



Minutes

Meeting Title:	Reserve Capacity Mechanism Review Working Group (RCMRWG)
Date:	20 January 2022
Time:	9:30am – 11:20am
Location:	Microsoft TEAMS

Attendees	Company	Comment
Dora Guzeleva	Chair	
Paul Arias	Bluewaters Power	
Rhiannon Bedola	Synergy	
Manus Higgins	AEMO	
Peter Huxtable	Water Corporation	
Sumeet Kaur	Shell Energy	
Mark McKinnon	Western Power	
Wendy Ng	Shell Energy	To replace Sumeet Kaur in the future
John Nguyen	Perth Energy	Proxy for Patrick Peake
Jacinda Papps	Alinta Energy	Until 11:00am
Toby Price	AEMO	Subject matter expert (SME)
Matt Shahnazari	Economic regulation Authority	
Andrew Stevens	Clear Energy	
Dev Tayal	Tesla Energy	
Andrew Walker	South32 (Worsley Alumina)	
Rebecca White	Collgar Wind Farm	
Richard Bowmaker	Robinson Bowmaker Paul (RBP)	
Ajith Sreenivasan	RBP	
Tim Robinson	RBP	
Sue Paul	RBP	Until 11:00am
Stephen Eliot	Energy Policy WA (EPWA)	
Laura Koziol	EPWA	

Apologies	From	Comment
Dale Waterson	Merredin Energy	

Item	Subject	Action
1	Welcome The Chair opened the meeting at 9:30am.	
2	Meeting Apologies/Attendance The Chair noted the attendance as listed above.	
3	Introductions The attendees introduced themselves and the Chair noted the RCMWG's ways of working.	
4	Project Timeline Mr Tim Robinson presented the project timeline and the structure of the Reserve Capacity Mechanism (RCM) Review. The following key points were raised: <ul style="list-style-type: none"> • The Chair clarified that the modelling in all steps of Stage 1 will consider three timeframes – status quo, 2030 and 2050 – and therefore will reflect the net zero emission target. • The Chair noted that EPWA is commencing work on the new Whole of System Plan, which will be a two-year project with extensive scenario modelling, and that the RCM Review will have a shorter timeline that will model snapshots in time. • Mrs Jacinda Papps noted that a huge amount of investment will be required to cater for the electrification needed to achieve the net zero emission target and it will be challenging to work out what that means for the RCM. The Chair noted RCMRWG is tasked with developing sensible, representative analysis to address this matter in the next six months. • The Chair noted that EPWA has commenced its Energy and Governance Legislation Reform (project Eagle), which has flagged changes to the Wholesale Electricity Market Objectives. This will allow the RCM Review to account for how the market is evolving, particularly with respect to emissions. • Mr Dev Tayal asked how the RCM Review would affect investment certainty for new projects planning to enter the market within the next few years. The Chair noted that: <ul style="list-style-type: none"> ○ the Network Access Quantity (NAQ) regime, the certification of capacity for storage and the pricing regime for Capacity Credits are out of scope; 	

Item	Subject	Action
	<ul style="list-style-type: none"> ○ the RCM is an administrative mechanism that has evolved significantly over time and can be expected to continue to evolve; ○ in the market design that includes relatively low Energy Price Limits, the purpose of the RCM is to ensure that generators have the opportunity to earn sufficient revenue for their investments; and ○ there is currently an oversupply of capacity in the Wholesale Electricity Market (WEM), leading to low Reserve Capacity Prices, but the price is expected to rebound in response to the scheduled plant retirements and the expected peak demand growth, which should provide the necessary investment signal. <ul style="list-style-type: none"> ● The RCMRWG agreed to hold a meeting on 17 February 2022 to agree to a modelling approach that can be reported to the MAC at its meeting on 1 March 2022. 	

5 Initial Discussion

Mr Robinson presented the key topics for the RCM Review.

