



Minutes

Meeting Title:	Market Advisory Committee (MAC)
Date:	21 September 2021
Time:	9:30am – 11:25am
Location:	Level 1, 66 St Georges Terrace, Perth

Attendees	Class	Comment¹
Peter Kolf	Chair	
Martin Maticka	Australian Energy Market Operator (AEMO)	(VC)
Dean Sharafi	AEMO	
Zahra Jabiri	Network Operator	(VC)
Jo-Anne Chan	Synergy	(VC)
Paul Keay	Small-Use Consumer	
Noel Schubert	Small-Use Consumer	
Geoff Gaston	Market Customer	
Timothy Edwards	Market Customer	
Patrick Peake	Market Customer	
Daniel Kurz	Market Generator	
Wendy Ng	Market Generator	
Jacinda Papps	Market Generator	
Tom Frood	Market Generator	(VC) from 9:45am
Peter Huxtable	Contestable Customer	
Noel Ryan	Observer appointed by the Minister	to 10:35am
Rajat Sarawat	Economic Regulation Authority (ERA) observer	(VC)

Also in Attendance	From	Comment
Kate Ryan	Coordinator of Energy (Coordinator)	Observer to 10:35am

¹ (VC) indicates attendance via videoconference

Also in Attendance	From	Comment
Dora Guzeleva	MAC Secretariat	
Laura Koziol	MAC Secretariat	Minutes
Teresa Smit	AEMO	Presenter (VC)
Nathan Kirby	Western Power	Presenter (VC) to 10:35am
Stephen Eliot	MAC Secretariat	Observer (VC)
Jenny Laidlaw	MAC Secretariat	Observer (VC)
Erin Stone	Point Global	Observer (VC)
Rebecca White	Collgar Wind Farm	Observer (VC)
Claire Richards	Enel X	Observer (VC) to 11:00am
Graham Pearson	Australian Energy Council	Observer (VC)

Apologies	From	Comment
None		

Item	Subject	Action
1	<p>Welcome</p> <p>The Chair opened the meeting at 9:30am with an Acknowledgement of Country and welcomed members and observers to the 21 September 2021 MAC meeting.</p> <p>The Chair noted that he had no conflicts of interest but had:</p> <ul style="list-style-type: none"> met with Mr Martin Maticka and Mr Dean Sharifi from AEMO; and spoken with Ms Rebecca White from Collgar Wind Farm by telephone. 	
2	<p>Meeting Apologies/Attendance</p> <p>The Chair noted the attendance as listed above. The Chair noted that Mr Rajat Sarawat was replacing Ms Sara O'Connor as the ERA observer from this meeting forward.</p>	
3	<p>Minutes of Meeting 2021_08_10</p> <p>Draft minutes of the MAC meeting held on 10 August 2021 were circulated on 23 August 2021. The Chair noted that a revised draft showing some changes was distributed in the meeting papers.</p> <p>The MAC accepted the revised minutes as a true and accurate record of the meeting.</p>	

