market Rules that is to be addressed by the proposed rule change:

Market Rule 4.11.1(h) allows AEMO to reduce the number of capacity credits assigned to a generator if it's forced and/or maintenance outage rate in any year exceeds levels defined in Rule 4.11.1D. This is an arbitrary rule with no procedure or guidelines and, to date, it has not been invoked even though a number of generators have breached the outage criteria set in 4.11.1D.

Under the current market arrangements a generator that has capacity credits reduced as a result of the implementation of this rule has the ability to recover these in subsequent years by improving its outage performance. However, under the proposed constrained network access arrangement this paradigm changes. If a generator is behind a constraint, and there is a second generator behind that same constraint which has an NAQ less than its certified capacity, any credits taken from the first generator will automatically flow to the second generator. Even if the first generator improves its performance it would then be unable to recover its lost credits.

In this situation, any reduction in credits will therefore be permanent, resulting in a significant loss of earnings for that generator. The generator could, in fact, lose its entire capacity credit revenue for the remainder of its operating life. This is a significant and material un-hedge able risk and, while the probability of occurrence is low, the resulting loss is of such a size that it is likely to dissuade investors from funding new plant. Alternatively, financiers will place a significant premium on any funds which will raise the cost of generation in the market.

In the new market arrangements, this rule has the potential to prevent new generation investment or significantly raise the fixed (funding) cost of generators that do enter.

Perth Energy notes that there are already significant incentives on generators to ensure that their maintenance outage time is minimized. Most importantly, owners make money by having plant available for service - running to produce electricity or essential system services,

available as a hedge for retail positions, or providing back-up and capacity reserve. If the plant is not available, it is not making money and its unavailability may well be forcing the owner to buy in energy or face high balancing market prices.

Secondly, reserve capacity refunds are incurred for non-performance and these form a performance incentive function in their own right.

We suggest that this market rule is attempting to solve a problem that does not exist. All generators are required to undergo regular Generation License Audits which include a review of the asset management system. These can be held as regularly as every two years but the Economic Regulation Authority has pushed these out towards the maximum of five years for many plants. This indicates that the ERA is generally content that the asset management processes are well managed and generators do not need to be incentivized to improve.

As noted above, AEMO has not reduced the capacity credits of any generator to date even though the criteria have been breached a number of times. AEMO does not have the ability to delve deeply into the maintenance management of any generator and we believe AEMO would find it difficult to justify any actions it took under this rule. It is therefore unlikely that this rule will ever be invoked.

In summary, Perth Energy considers that:

- It would be very difficult for AEMO to justify ever applying this rule to a generator, but
- The threat of the rule being applied is a significant deterrent to generation investment once the new market starts.

The rule should be abolished.

2. Explain the reason for the degree of urgency:

The move to constrained network access will significantly change the potential impact of this Market Rule on generators. This is because any reduction in capacity credits due to high unavailability can currently be recovered by subsequent improvements in performance. When the constrained access and NAQ arrangements are in place a generator that is behind a constraint may suffer permanent loss of capacity credits due to a single major loss of availability. This Rule Change should be implemented well before the security constrained dispatch arrangement comes into effect to minimize the risk.

3. Provide any proposed specific changes to particular Market Rules: *(for clarity, please use the current wording of the rules and place a ~~strikethrough~~ where words are deleted and underline words added)*

~~4.11.1(h) subject to clauses 4.11.1B and 4.11.1C, AEMO may decide not to assign any Certified Reserve Capacity to a Facility, or to assign a lesser quantity of Certified Reserve Capacity to a Facility than it would otherwise assign in accordance with this clause 4.11.1, if—~~
~~i. the Facility has been in Commercial Operation for at least 36 months and has had a Forced Outage rate or a combined Planned Outage rate and Forced Outage rate greater than the applicable percentage specified in the table in clause 4.11.1D, over the preceding 36 months;~~
~~or ii. the Facility has been in Commercial Operation for less than 36 months, or is yet to commence Commercial Operation, and AEMO has cause to believe that over the first 36 months of Commercial Operation the Facility is likely to have a Forced Outage rate or a~~

