

Minutes

Meeting Title:	Market Advisory Committee (MAC)
Meeting No:	2017-01
Date:	Monday 1 May 2017
Time:	1:00 pm – 3:06 pm
Location:	Training Room No. 2, Albert Facey House 469 Wellington Street, Perth

Attendees	Class	Comment
Rajat Sarawat	Chair	
Martin Maticka	AEMO	
Dean Sharafi	System Management	
Margaret Pырchla	Western Power	
Will Bargmann	Synergy	
Matthew Martin	Minister's Appointee – Small-Use Consumer Representative	
Geoff Gaston	Market Customers	
Steve Gould	Market Customers	
Shane Cremin	Market Generators	
Wendy Ng	Market Generators	
Peter Huxtable	Contestable Customers	
Sara O'Connor	Economic Regulation Authority (ERA) Observer	

Also in attendance	From	Comment
Patrick Peake	Perth Energy	Presenter
Jenny Laidlaw	RCP Support	Presenter
Laura Koziol	RCP Support	Presenter
Rebecca Herbener	RCP Support	Minutes
Peter Kolf	Rule Change Panel (Chair)	Observer
Elizabeth Aitken	Perth Energy	Observer

Andrew Stevens	Energy Made Clean	Observer
Jacinda Papps	Alinta Energy	Observer
Ignatius Chin	Bluwaters Power	Observer

Item	Subject	Action
1	<p>Welcome</p> <p>Mr Rajat Sarawat welcomed MAC members and observers to the first meeting of the MAC under the Rule Change Panel and introduced himself as acting Executive Officer and MAC Chair.</p>	
2	<p>Meeting Apologies/Attendance</p> <p>No apologies were noted.</p>	
3	<p>Actions Arising</p> <p>There were no outstanding action items.</p>	
4	<p>MAC Administration Update</p> <p><i>Membership Changes</i></p> <p>The Chair summarised the MAC membership changes since the last meeting, including:</p> <ul style="list-style-type: none"> • the replacement of Ms Kylie O’Keeffe as Chair; • the replacement of Mr Ray Challen by Mr Matthew Martin as the Minister’s representative for small-use consumers; • the replacement of Mr Matthew Cronin by Ms Margaret Pyrchla as Western Power representative; and • the resignations of Mr Andrew Stevens and Mr Simon Middleton. <p><i>MAC Constitution and Appointment Guidelines</i></p> <p>The Chair gave a summary of the current review of the MAC Constitution and Appointment Guidelines.</p> <p>The Chair advised that the submission period for the review closed on 27 April 2017. The two submissions received, from Perth Energy and AEMO, were generally supportive of the proposed amendments, with AEMO suggesting some minor modifications.</p> <p>The Chair noted that AEMO had identified that under the current Appointment Guidelines the Rule Change Panel must, as part of the annual review of composition, send a call for nominations for discretionary class members to the Western Australian Sustainable Energy Association, which has ceased to exist. The Chair sought suggestions from MAC members for other, similar organisations from which the Rule Change Panel</p>	

	<p>should seek MAC membership nominations instead. Mr Shane Cremin suggested two bodies, the Clean Energy Council and the Independent Power Association.</p> <p>The Chair noted that the Rule Change Panel is planning to undertake more detailed review of the Constitution and Appointment Guidelines later in the year.</p> <p>2017 Meeting Schedule</p> <p>The Chair requested feedback from MAC members on the proposed meeting schedule for 2017.</p> <p>MAC members supported the general intention to hold future meetings on the second Wednesday of each month.</p> <p>MAC members agreed to hold the next meeting on 14 June 2017, to allow AEMO sufficient time to prepare and distribute a Pre Rule Change Proposal on a prudential risk issue to MAC members before the meeting.</p> <p>The Chair advised that most meetings would be held between 1:00 pm and 4:00 pm.</p> <p>Action: RCP Support to send out calendar invitations for the remaining MAC meetings in 2017.</p>	<p>RCP Support</p>
<p>5a</p>	<p>Overview of Rule Change Proposals</p> <p>Ms Laura Koziol provided an update on the open Rule Change Proposals. The following key points were discussed.</p> <p>General</p> <ul style="list-style-type: none"> • In response to questions from Mr Martin Maticka and Mrs Jacinda Papps, Ms Koziol advised that the Rule Change Panel would develop a merit based order of priority for existing and incoming Rule Change Proposals and would consult with the MAC on this order. <p>Open Rule Change Proposals initially submitted by the IMO</p> <ul style="list-style-type: none"> • The Chair noted that there were three possible outcomes of the assessment of each of these Rule Change Proposals: approval, rejection, or further delay to await outcomes of the Electricity Market Review (EMR) where a Rule Change Proposal would be affected by planned Government reforms. • Mr Maticka sought clarification on whether the Rule Change Panel was awaiting feedback from the Public Utilities Office (PUO) about the new Government's plans for the EMR before making a decision on progressing any of these Rule Change Proposals. Ms Koziol confirmed that this was the case. Mr Cremin asked if the Government had yet provided the PUO with its position regarding the future direction of the EMR. Mr Martin answered that the PUO was still in the process of briefing the new Minister and had not received any feedback to not progress with the EMR. Mr Martin noted 	

that the PUO would update the Rule Change Panel as soon as it had any new information.