Item	Subject	Action
	<p>Action: MAC Secretariat to publish the minutes of the 10 August 2021 MAC meeting on the Coordinator’s Website as final.</p>	<p>MAC Secretariat</p>
<p>4</p>	<p>Action Items</p> <p>The closed action items were taken as read.</p> <p><u>Action item 5/2021</u></p> <p>The Chair suggested that Sustainable Energy Now (SEN) should be contacted about whether it intended to submit a description of its proposed emissions-related amendment to the WEM Rules for discussion at a MAC meeting.</p> <p>Mr Timothy Edwards suggested that the MAC close the action item if SEN did not provide a submission for discussion at the next MAC meeting. The MAC agreed to this suggested approach.</p> <p>Action: MAC Secretariat to contact SEN to request a response on Action Item 5/2021, noting that the MAC intends to close the action item if SEN does not provide a submission for discussion in time for the 2 November 2021 MAC meeting.</p>	<p>MAC Secretariat</p>
<p>5</p>	<p>SWIS Power System, A View from the Cockpit</p> <p>Mr Sharafi provided a presentation about emerging system security risks in the SWIS. A copy of AEMO’s presentation is available in the meeting papers.</p> <p>The following key points were discussed:</p> <ul style="list-style-type: none"> Mr Tom Frood asked how AEMO was factoring in the contribution of batteries to grid stability. <p>Mr Sharafi answered that batteries can provide grid stability through fast frequency response and that this would be most effective if the battery was controlled by the system operator. Mr Sharafi noted that the current and projected requirements of the system to ensure grid stability still needed to be determined.</p> Mrs Jacinda Papps asked if AEMO was proposing to implement dynamic linear ramping for Intermittent Generators and cautioned, based on recent experience in the National Electricity Market (NEM), that it can take a long time to prepare older Facilities to comply with dynamic linear ramping requirements. <p>Mr Sharafi clarified that AEMO was not suggesting a specific requirement but was pointing to the problem caused by sudden ramping of large Intermittent Generators. Mr Sharafi suggested that it would be good to think about ways to make these sudden changes more manageable and noted that co-locating Electric Storage Resources and Intermittent Generators could achieve this.</p> 	

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	<ul style="list-style-type: none"> Mr Geoff Gaston noted that the volatility of generation from Intermittent Generators was not only a problem for system security but also affected the Balancing Price. Mr Gaston suggested that there were many instances where Non-Scheduled Generators generate less than the quantity in their Balancing Submissions because of the Balancing Price and not resource availability (such as the wind), and that such behaviour should not be permitted. Mr Gaston also considered that an Intermittent Generator should not be allowed to generate above the forecast quantity specified in its Balancing Submission. Mrs Papps noted that semi-dispatch caps were used in the NEM to restrict Semi-Scheduled Generators to their bid quantities, but these caps were not always in operation. Mr Sharafi noted that the two sources of Intermittent Generator volatility are bidding behavior, which he considered to be manageable, and the availability of fuel sources such as wind. Mr Sharafi noted that historically it had been accepted that Intermittent Generators generate less than the quantity in their Balancing Submissions due to lower than expected resource availability (e.g. because of a drop in wind). However, Mr Sharafi considered that the WEM was reaching a point where it could no longer be managed in this way. Mrs Papps noted that the observed reductions in Intermittent Generator output could be driven by Generator Interim Access (GIA) constraints instead of the price. Mr Patrick Peake suggested that it may be preferable for some wind farms to reduce their output during periods of low demand, because this would mitigate the associated system security issues. Ms Wendy Ng asked to what extent the implementation of the new market structure would address the issues caused by the volatility of Intermittent Generators. Mr Sharafi answered that the reforms addressed the issue through the new framework for Essential System Services, but only to a limited extent. Mr Sharafi supported the approach used in the PJM market whereby Intermittent Generators are not allowed to generate above their submission quantity and must pay the cost of Essential System Services for any quantity generated below the submitted quantity. Mr Sharafi noted that the WEM was only able to manage the volatility of intermittent generation by procuring large quantities of Essential System Services. Mr Gaston asked how many residential solar systems AEMO would need to control to make a difference to the system 	