The following points were raised:

- Mr Manus Higgins noted that remaining schedulable generation (e.g. net of demand) should be considered as part of the system stress investigations.
- Mr Matt Shahnazari noted that, with increased renewable generation, supply shortages can occur outside of peak demand periods, and that the system stress investigations should include times where supply minus demand is low.
- Mr Ajith Sreenivasan noted that system inertia could also be relevant when investigating system stress.
- The Chair noted that the RCM currently only considers the capacity need three years in the future and suggested that consideration could be given to looking at more than one year when setting the Reserve Capacity Requirement.
- Mr Toby Price noted that AEMO has done some preliminary analysis of system stress in the SWIS and suggested that the RCM Review ~~should~~ could consider differentiating ~~ing~~ between types of volatility, such as volatility caused by changes in solar radiation during the day and ~~less~~ unknown volatility ~~within one Trading Interval or~~ across multiple intervals associated with weather conditions.
- Mrs Papps raised concerns about the possible introduction of the Unforced Capacity (**UCAP**) concept in the RCM and considered that:
 - forecasting outages is fraught and likely to penalise some technology types (e.g. baseload);

Item	Subject	Action
	<ul style="list-style-type: none"> ○ forecasting outages is unlikely to be more accurate than applying a reserve margin; ○ past outages may not predict future outages and may penalise generators for one-off incidents where the issue has been rectified; and ○ refunds already incentivise availability. <p>Ms Wendy Ng agreed that a UCAP regime would not be workable in the WEM.</p> <p>The Chair noted that the Scope of Works requires the RCMRWG to consider the UCAP concept and indicated that the concerns by Mrs Papps and Ms Ng would be considered.</p>	
	<ul style="list-style-type: none"> ● Mr Shahnazari asked if the RCM Review would consider locational capacity prices and noted that other jurisdictions are applying multiple reliability nodes. Mr Robinson indicated that the modelling would assess whether different regions will have different capacity needs which could result in the need for multiple reliability nodes. ● Ms Ng raised concerns that having the NAQ regime and also having the RCM regime account for differences in the contribution to reliability by location could lead to some form of double dipping. The Chair clarified that the assessment of whether the contribution to reliability differs by location would only consider any locational differences that are not already addressed through the NAQ regime. ● Mr Price noted that, in the context of looking at different technologies, different capabilities <u>of value to the system should could</u> also be considered such as fuel availability <u>(possibly linked to ,-energy storage duration)</u>, start-up times, ramp rates and minimum generation. ● The Chair indicated that consideration should be given to developing one methodology to determine Certified Reserve Capacity for all technology types. Mr Shahnazari noted that other jurisdictions are currently implementing or aiming to implement a single method to assess the contribution to reliability for all technologies. ● Mr Higgins noted that the RCM Review should include the assessment of the availability classes and that it is possible that more availability classes will be needed in the future <u>to reflect the level of 'usefulness' to the grids operators</u>. ● The Chair noted that capacity could also be valued differently depending on the associated emissions. Mr Andrew Stevens cautioned against accounting for emissions in the RCM because other regulatory mechanisms will incentivise low-emissions solutions and 	

Item	Subject	Action
	<p>that the RCM should focus on reliability. Mr Shahnazari and Ms Ng agreed with Mr Stevens.</p> <p>Ms Rebecca White noted that the RCM Review should ensure that the RCM is not inconsistent with the Government's emissions policy.</p> <p>Mr Higgins noted that the RCM Review should ensure that low-emissions technologies are not kept out of the market <u>but RCM should not be used to incentivise low emission technologies.</u></p>	
6	<p>Introduction of the Modelling Tool</p> <p>The RCMRWG agreed to defer discussion of the modelling tool to the meeting on 17 February 2022.</p>	
7	<p>Next Steps</p> <p>The Chair asked all RCMRWG members to provide the MAC Secretariat with:</p> <ul style="list-style-type: none"> • any analysis and data that is relevant to the deliverables for this review; and • any international references or experience relevant to the RCM in WA. 	<p>RCMRWG members (end Feb 2022)</p>
11	<p>General Business</p> <p>No general business was discussed.</p> <p>The next RCMWG meeting is scheduled for 17 February 2022.</p>	

The meeting closed at 11:20am.