



Minutes

Meeting Title:	Reserve Capacity Mechanism Review Working Group (RCMRWG)
Date:	17 February 2022
Time:	9:35am – 11:20am
Location:	Microsoft TEAMS

Attendees	Company	Comment
Dora Guzeleva	Chair	
Dimitri Lorenzo	Bluewaters Power	Proxy for Paul Aires
Rhiannon Bedola	Synergy	
Oscar Carlberg	Alinta Energy	Subject matter expert (SME) Until 11:00am
Manus Higgins	AEMO	
Sumeet Kaur	Shell Energy	
Sam Lei	Alinta Energy	SME
Mark McKinnon	Western Power	
Wendy Ng	Shell Energy	To replace Sumeet Kaur in the future
Patrick Peake	Perth Energy	
Jacinda Papps	Alinta Energy	
Toby Price	AEMO	SME
Matt Shahnazari	Economic Regulation Authority	
Noel Schubert	MAC Small-Use Consumer representative	Observer
Andrew Stevens	Clear Energy	
Dev Tayal	Tesla Energy	
Andrew Walker	South32 (Worsley Alumina)	
Dale Waterson	Merredin Energy	
Rebecca White	Collgar Wind Farm	
Richard Bowmaker	Robinson Bowmaker Paul (RBP)	
Isaac Grumbrell	RBP	
Ajith Sreenivasan	RBP	

Tim Robinson	RBP	
Stephen Eliot	Energy Policy WA (EPWA)	
Laura Koziol	EPWA	

Apologies	From	Comment
Peter Huxtable	Water Corporation	
Paul Arias	Bluewaters Power	

Item	Subject	Action
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1 Welcome

The Chair opened the meeting at 9:30am.

2 Meeting Apologies/Attendance

The Chair noted the attendance as listed above.

3 Minutes of RCMRWG meeting 2022_01_20

Draft minutes of the RCMRWG meeting held on 20 January 2022 were circulated on 4 February 2022. The Chair noted that a revised draft of the minutes showing some changes was distributed in the meeting papers.

The RCMRWG accepted the revised minutes as a true and accurate record of the meeting.

Action: RCMRWG Secretariat to publish the minutes of the 20 January 2021 RCMRWG meeting on the RCMRWG web page as final.

RCMRWG Secretariat

4 Reliability, resource adequacy and the RCM

Mr Tim Robinson presented a slide on grid reliability. The following key points were discussed:

- Mr Robinson noted that the lack of flexibility could be addressed by incentivising flexible facilities. The question is if such incentives should be facilitated via the Essential System Services (**ESS**) market or the Reserve Capacity Mechanism (**RCM**).

Mr Matt Shahnazari noted that capacity mechanisms conventionally aim to address system adequacy, not flexibility and indicated that it is questionable whether the conventional approach should change. Mr Shahnazari cautioned against using a single market mechanism to address different services.

The Chair noted that the scope of the RCM Review included assessing the potential lack of flexibility and whether it should be addressed through the RCM.

Item	Subject	Action
	<p>Mrs Jacinda Papps noted that the ESS markets do not currently include a ramping service or fast frequency response and that those services need to be captured either in the ESS or in the RCM. Mrs Papps considered that the RCM would provide more long-term certainty for investors.</p> <p>Mr Shahnazari commented that the WEM Rules allow for the addition of new ESS, including ramping services, either through proposing new services or procuring those services through the supplementary ESS mechanisms.</p> <ul style="list-style-type: none"> Ms Rebecca White suggested adding resource location to the elements of resource adequacy. 	

5 Modelling methodology

Mr Richard Bowmaker presented the proposed modelling methodology. The following key points were raised:

- Mr Bowmaker clarified that changes in demand including those driven by climate change would be considered as part of the underlying demand forecast.

Mr Bowmaker clarified that the RCMRWG will discuss the assumptions for adjusting historic demand to derive future demand profiles before the modelling is commenced.

The Chair noted that it is intended for the modelling to test and inform RCM Review decisions and that it is not practical to repeat the Whole of System Plan or to predict the outcomes of multiple scenarios based on multiple future drivers (i.e. climate change, electrification, etc.) within the timeframe of the RCM Review.

Ms White noted that different scenarios for charging electric vehicles (EVs) may lead to very different outcomes.

Mrs Rhiannon Bedola noted that the behaviour of distributed energy resources (DER) would largely be driven by the tariff structure.