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	<p>security issues caused by Distributed Energy Resources (DER).</p> <p>Mr Sharafi noted that from December 2021 onwards, any new systems could be controllable, but there was already 1.8 GW of installed distribution connected photovoltaic (DPV) system capacity in the SWIS.</p> <p>Mr Gaston queried the value to AEMO of being able to control DPV capacity, considering that existing systems could easily be made controllable if the monetary rewards were higher than the costs.</p> <ul style="list-style-type: none"> Mrs Papps referred to the statement in the presentation that AEMO was rapidly increasing the use of Backup LFAS. Mrs Papps noted that Backup LFAS was more expensive than primary LFAS and asked at what point AEMO would increase the primary LFAS requirements to reduce the use of Backup LFAS. Mr Sharafi noted that primary LFAS always incurred a cost while the cost of Backup LFAS was only there when it was used. The volatility of intermittent generation made it very difficult to predict when the extra LFAS would be needed. Mr Sharafi considered that AEMO would be able to optimise the determination of LFAS quantities much better under the new market arrangements. 	
<p>6</p>	<p>Update on Low Load Project</p> <p>Mr Noel Ryan, Ms Teresa Smit and Mr Nathan Kirby provided a presentation about the Low Load Project, which is a joint project of Energy Policy WA, AEMO and Western Power. A copy of the presentation is available in the meeting papers.</p> <p>The following key points were discussed:</p> <ul style="list-style-type: none"> Mr Ryan noted that reports and information papers relating to the project are planned to be published in the first quarter of 2022. Mr Noel Schubert noted that the presentations under agenda items 5 and 6 identified DPV as the cause of the low load problems. However, Mr Schubert considered that there were many other causes for the low load situation, such as the current incentive (through tariffs and bilateral contracts) for flexible loads to run at night instead of during the middle of the day. <p>Mr Peter Huxtable agreed that Water Corporation could shift some of its consumption if there was a financial incentive to do so.</p> <p>Mr Sharafi and Mr Edwards agreed that incentivising loads to shift their consumption could have a material impact. There was some discussion about how loads and Intermittent Loads</p>	

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	<p>could be incentivised to help address the low load issues raised in the presentations.</p> <p>Mr Ryan noted that he expected the recommendations of the Low Load Project would include such incentives for loads and Intermittent Loads.</p> <ul style="list-style-type: none"> Ms Dora Guzeleva noted that the role of loads would also be considered in the Reserve Capacity Mechanism (RCM) Review. Ms Guzeleva and Mr Schubert agreed to meet to discuss the issue and to involve AEMO and Western Power in the discussion as required. Mr Flood suggested that network augmentations could potentially also be used to address some of the problems. <p>The Chair asked members to provide any other suggestions they had to address the issues raised in the presentations by email. Ms Guzeleva requested that any such emails be addressed to the MAC Secretariat (energymarkets@energy.wa.gov.au) as well as the Chair.</p>	
	<p>Action: MAC Secretariat to meet with Mr Noel Schubert to discuss mechanisms to develop options to increase the role of loads in addressing low load issues.</p>	<p>MAC Secretariat</p>
<p>7</p>	<p>Scope of Works for the Reserve Capacity Mechanism Review</p> <p><u>Commencement of the RCM Review and Scope of Works</u></p> <ul style="list-style-type: none"> MAC members and observers endorsed the immediate commencement of the RCM Review. However, Mrs Papps' endorsement was subject to changes to the guiding principles set out in section 2.1 of the draft Scope of Works. Mrs Papps suggested that the guiding principles should be amended to: <ul style="list-style-type: none"> include a comment that the RCM should allow the market to solve issues and not lead to Government intervention; and broaden the second guiding principle ("to enable the transition to an energy market with low greenhouse gas emissions") to cover requirements and incentives for both existing and new Facilities. <p>Mr Daniel Kurz and Mr Peake agreed with Mrs Papps' suggestions.</p> <p>Mrs Papps agreed to provide details of her suggested changes to the guiding principles to the MAC Secretariat via email.</p> <ul style="list-style-type: none"> Mrs Papps and Mr Graham Pearson considered that the Energy Price Limits should also be assessed. Ms Guzeleva noted that the Energy Price Limits were already being reviewed as part of the Energy Transformation Strategy (ETS) market power mitigation work stream. 	

