



Minutes

Meeting Title:	Market Advisory Committee (MAC)
Date:	2 November 2021
Time:	9:30am – 11:10am
Location:	Level 1, 66 St Georges Terrace, Perth

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

Also in Attendance	From	Comment
Dora Guzeleva	MAC Secretariat	Observer
Stephen Eliot	MAC Secretariat	Observer VC
Jenny Laidlaw	MAC Secretariat	Observer VC

¹ (VC) indicates attendance via videoconference

Also in Attendance	From	Comment
Laura Koziol	MAC Secretariat	Observer VC
Erin Stone	Point Global	Observer VC
Rebecca White	Collgar Wind Farm	Observer VC
Mark McKinnon	Western Power	Observer VC

Apologies	From	Comment
Daniel Kurz	Market Generator	

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 2 November 2021 MAC meeting.</p> <p>The Chair reported that he had met with several parties since the last MAC meeting, including:</p> <ul style="list-style-type: none"> • Mr Simon Adams and Ms Caroline Brown (Squire Patton Boggs); and • Ms Sally McMahon (Sally McMahon and Associates). <p>The MAC noted these meetings and that there were no conflicts of interest.</p>	
2	<p>Meeting Apologies/Attendance</p> <p>The Chair noted the attendance as listed above.</p>	
3	<p>Minutes of Meeting 2021_09_21</p> <p>Draft minutes of the MAC meeting held on 21 September 2021 were circulated on 7 October 2021. The Chair noted that a revised draft of the minutes 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>	<p>MAC Secretariat</p>
	<p>Action: MAC Secretariat to publish the minutes of the 21 September 2021 MAC meeting on the Coordinator's Website as final.</p>	
4	<p>Action Items</p> <p>The closed action items were taken as read.</p> <p><u>Action item 12/2021</u></p> <p>The Chair noted that the MAC Secretariat met with Mr Noel Schubert and Mr Dean Sharafi on 12 October 2021. The MAC agreed that action item 12/2021 be closed.</p>	

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5	<p>Market Development Forward Work Program</p> <p>The paper was taken as read.</p> <p>Ms Dora Guzeleva noted that the MAC Secretariat had not received any requests to add additional items to the forward work program since the last meeting.</p> <p>Ms Guzeleva noted that the next MAC meeting is scheduled for 14 December 2021 and that any requests to add an issue to the work program will need to be provided to the MAC Secretariat by 1 December 2021.</p>	
6	<p>Update on Working Groups</p> <p>(a) AEMO Procedure Change Working Group (APCWG)</p> <p>Mr Martin Maticka noted that there are currently no open Procedure Change Proposals. Mr Maticka noted that AEMO held a workshop to discuss possible changes to the WEM Procedure: Prudential Requirements, that it was currently collating the feedback from the workshop and that it is planning to send out papers and invitations for an APCWG meeting by 1 December 2021.</p> <p>Mr Maticka noted that Mr Greg Ruthven had left AEMO and that Mr Stuart Featham would be the acting Chair of the APCWG while AEMO determined who would replace Mr Ruthven.</p>	
7	<p>Rule Changes</p> <p>(a) Overview of Rule Change Proposals</p> <p>The Chair noted that all open Rule Change Proposals are currently on hold and that:</p> <ul style="list-style-type: none"> • RC_2018_03 (Capacity Credit Allocation Methodology for Intermittent Generators), RC_2019_01 (The Relevant Demand calculation) and RC_2019_03 (Method used for the assignment of Certified Reserve Capacity to Intermittent Generators) will be addressed as part of the review of the Reserve Capacity Mechanism; and • RC_2014_05 (Reduced Frequency of the Review of the Energy Price Limits and the Maximum Reserve Capacity Price) and the Pre-Rule Change Proposal RC_2020_04 (Balancing Facility Loss Factor Adjustment) would likely be addressed by other work that is currently underway. 	
8	<p>Approval of the Terms of Reference for the Reserve Capacity Mechanism Working Group</p> <p>The Chair noted the paper.</p> <p>Ms Guzeleva noted that Energy Policy WA (EPWA) was seeking nominations for the Working Group and that members could be from within and outside of the MAC. Ms Guzeleva noted that Working Group members would be expected to contribute to the</p>	