The Chair emphasised that the timeline for the RCM Review would not allow modelling of all permutations of plausible scenarios. The Chair noted that the objective is to assess how the RCM can cope with a small number of key scenarios. However, demand will play an important role in the analysis.

- Mr Manus Higgins noted that AEMO is preparing a document for the working group to provide detailed insights into the system stresses that AEMO is observing.
- Mr Bowmaker indicated that start-up times will be considered when setting the modelling inputs and assumptions.

Item	Subject	Action
	<ul style="list-style-type: none"> • Mr Bowmaker clarified that the system adequacy modelling will assess if there is sufficient capacity for each Trading Interval and the dispatch model will then look at the availability of types of capacity on an interval-to-interval basis. • Mr Patrick Peake noted that the objective of the RCM Review is to find a mechanism to ensure the required reliability. • Mr Lei noted that any modelling using historic generation data will need to be adjusted for any dispatch of the Generator Interim Access (GIA) facilities. • Mr Bowmaker clarified that the goal of the analysis is to identify the system needs based on the demand forecast and then to assess how much of the needed capabilities are available and how to model them. The model will assess each type of facility separately without any grouping. • Mr Lei suggested to include a scenario with extremely high volatility in DER / demand, not only scenarios with extremely high peak demand. Mr Robinson noted that DER was modelled separately from underlying demand. • Mr Shahnazari suggested that the RCM Review should first define the capacity product and then assess how the capacity of the current fleet would address the identified system stress events. The other question is if the system stress events can be addressed while meeting the net zero emissions target. • The Chair noted that one objective of the RCM Review is to define the required capacity product. • Mr Peak noted that year-to-year Reserve Capacity Price fluctuations may disincentivise investment. Mr Robinson noted that an option that may be investigated is to allow new facilities to lock in a price for several years. • The Chair clarified that the analysis will be based on current policy. Therefore, a proxy carbon price will not be considered. 	
6	<p>Modelling assumptions (including scenarios)</p> <p>Mr Bowmaker presented the modelling assumptions and scenarios. The following points were made:</p> <ul style="list-style-type: none"> • The Chair clarified that: <ul style="list-style-type: none"> ○ the references to solar and wind generation should be replaced with references to low-emissions generation; and ○ any references to storage did not necessarily mean batteries but could include any type of storage. 	

Item	Subject	Action
	<ul style="list-style-type: none"> Mr Bowmaker confirmed that all assumptions and inputs will be adjusted to reflect the latest information available. Mrs Papps considered that the certification requirement for Scheduled Generators to demonstrate sufficient fuel contracts and transport arrangements to maintain 14 hours of continuous operation imposes unnecessary high costs on Market Generators, as run-times are currently shorter. Mrs Papps asked if this requirement would be assessed as part of the review. The Chair noted that the 14-hour fuel requirement will be assessed as part of the development of the method(s) to assign Certified Reserve Capacity (CRC). The Chair noted that the ideal is to design one method to assign CRC for all technologies. Mr Bowmaker noted that the modelling would assume that any needed transmission network augmentation will be built as required, so it will not need to be modelled. Mrs Papps indicated that Alinta is willing to confidentially share with EPWA some of the recent experience about the costs of connecting a new facility to the network. There was discussion about different studies on the value of lost load (VOLL). Mr Mark McKinnon agreed to report Western Power's assumptions about VOLL from the recent access arrangements to EPWA. Mrs Papps noted that the Brattle Group had published a relevant report few years ago. Mr Shahnazari noted that the Public Utilities Office had published a relevant report a few years ago. Mr Shubert noted that the political value of lost load is different than the economic value of lost load. 	
	<p>Action: Mark McKinnon to share Western Power's assumptions about VOLL from the recent access arrangement submission with the MAC Secretariat.</p>	<p>Mark McKinnon (March 2022)</p>
7	<p>Modelling tools</p> <p>The RCMRWG agreed to ask any questions regarding the modelling tools offline.</p>	
8	<p>Next Steps</p> <p>The RCMRWG agreed to hold a meeting on 17 March 2022 to discuss the outcome of the international review and an update on the detailed modelling assumptions.</p>	
11	<p>General Business</p> <p>No general business was discussed.</p> <p>The next RCMRWG meeting is scheduled for 17 March 2022.</p>	

The meeting closed at 11:30am.