- Mr Ignatius Chin asked when the Minister was expected to provide information about the future of the EMR reforms. Mr Martin advised that there was no specific timeline.
- Mr Cremin noted that the IMO (which was responsible for the rule making function before the Rule Change Panel) had extended the timeframes of the Rule Change Proposals following advice from the previous Minister. Mr Cremin expressed the view that the Rule Change Panel should resume the progression of the proposals once the current extensions expire. Ms Koziol clarified that the Rule Change Panel had recently extended the timeframes of the proposals until the end of 2017, but was planning to progress the proposals as soon as possible. The Chair noted that that the Minister's feedback was important for the progression of the proposals.
- There was some discussion about how the Rule Change Panel should manage Rule Change Proposals in the absence of any direction from the Minister. The Chair noted that the Rule Change Panel was actively seeking the Minister's feedback but would not wait indefinitely before progressing the proposals.
- Mr Stevens suggested that the Rule Change Panel assess the proposals before the next MAC meeting. The Chair noted that the Rule Change Panel was currently assessing if any of the proposals could be progressed regardless of the Minister's feedback.
- Mr Cremin asked if any of the proposals included the reduction of Gate Closure and was therefore in conflict with the new Rule Change Proposal RC_2017_02. Ms Jenny Laidlaw clarified that none of the ten Rule Change Proposals initially submitted by the IMO was proposing amendments to Balancing Gate Closure.
- Ms Wendy Ng sought clarification on how proposals would be treated where a part but not all of the proposed amendments would be implemented by the EMR. Ms Laidlaw answered that this needed to be clarified with the Minister to avoid a waste of resources.

Rule Change Proposals submitted since 3 April 2017

- Ms Koziol noted that, on 28 April 2017, the Rule Change Panel decided to progress Rule Change Proposal: Reserve Capacity Mechanism - Manifest Errors 2017 (RC_2017_01) under the Fast Track Rule Change Process. The Rule Change Notice had been published on the same day.
- No issues were raised regarding the Rule Change Proposals submitted since 3 April 2017.

	Action: The Rule Change Panel to assess how to progress the ten open Rule Change Proposals initiated by the IMO	Rule Change Panel
5b	<p>RC_2017_02: Implementation of 30-Minute Balancing Gate Closure</p> <p>Mr Patrick Peake of Perth Energy gave a presentation to the MAC on Perth Energy’s Rule Change Proposal: Implementation of 30-Minute Balancing Gate Closure (RC_2017_02). The presentation focussed on the benefits of moving from a 2-hour to a 30-minute gate closure.</p> <p>Mr Maticka and Mr Dean Sharafi also gave a presentation on the proposal behalf of AEMO. The presentation comprised two parts, with Mr Maticka discussing the effects of the proposal on market systems and outcomes and Mr Sharafi describing some of the challenges System Management would face with a reduced gate closure period.</p> <p>Copies of both presentations are available on the Rule Change Panel’s website.</p> <p>The following key points were raised by MAC members during the discussion of the proposal.</p> <ul style="list-style-type: none"> • Mr Peake noted that AEMO was working to improve forecasting accuracy and so Perth Energy’s focus was to complement that effort by proposing a 30-minute gate closure. While Perth Energy supported broader reforms to reduce gate closure further it saw a reduction to 30 minutes as a low cost option that would provide immediate benefits. • In response to questions from MAC members, Mr Peake confirmed that Perth Energy’s presented analysis only covered Independent Power Producers (IPPs) and did not consider the effects of wind forecasting errors. • Mr Maticka advised that reconfiguring the market systems to support a 30-minute gate closure would be relatively simple and inexpensive. However, a reduction below 30 minutes would require much more significant changes to market systems, as they have been designed around a 30-minute processing cycle. There is also a risk of additional rework costs if such changes were to be made before AEMO completes the extraction of its systems from Western Power. • Mr Maticka noted that at the time of gate closure the wind forecast provided by Market Generators through their Balancing Submissions was usually more accurate than the persistence wind forecast, but when it came closer to the actual Trading Interval the persistence wind forecast became notably more accurate than the Balancing Submissions. Mr Cremin advised that Market Generators are still not permitted to update their wind forecasts after gate closure, as a suggestion previously made by Alinta to 	