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	<p>work, including by assisting in the analysis and the development of papers.</p> <p>Mr Patrick Peake asked whether setting of the Reserve Capacity Price was within the scope of the Reserve Capacity Mechanism (RCM) Review. Mr Peake noted that the price regime has changed over the last 10 to 15 years and that the current price regime was discouraging investment. In particular, under the current price regime, an excess in renewable generation would reduce the Reserve Capacity Price for dispatchable generation even if there was a need to encourage dispatchable generation.</p> <p>Ms Guzeleva answered that the method of setting the Benchmark Reserve Capacity Price (BRCP) would be assessed under step 4 of the review but that the setting of the actual BRCP would remain the ERA's responsibility.</p> <p>Mr Peake emphasised that it is important to avoid setting up a mechanism that does not encourage investment.</p> <p>The Chair noted that stakeholders would have the opportunity to provide input on these aspects of the RCM during the review.</p> <p>Ms Wendy Ng asked if fuel requirements for the certification of Scheduled Generators would be assessed as part of the review. Ms Guzeleva answered that this would be assessed as part of Step 3.</p> <p>Mr Maticka noted that the RCM review should account for other ongoing work, such as the Whole of System Plan and the Distributed Energy Resources Road Map. Mr Maticka asked how these initiatives interrelate with the RCM Review. Ms Zahra Jabiri agreed that it is important to consider interdependencies with other work currently underway. Ms Guzeleva answered that EPWA would ensure that the review would account for interdependencies with related work and that EPWA is open to implementing any urgent changes in advance of finalising the review.</p> <p>Mr Maticka asked if any rule changes resulting from the review would be implemented by the Minister or through the formal Rule Change Process under the WEM Rules. Ms Guzeleva answered that the changes are expected to go through the formal Rule Change Process.</p> <p>Mr Maticka noted that AEMO agrees with the Terms of Reference for the Working Group.</p> <p>Ms Jabiri noted that Western Power supports the Terms of Reference for the Working Group.</p> <p>Ms Jabiri suggested including Dispatchable Loads in the RCM Review as it is becoming more important to be able to control loads. Ms Guzeleva noted that the WEM Rules do not currently give Dispatchable Loads access to all revenue streams in the WEM. Ms Guzeleva considered that the treatment of</p>	

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	<p>Dispatchable Loads that are part of a Demand Side Programme and the participation of these loads in the energy market will be assessed as part of the RCM Review, but other aspects of Dispatchable Loads will have to be addressed outside of the RCM Review, most likely as part of the second stage of the Energy Transformation Strategy.</p> <p>Mr Schubert noted that loads should be able to bid into the wholesale market in the future. Ms Guzeleva clarified that loads will be able to register as Scheduled Facilities in the new market and will be available for dispatch.</p> <p>Mr Schubert noted that the applicable reliability criterion has historically been about high demand situations, but high system stress is now also happening in low load situations in the middle of the day.</p> <p>Mr Sharafi noted that some system stress situations would need to be addressed outside of the RCM.</p> <p>Ms Jabiri asked about the extent to which Dispatchable Loads would be assessed under the RCM Review. Mr Tom Froid agreed that Dispatchable Loads should be considered. Ms Guzeleva clarified that the participation of Dispatchable Loads in the RCM is in scope for the review, but not participation in the energy market. Any related issues identified during the RCM Review will be logged and a separate study would be needed to holistically assess Dispatchable Loads.</p> <p>The Chair suggested including the holistic assessment of Dispatchable Loads in the WEM in the MAC forward work program. Ms Guzeleva agreed that this could be added if the MAC wanted, but no further comments were made.</p> <p>Ms Jabiri asked about the process for nominating representatives for the Working Group. Ms Guzeleva indicated that nominations should be made to the MAC Secretariat email address by the end of Tuesday 9 November 2021 (NB: the deadline was later extended to close of business Thursday 11 November 2021).</p> <p>Ms Guzeleva indicated that EPWA would chair the Working Group and that EPWA was in the process of procuring a consultant for the RCM Review.</p> <p>Mrs Papps asked if Working Group members could bring different subject matter experts to different meetings. Mrs Papps and Mr Sharafi considered that this would be important to get the most value out of the Working Group. Ms Guzeleva indicated that different subject matter experts could attend Working Group meetings as long as they had the capacity to contribute to the work and it did not contribute to unnecessarily revisiting issues.</p>	

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	<p>Mr Rajat Sarawat asked if the definition of capacity would be assessed as part of the review. Mr Sarawat considered it is important to debate the definition of capacity to avoid a highly inefficient outcome.</p> <p>Ms Guzeleva answered that the definition of capacity should be addressed early in the review when assessing which system stress situations should be addressed by the RCM or by Essential System Services (ESS).</p> <p>The MAC approved the Terms of Reference for the RCM Review Working Group.</p>	

9 Scope of Works for the Cost Allocation Review

The Chair noted the papers for Agenda Item 9 and asked the MAC to discuss the draft Scope of Works for the Cost Allocation Review.

Mr Sharafi indicated that AEMO supports commencement of the review as it will help the long-term efficiency of the market and reduce ESS costs.

Mr Mark McKinnon asked what the nomination process would be for the Working Group for the Cost Allocation Review. Ms Guzeleva indicated that the plan was for the MAC to discuss the Terms of Reference for the Working Group at its next meeting and to seek nominations after that.