~~combined Planned Outage rate and Forced Outage rate greater than the applicable percentage specified in the table in clause 4.11.1D, where the Planned Outage rate and the Forced Outage rate for a Facility for a period are calculated in accordance with the Power System Operation Procedure specified in clause 3.21.12; >~~

~~4.11.1D. The relevant outage criteria to apply under clause 4.11.1(h) in a particular Capacity Year is set out in the following table—~~

4. Describe how the proposed rule change would allow the Market Rules to better address the Wholesale Market Objectives:

The possibility of a generator permanently losing capacity credits through an arbitrary process presents a significant risk to investors and therefore conflicts with objective (a) which is “to promote the ... reliable production and supply of electricity and electricity related services ...”

Generators will have to cost in the risk of losing capacity credits as a result of AEMO deciding to reduce their certified capacity which will lead to increased prices to customers. This conflicts with objective (d) which is “to minimise the long-term cost of electricity supplied to customers ... “

5. Provide any identifiable costs and benefits of the change:

Perth Energy do not believe any costs will be incurred as a result of this rule change.

Agenda Item 9: BRCP Working Group – Approval of the Terms of Reference

Meeting 2020_07_28

1. Background

At its meeting on 16 June 2020, the Market Advisory Committee (**MAC**) discussed a proposal from the Economic Regulation Authority (**ERA**) for its review of the Benchmark Reserve Capacity Price (**BRCP**).

Action 14/2020 is:

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.

RCP Support and the ERA have developed Terms of Reference for the BRCP Working Group for consideration by the MAC – see Attachment 1.

2. Recommendation

The MAC is asked to approve the Terms of Reference in Attachment 1.

3. Next Steps

RCP Support will establish the BRCP Working Group following approval of the Terms of Reference, after which the ERA will appoint the chair of the Working Group and RCP Support will notify the Minister for Energy, the ERA, the Rule Change Panel and each Rule Participant that they may nominate representatives to the Working Group. The BRCP Working Group will then commence operations as per the Terms of Reference.

Attachments

(1) Benchmark Reserve Capacity Price Working Group – Terms of Reference

Benchmark Reserve Capacity Price Working Group Terms of Reference

28 July 2020

1. Background

Clause 4.16.3 of the Market Rules requires the Economic Regulation Authority (**ERA**) to develop a Market Procedure documenting the methodology that AEMO must use and the process that AEMO must follow in determining the Benchmark Reserve Capacity Price (**BRCP**).

Clause 4.16.9 of the Market Rules requires the ERA to review the Market Procedure referred to in clause 4.16.3 at least once every five year period, and to either submit a Rule Change Proposal or initiate a Procedure Change Process, as the case may be, to implement any recommended changes from the review.

Clause 2.26.3 of the Market Rules requires the ERA to also undertake a review of the methodology for setting the BRCP and the Energy Price Limits (**EPLs**) no later than the fifth anniversary of the first Reserve Capacity Cycle, and every five years thereafter.

The ERA had intended to undertake its reviews under clauses 4.16.9 and 2.26.3 concurrently, but due to substantial overlap of these reviews with the WA Government's Energy Transformation Strategy, the ERA has decided to postpone the methodology review under clause 2.26.3 until after the completion of Energy Transformation Strategy reforms and to continue the review of the Market Procedure under clause 4.16.9. The ERA published a notice indicating this decision on its website on 18 May 2020.¹

The Market Advisory Committee (**MAC**) has established the BRCP Working Group in accordance with clause 2.3.17 of the Market Rules and section 9 of the MAC Constitution to advise the ERA on its review of the Market Procedure under clause 4.16.19 of the Market Rules.

2. Scope of Work

The BRCP Working Group has been established to assist the ERA with its:

- (1) review of the calculation method for the weighted average cost of capital (**WACC**) included in the BRCP and the underlying variables in the WACC; and
- (2) assessment of cost items to be included in the calculation of the BRCP and the estimation method for these cost items.