	<p>remove this prohibition from the Market Rules has not been progressed.</p> <ul style="list-style-type: none"> • Mr Maticka advised that the results of AEMO's preliminary analysis of the likely forecast improvement with shorter gate closure were consistent with those presented by Perth Energy. • Mr Sharafi agreed a shorter gate closure would improve the efficiency of the market. However, Mr Sharafi noted that due to current market arrangements IPPs are dispatched at their maximum ramp rates at the start of a Trading Interval, and this results in combined IPP ramp rates that are sometimes 3-4 times higher than the ramp rate of the Balancing Portfolio. Currently System Management has about 110 minutes after IPP gate closure to plan and execute the manual positioning of the Synergy plant to compensate for IPP movements, changes in demand and intermittent generation fluctuations, while preserving the required levels of Load Following and contingency reserves. Mr Sharafi considered that if this period was reduced to 30 minutes the dispatch would become unmanageable for System Management under the current market structures. • Mr Sharafi advised that if the dispatch systems and Market Rules were changed to allow the linear ramping of IPP facilities then System Management would be able to manage a 30-minute gate closure. The changes would need to include amendments to the current constraint payment calculation in the Market Rules, to prevent the payment of constrained on/off compensation to Market Generators who were dispatched at less than the maximum ramp rate provided in their Balancing Submission. • Ms Laidlaw sought more detail on the causes of the 657 MW dispatch requirement in the example provided in slide 11 of AEMO's presentation. Mr Sharafi responded that this might be an extreme example but challenging situations were not rare and occurred every one or two shifts. • Mr Stevens suggested it was incumbent on the system operator to propose a path forward for the market, noting recent forecasts that by 2040 40% of Western Australian generation would come from renewable sources. Mr Sharafi replied that System Management had thought the EMR was providing this path, and that it was difficult to change one aspect of the market without it affecting other aspects. • Ms Laidlaw asked how well the relevant IPPs could physically control the ramp rates of their facilities, both during the process of synchronising and reaching minimum stable levels and during subsequent movements. Mr Peake advised that Perth Energy's facility's minimum stable level was effectively 0 MW, although they would prefer to reach a minimum output level of around 35-55 MW quickly for 	
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efficiency reasons. Once the facility reaches this level it is very flexible in terms of ramp rates. Mr Stevens proposed a request be sent to Market Generators to provide details of their ramping capabilities. Ms Laidlaw proposed to liaise with AEMO first to check what relevant information it would be able to provide.

- Ms Ng considered that control software changes may be required for some facilities to support flexible ramping. Mr Stevens suggested the costs of such changes may be minor compared with the potential economic benefits of shorter gate closure.
- Mr Sharafi noted the effect of increasing solar PV penetration on load forecast accuracy. There was some discussion about the method used by System Management to measure and estimate solar PV output.
- Ms Laidlaw and Mr Stevens asked whether there was any scope to reduce gate closure to somewhere between 30 minutes and 2 hours, e.g. 1 hour. Mr Sharafi replied that the controllers have advised him that in some cases even a 2-hour gate closure can be challenging.
- Ms Elizabeth Aitken asked if the Real Time Dispatch Engine could support a 5-minute dispatch cycle. Mr Sharafi replied that a shorter dispatch cycle would not in itself fix the constraint payment problem.
- Mr Stevens queried the actual extent of the IPP ramping problem, considering that if ramp rates were only a rare problem (e.g. once every three months) then this might be acceptable. Mr Sharafi responded that once every three months or even once a year would be too frequent if the event resulted in load rejection or a major blackout. Mr Stevens considered that System Management would constrain IPP units on or off in these situations rather than risking power system security to follow the merit order.
- There was some discussion about how the costs of any additional constraint payments would compare with the efficiency benefits of shorter gate closure. Mr Stevens did not expect the impact of the problem situations to be anything like the efficiency savings of 30-minute gate closure. Ms Laidlaw noted that more information would be needed to support a clear comparison of the pros and cons of the proposal. Mr Cremin questioned who would be undertaking the analysis and how the necessary information would be obtained. Ms Laidlaw advised that the Rule Change Panel would be seeking information and assistance from AEMO with respect to this analysis.
- Mr Will Bargmann considered the proposal would create a wealth transfer from Synergy to IPPs, as it exacerbated an economic inefficiency caused by disparity of information available to IPPs compared with Synergy. This was because