Mr Sharafi suggested that the Scope of Works should be specific about what is not in scope of the review, such as network charges. Ms Guzeleva agreed that this can be done.

Ms Rebecca White asked if all of the settlement equations in Chapter 9 that include cost recovery components would be reviewed. Ms Guzeleva answered that the review will not duplicate the work done in the previous year. Ms Guzeleva noted that the allocation of Contingency Raise and Contingency Lower costs was sending a good signal to the causers of these requirements, but that the allocation of Regulation costs need further review. Ms White considered that it will be difficult to implement a better cost allocation for Regulation services until 5-minute meter data is available. There was further discussion about the complications of implementing a causer-based allocation of Regulation services cost.

Ms Jo-Anne Chan noted that a lot of work is underway (commencement of the new market, development of the Energy Rules WA and transitioning to a 5-minute settlement) and that the impact of the new ESS markets is currently unknown. Therefore, Ms Chan suggested delaying the Cost Allocation Review by two years.

Mr Sharafi indicated that 5-minute meter data is not needed to establish the demand for ESS because SCADA data can be used.

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	<p>Mr Sharafi indicated that the Cost Allocation Review can also have benefits in terms of reducing the volatility of intermittent generators, so it is important to deal with this issue now.</p> <p>Mr Schubert agreed that it is important to commence the review now.</p> <p>Ms White agreed that using SCADA data might be technically feasible but indicated that regulatory barriers to use of SCADA data for settlement of Regulation costs arose under the <i>National Measurements Act</i>. This is not just a mathematical exercise, there are regulatory challenges, as we cannot change the <i>National Measurements Act</i>.</p> <p>Mr Schubert suggested that work could be done to understand who should be allocated Regulation costs before a decision is made on the data needed – a decision could be made down the track if it is found that there is not sufficient data to operationalise the rules.</p> <p>Mr Sharafi indicated that it will be difficult to operate the system with the increased penetration of intermittent generation if there is no incentive to firm the intermittent capacity.</p> <p>The Chair suggested that there is a real need to proceed with the work, but that some issues may need to be attended to later.</p> <p>Ms Guzeleva suggested that the Scope of Works needs to be clearer on the staging of the review – a general policy review of the key objectives needs to be done first and then practical matters can be considered.</p> <p>Mr Sharafi reiterated his concerns about the increased level of intermittent generation on the system and indicated that this issue has been dealt with elsewhere by requiring intermittent generation to firm up their capacity when they bid into the market. Mr Sharafi indicated that some markets obtain increased certainty by:</p> <ul style="list-style-type: none"> • not taking energy from intermittent generators above what they forecast; and • charging intermittent generators for ESS if they provide energy below their forecast. <p>Mr Geoff Gaston indicated that it is also important to consider Market Fees and recommended that consideration should be given to the philosophy of charging Market Fees on a per megawatt-hour basis. Mr Gaston also suggested that consideration should be given to splitting Market Fees between fixed and variable prices.</p> <p>Ms Guzeleva indicated that some desktop research can be done on this issue in step 1 of the review but suggested that this may be a very complex and high cost proposition.</p> <p>The Chair suggested that the Cost Allocation Review needs to move forward and asked the MAC to come to a view on whether the review should proceed, subject to some further planning on the stages for the review.</p>	

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	<p>Ms Guzeleva indicated that a revised Scope of Works for the review and a Terms of Reference for a MAC Working Group can be tabled at the December 2021 MAC meeting for review and approval.</p>	
	<p>Mr McKinnon asked for clarification of the statement at the bottom of page 2 of the draft Scope of Works that "...at least initially, AEMO will recover costs for NCESS contracts from Market Participants based on the proportion of their Load's metered consumption to total consumption."</p>	
	<p>Ms Guzeleva indicated that cost recovery for NCESS is complex because both AEMO and Western Power can procure NCESS, and for different reasons. Ms Guzeleva indicated that it is difficult to conceptualise a single method to allocate these costs to the parties that cause them, so the rules will initially take a simple approach.</p>	
	<p>Mr McKinnon sought clarification that the initial approach is to recover NCESS costs from market participants based on loads' metered consumption versus total consumption, and that this approach may change following this review. Ms Guzeleva confirmed that this is the case.</p>	
	<p>Ms Guzeleva indicated that work has not been done on what services may be procured by AEMO and Western Power under the NCESS, so a simple cost allocation method will be used to allow the NCESS framework to commence in early 2022.</p>	
	<p>Mr Tim Edwards indicated that the biggest over-simplification in the cost allocation method is that the allocation is proportioned on a monthly basis rather than on a per interval basis, so some participants are paying a lot more for load following than those that cause the issue. Mr Edwards suggested that it would be a simple rule change to correct this.</p>	
	<p>Ms Guzeleva indicated that AEMO is going through a massive exercise to move the market from monthly aggregation to five-minute dispatch and settlement. Ms Guzeleva suggested that it would not be appropriate, in the middle of this process, to make a change to charge frequency control services on a more frequent basis, particularly given that the new market start date has been delayed by 12 months because AEMO and market participants are struggling to make the current changes.</p>	
	<p>Mr Maticka observed that there are two reviews underway, plus the DER Roadmap, and we still have to make the changes to commence five-minute settlement. Mr Maticka commented that the MAC needs to be clear about the boundaries for what is to be covered under the each of these initiatives to ensure we are not covering issues twice and needs to make sure that the highest impact items are dealt with as a priority.</p>	
	<p>Mr Sharafi indicated that the Scope of Works for the Cost Allocation Review needs to be very focused.</p>	