For the purposes of item (2), the intent is to develop a framework to identify cost items and to assess the suitability of the current Market Procedure against the framework.

¹ <https://www.erawa.com.au/cproot/21240/2/NOTICE---Suspension-of-BRCPEPL-method-reviews.pdf>.

3. Membership

The BRCP Working Group has a Chair appointed by the ERA. The ERA may replace the Chair at any time and must promptly advise the MAC Chair.

The BRCP Working Group has no permanent members apart from the Chair. Instead, the Minister for Energy, the ERA, the Rule Change Panel and each Rule Participant may:

- nominate a representative to attend a BRCP Working Group meeting by advising the BRCP Working Group Secretariat in advance of that meeting, which may be a standing nomination that applies until the BRCP Working Group Secretariat is advised to the contrary;
- with the permission of the BRCP Working Group Chair (which will not be unreasonably withheld), send additional representatives to a BRCP Working Group meeting; and
- register to receive information relating to the activities of the BRCP Working Group, including notification of upcoming meetings, meeting papers and documents distributed out-of-session, by providing an email address for such correspondence to the BRCP Working Group Chair.

Other stakeholders may attend BRCP Working Group meetings or register to receive information relating to the activities of the BRCP Working Group following approval of the BRCP Working Group Chair.

4. Responsibilities of Meeting Attendees

A person attending a BRCP Working Group meeting is expected to:

- have suitable knowledge and experience to engage in and contribute to discussions relevant to the specific meeting;
- prepare for the meeting, including by reading any meeting papers distributed before the meeting;
- participate as a general industry representative rather than representing their company's interests; and
- carry out actions (e.g. impact assessment) if and as agreed.

5. Administration

The ERA will provide secretariat support for the BRCP Working Group.

The ERA will work with the RCP Support to ensure contact details for the BRCP Working Group are maintained on the Rule Change Panel's website.

The BRCP Working Group Chair will convene the BRCP Working Group upon request from the ERA or the MAC Chair.

The ERA will prepare and distribute all meeting correspondence to the BRCP Working Group via email. The ERA will provide the following documentation by email to its BRCP Working Group stakeholder list in respect of a BRCP Working Group meeting:

- notice of meeting and agenda at least 10 Business Days prior to the meeting;
- relevant meeting papers at least 5 Business Days prior to the meeting; and
- draft minutes no more than 5 Business Days following the meeting.

Except for draft minutes (which will only be emailed to attendees for comment), meeting documentation will be published on the Rule Change Panel's website as soon as practicable after issuance to the BRCP Working Group stakeholder list.

Attendees will be expected to:

- advise the BRCP Working Group Secretariat of their intent to attend a BRCP Working Group meeting at least 5 Business Days prior to the meeting; and
- provide any feedback or endorsement to the draft minutes no more than 5 Business Days following distribution of the draft minutes.

Meeting minutes are to record meeting attendance, main points of discussion, agreed recommendations and action items.

6. Reporting Arrangements

The BRCP Working Group Chair must provide a report to the MAC on the BRCP Working Group's activities at each MAC meeting. The reports must include, at a minimum:

- details of the most recent BRCP Working Group meeting, including the date of the meeting and a list of the issues or proposals considered;
- the date of the next meeting and the issues or proposals to be considered (if known); and
- an indicative forward agenda.

7. Contact Details

Rule Participants and other stakeholders may contact the BRCP Working Group Secretariat at support@rcpwa.com.au. Documentation and information related to the BRCP Working Group will be published on the Rule Change Panel's website at [<insert link>](#).

8. Projected Timeline

Step	Date
(1) First meeting (initiation)	Mid-August 2020
(2) Second meeting to discuss a draft Procedure Change Proposal	Early October 2020
(3) Publish the Procedure Change Proposal for public consultation	Late November 2020
(4) Review stakeholder submissions	Early January 2021
(5) Third meeting to discuss stakeholder feedback	Mid-January 2021
(6) ERA decision on Procedure Change Proposal	February 2021