	<p>the proposed 90-minute change in gate closure times was a 75% improvement for IPPs but proportionally only a small change for Synergy. Mr Bargmann considered this wealth transfer would need to be taken into account in any cost/benefit analysis for the proposal. Mr Peake disagreed with Mr Bargmann, noting that if all the parties involved were bidding at their short run marginal costs then the shifting of dispatch from Synergy to IPPs should be economically efficient and benefit customers.</p> <ul style="list-style-type: none">• Ms Aitken and Mr Stevens both noted that Synergy could remove facilities from the Balancing Portfolio and offer them into the Balancing Market with the same gate closure as IPPs. Mr Bargmann responded that the pros and cons of facility bidding was a bigger market issue. There was some discussion about the broader changes to the energy market proposed by the EMR (including facility bidding, co-optimisation and 5-minute dispatch as well as reduced gate closure), and how the timing and direction of these changes affects this Rule Change Proposal.• Mr Stevens noted the Balancing Portfolio provides several advantages to Synergy over other participants e.g. IPPs are unable to see facility bid data for the Synergy plant.• Mr Bargmann requested that the Rule Change Panel, when considering this proposal, also consider changes to Synergy's gate closure times as suggested in the IMO's Pre Rule Change Proposal: Improvements to the Energy Market (PRC_2014_01). Ms Laidlaw asked Mr Bargmann what Synergy's position on its own gate closure time would be if 30-minute gate closure proved to be feasible. Mr Bargmann replied that Synergy would consider this when preparing its submission on RC_2017_02.• Ms Laidlaw sought the views of other MAC members on further changes to Synergy's gate closure arrangements, for example the introduction of a rolling 60-minute gate closure for the Balancing Portfolio. Mr Peake responded that if reducing Synergy's gate closure resulted in ancillary service cost savings that flowed through to the market then Perth Energy would be strongly in favour of the change.• Mr Bargmann stressed the need for a cost/benefit analysis to be undertaken on the proposal. Mr Cremin suggested that even if in the short term the net benefits of the proposal were limited, there was a need to consider the benefits in the context of a broader, long-term (10-year) plan to transition to a more flexible energy system. Mr Bargmann agreed it would be very short-sighted for a business case not to consider the long-term benefits and costs.• Mr Stevens suggested that Synergy might provide some supporting analysis for its position in its submission on the	
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	<p>Rule Change Proposal. Ms Laidlaw noted that the first submission period would close on 29 May 2017.</p>	
<p>6</p>	<p>Role of Working Groups in the Procedure Change Process</p> <p>Ms Laidlaw provided an update on the role of the current MAC Working Groups.</p> <p>MAC members agreed that the key benefit of the Working Groups is that they discuss technical and procedural matters on a substantially more detailed level than the MAC or AEMO's stakeholder forums.</p> <p>MAC members discussed the best way to set up the Working Groups to accommodate the current distribution of functions under the Market Rules. The following concept was developed and agreed on:</p> <ul style="list-style-type: none"> • the two existing Working Groups will be disbanded; • one standing Working Group for AEMO's Market Procedures (including the Power System Operation Procedures) will be established; • the Chair and secretariat for the new Working Group will be provided by AEMO; • AEMO will provide a report at each MAC meeting on the activities of the Working Group; • the Working Group will have no standing members (apart from the Chair) - instead Rule Participants can elect to send a representative; • AEMO and the MAC will be able to refer issues to the Working Group and request the convening of a meeting of the Working Group; • the Rule Change Panel and the ERA will liaise directly with the MAC regarding changes to the Market Procedures for which they are responsible; and • RCP Support will develop draft terms of reference for the new Working Group for MAC review; • the Rule Change Panel will develop proposed amendments to the Administration Procedure to reflect the Working Group changes. <p>Action: The Rule Change Panel to develop a Procedure Change Proposal to reflect the changes to MAC Working Groups in the Market Procedure: Procedure Administration.</p> <p>Action: RCP Support to prepare draft terms of reference for the new Working Group for consideration at the next MAC meeting.</p>	<p style="text-align: center;">Rule Change Panel</p> <p style="text-align: center;">RCP Support</p>

7	<p>Electricity Market Review Update</p> <p>Discussed as part of other agenda items.</p>	
8	<p>General Business</p> <p>Ms Ng sought clarification on the timing for the annual review of the MAC composition. Ms Laidlaw advised that the Rule Change Panel intended to publish the final amended MAC Constitution and Appointment Guidelines in mid-May and a call for nominations shortly afterwards. The window for nominations would be open until mid to late June and outcomes would be published by the end of July.</p>	

The meeting closed at 3:06 pm.