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	<p>The MAC confirmed that it supports commencement of the Cost Allocation Review, subject to reviewing the revised Scope of Works in December 2021.</p> <p>Acton: MAC Secretariat to table a revised Scope of Works for the Cost Allocation Review and a Terms of Reference for a Cost Allocation Review Working Group for review and approval at the 14 December 2021 MAC meeting.</p>	<p>MAC Secretariat</p>
<p>10</p>	<p>Use of Flexible Loads to address Low Load Issues in the SWIS</p> <p>The Chair noted that Mr Schubert had prepared a paper for Agenda Item 10 and invited Mr Schubert to provide an overview.</p> <p>Mr Schubert noted that two presentations at the last MAC meeting considered issues with managing low load:</p> <ul style="list-style-type: none"> • “The View from the Cockpit” by Mr Sharafi; and • “Low Load Project” by Mr Noel Ryan, Ms Teresa Smit and Mr Nathan Kirby. <p>Mr Schubert noted that there is flexible load in the market that could help increase demand in low load situations if it had the right commercial incentives. Mr Schubert indicated that he is interested in two types of flexible load (as described in the paper):</p> <ul style="list-style-type: none"> • Dispatchable Load, dispatched when it is needed; and • Non-dispatchable flexible load that could be encouraged to move to, or turn on in, low load times temporarily or permanently, without being dispatched. <p>Mr Schubert gave some examples of flexible loads, elaborating on some listed in the paper.</p> <p>Mr Schubert questioned why some flexible loads are not shifting consumption to the middle of the day when the wholesale market prices are low or negative, and suggested that this is likely because incentives have not been passed through to the customers.</p> <p>Mr Schubert asked the MAC whether bilateral contracts between generators and retailers or wholesale customers are inhibiting flexible load to move to the middle of the day.</p> <p>Ms Jacinda Papps stated that the MAC should not discuss terms and conditions of customer contracts and that this discussion has potential competition law issues.</p> <p>The Chair suggested that the MAC could discuss contracts in general terms.</p> <p>Ms Papps excused herself from the meeting at 10:45am.</p> <p>Mr Peter Huxtable indicated that Western Power tariffs, such as the RT5 and RT6 reference tariffs with their rolling twelve-month maximum demand charges, inhibit the Water Corporation from doing things with their flexible loads. Ms Dora Guzeleva noted that Western Power is going through an Access Arrangement process</p>	

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	<p>and the issues noted by Mr Huxtable can be conveyed to Western Power and the ERA.</p> <p>Ms Ng indicated that she also would not be able to discuss contractual matters. Ms Guzeleva noted several other online participants have indicated they would also not be able to continue with the discussion (Ms Chan, Ms White and Mr Sarawat).</p> <p>Ms Jabiri advised that Western Power was available to discuss tariff-related matters directly with market participants.</p> <p>The Chair noted EPWA needs to understand the drivers for flexible loads to make recommendations on tariffs that will incentivise customer responses. Ms Guzeleva noted that EPWA is working on flexible load issues and referred to the “Low Load” presentation at the last MAC meeting.</p> <p>Mr Sharafi noted that, from a system security perspective, orchestration of load is an integral part of any successful energy transition, and we need to somehow make the load flexible, such as through the DER Roadmap.</p> <p>The Chair indicated that the Low Load Project is underway, and Ms Guzeleva also pointed out that EPWA is managing some tariff pilots.</p>	

11 General Business

Mr Timothy Edwards noted that the closure of WA borders due to COVID-19 restrictions was impeding development and implementation of much needed internationally-funded storage-based investments in the SWIS. Mr Edwards noted concern that these impediments may divert some of the needed investment to other countries. Mr Edwards asked if there was a mechanism for the MAC to request conditional exemptions for such investments to ensure WA is not missing the opportunity to get the needed electrical storage.

The Chair noted that he expects that the Government is aware of this. The Chair considered that there was nothing that he could do about the issue but that he would raise the matter with the Coordinator.

The meeting closed at 11:10am.