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	<ul style="list-style-type: none"> Mr Schubert asked whether the current subsidies for DPV should be reduced. <p>Mr Gaston noted that most of the subsidies for DPV were set by the Federal Government and therefore out of the State Government's control. Mr Schubert replied that DPV was subsidised by the State Government through the current consumption tariff structure.</p> <p>Mr Schubert also considered that there was insufficient oversight of whether new DPV inverters were actually compliant with the new standards.</p>	
	<ul style="list-style-type: none"> Mr Gaston suggested that the MAC should probably include a representative of the DPV industry. Mr Kurz and Mr Gaston suggested that companies like Infinite Energy and Solar King would be best positioned to reach most of the residential DPV owners about reconfiguring existing inverters if such upgrades were to be incentivised. 	
	<p><u>Putting existing Rule Change Proposals on hold</u></p> <p>The MAC discussed the MAC Secretariat's recommendation to place Rule Change Proposals RC_2019_03 (Method used for the assignment of Certified Reserve Capacity to Intermittent Generators), RC_2019_01 (The Relevant Demand calculation) and RC_2018_03 (Capacity Credit Allocation Methodology for Intermittent Generators) on hold until the RCM Review is substantially complete.</p>	
	<ul style="list-style-type: none"> The following MAC members and statutory observers endorsed putting the three Rule Change Proposals on hold: Mr Maticka, Mr Sharafi, Ms Zahra Jabiri, Mr Paul Keay, Mr Schubert, Mr Gaston, Mr Peake, Mr Kurz, Mr Frood, Mr Huxtable and Mr Sarawat. The following MAC members did not endorse putting RC_2019_03 on hold: Mrs Papps, Mr Edwards and Ms Jo-Anne Chan. Ms White (non-statutory observer) did not support putting RC_2019_03 on hold. Ms Claire Richards from Enel X (non-statutory observer) did not support putting RC_2019_01 on hold. Ms Ng and Mrs Papps requested that if RC_2019_03 was delayed then the commencement of the Network Access Quantity (NAQ) framework should also be delayed. <p>Ms Guzeleva considered that the Relevant Level Methodology (RLM) would only affect NAQ outcomes in a small number of specific circumstances and offered to hold a separate session to discuss the NAQ framework.</p>	

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	<p>Ms Guzeleva advised that the MAC Secretariat would send out a request for expressions of interest for a session on the NAQ framework and schedule a session accordingly.</p> <ul style="list-style-type: none"> Mr Maticka suggested that the criteria for restarting work on the deferred Rule Change Proposals should be established, to prevent them from remaining on hold indefinitely. Mr Maticka also suggested combining RC_2018_03 with RC_2019_03. Ms Guzeleva noted that each Rule Change Proposal would still need to be progressed in accordance with the rule change process. Mr Sarawat considered that there was a need for a mechanism to account for uncertainty in capacity valuation, which was currently absent for both Scheduled and Intermittent Generators, and delaying RC_2019_03 until this issue was addressed may help produce a more holistic solution. 	
	<p><u>Establishing a MAC Working Group</u></p> <p>All MAC members and observers endorsed the establishment of a Working Group as recommended by the MAC Secretariat. However, Mrs Papps' endorsement was subject to her suggested changes to the draft guiding principles.</p>	
	<p>Action: Mrs Jacinda Papps to provide the MAC Secretariat with her suggestions for changes to the guiding principles for the RCM Review.</p>	<p>Jacinda Papps</p>
	<p>Action: MAC Secretariat to send out a request for expressions of interest for a session about the NAQ framework and schedule a session accordingly.</p>	<p>MAC Secretariat</p>

8 Market Development Forward Work Program

Issue 22

- Mr Maticka noted that on 16 September 2021 AEMO announced its decision to progress a Procedure Change Proposal to amend the WEM Procedure: Prudential Requirements in response to a request from Change Energy. The Procedure Change Proposal will review the following two requirements under step 2.2.2 of the WEM Procedure:
 - that AEMO must use 24 months of available data when determining a Market Participant's Anticipated Maximum Exposure (**AME**); and
 - that AEMO must determine the AME as the sum of the 70-day maximum Non-STEM Settlement exposure and 15-day maximum STEM Settlement exposure, which may lead to an excess amount of prudential security being held by AEMO.

A workshop to discuss the Procedure Change Proposal would be scheduled for October 2021.

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	<ul style="list-style-type: none"> Mr Gaston considered that it was not yet clear whether AEMO's Procedure Change Proposal would fully address the issue and the issue should not be closed until the conclusion of the Procedure Change Process. Mr Gaston suggested that there may still be benefit in progressing a Rule Change Proposal if there was a quick and easy change available to mitigate the issue during the period before October 2022. <p>Ms Guzeleva noted that it appeared that any such change would be complex because it would affect other parts of the relevant WEM Rules.</p> <p>Mr Gaston replied that having to provide more prudential security than necessary resulted in high costs for Market Participants and the complexity of the issue should not be a reason for not addressing it. Mr Kurz agreed that Market Participants are incurring high costs due to this issue.</p>	
	<ul style="list-style-type: none"> Mr Gaston considered that it should be clearer after the workshop on the Procedure Change Proposal whether a Rule Change Proposal would be needed. All MAC members and observers agreed that MAC Issue 22 should be kept open. 	
	<p><u>Issue 47</u></p> <ul style="list-style-type: none"> All MAC members and observers agreed that MAC Issue 47 should be closed. 	
	<p><u>Adding new issues</u></p> <ul style="list-style-type: none"> Mr Gaston asked if new items could be added to the Market Development Forward Work Program. Ms Guzeleva replied that the Market Development Forward Work Program would be a standing agenda item from now on and that issues could be added at any MAC meeting. Ms Guzeleva noted that to include an issue for discussion at a MAC meeting, stakeholders should request the inclusion two weeks before the MAC meeting, which was one week before the circulation date for the relevant meeting papers. Mr Gaston noted that he was planning to request a discussion of the issue of disorderly bidding of wind farms for inclusion in the Market Development Forward Work Program at the next MAC meeting. <p>Ms Guzeleva noted that there are new clauses about dispatch compliance in the WEM Rules, which were gazetted on 24 December 2020 but were still to commence. Ms Guzeleva considered that these clauses should assist in preventing 'disorderly' bidding by Semi-Scheduled Facilities.</p> <p>Ms Guzeleva noted that the MAC Secretariat would email the relevant clauses to MAC members and observers.</p>	

Item	Subject	Action
	Action: MAC Secretariat to send the recently gazetted clauses that address disorderly bidding by Semi-Scheduled Facilities to MAC members and observers for information.	MAC Secretariat
9	Update on Working Groups	
9(a)	<p>Update on AEMO Procedure Change Working Group (APCWG)</p> <p>Mr Maticka provided an update on the APCWG. Mr Maticka noted that, as discussed under agenda item 8, since the circulation of the MAC papers AEMO had announced its decision to progress a Procedure Change Proposal to address Issue 22 in response to a request from Change Energy.</p>	
10	Rule Changes	
10(a)	<p>Overview of Rule Change Proposals</p> <p>The MAC noted the update on the current Rule Change Proposals. Ms Guzeleva provided the following update on the ETS Tranche 4B Amending Rules:</p> <ul style="list-style-type: none"> the Amending Rules had been submitted to the Minister for approval; the Amending Rules were expected to be gazetted before 1 October 2021; and some parts of the Amending Rules were proposed to commence on 1 October 2021. <p>Ms Guzeleva noted that the companion version of the WEM Rules would be updated to reflect the Tranche 4B changes in the near future.</p>	
11	<p>Approval of Changes to the Terms of Reference for the AEMO Procedure Change Working Group</p> <p>The MAC approved the revised Terms of Reference for the APCWG.</p>	
12	<p>General Business</p> <p><u>LFAS</u></p> <p>Mr Schubert noted that only a small number of generators participate in the LFAS Market. Mr Schubert suggested that a requirement could be implemented in very volatile situations for generators with the relevant capability to make a percentage of their capacity (e.g. 3%) available to provide LFAS.</p> <p>Mr Sharafi noted that the introduction of co-optimised energy and Essential System Services dispatch should increase the levels of participation.</p> <p><u>Circulation of MAC meeting papers</u></p> <p>Mrs Papps asked if MAC meeting papers could be distributed by email and not only as an attachment to the meeting invitation.</p>	

Item	Subject	Action
	Ms Guzeleva agreed that the MAC Secretariat will send out an email with the MAC meeting papers in the future.	
	Action: MAC Secretariat to modify its internal processes to send MAC meeting papers to members and statutory observers both as an attachment to the meeting invitation and via a separate email.	MAC Secretariat

The meeting closed at 11:25am.