Minutes

Meeting Title:	Reserve Capacity Mechanism Review Working Group (**RCMRWG**)
Date:	16 February 2023
Time:	9:30 AM to 11:35 AM
Location:	Microsoft TEAMS

Attendees	Company	Comment
Dora Guzeleva	Chair	
Manus Higgins	AEMO	
Toby Price	AEMO	Subject matter expert
Oscar Carlberg	Alinta Energy	
Kiran Ranbir	ATCO Australia	
Daniel Kurz	SSCP Power	Until 10:45 AM
Geoff Gaston	Change Energy	Subject matter expert
Jake Flynn	Collgar Wind Farm	
Matt Shahnazari	Economic Regulation Authority	
Owen Cameron	Enel X	Subject matter expert
Scott Cornish	Enel X	Subject matter expert
Tessa Liddelow	Shell Energy	
Paul Arias	Shell Energy	
Noel Schubert	Small-Use Consumer representative	
Andrew Walker	South32 (Worsley Alumina)	
Rhiannon Bedola	Synergy	
Peter Huxtable	Water Corporation	
Mark McKinnon	Western Power	
Tim Robinson	Robinson Bowmaker Paul (**RBP**)	
Ajith Sreenivasan	RBP	
Shelley Worthington	EPWA (**EPWA**)	
Laura Koziol	EPWA	
Stephen Eliot	EPWA	

Apologies	From	Comment
Patrick Peak	Perth Energy	
Andrew Stephens	Clear Energy Pty Ltd	
Dale Waterson	Merredin Energy	
Dev Tayal	Tesla 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	**Minute of RCMRWG meeting 2023_02_01** The draft minutes of the RCMRWG meeting held on 1 February 2023 were distributed in the meeting papers on 10 February 2023. The Chair noted the following changes that had been made since the circulation of the minutes: Page 5: • Mr Schubert considered that the reserve margin can be low in November because this is the time where most Planned Outages are scheduled. Scheduling of Planned Outages is in the control of AEMO. Page 8: • Mr Schubert suggested to test whether the IRCR incentivises Synergy to manage consumption considering all of the market interactions and signals Synergy receives. The RCMRWG accepted the minutes, as amended, as a true and accurate record of the meeting.	
	Action: RCMRWG Secretariat to publish the minutes of the 1 February 2023 RCMRWG meeting on the RCMRWG web page as final.	**RCMRWG Secretariat**
4	**Action Items** The paper was taken as read.	
5	**DSP CRC** Mr Robinson presented the proposal for assigning Certified Reserve Capacity (CRC) to Demand side Programmes (DSPs) and considerations about DSP dispatch. The three Options identified are: • Option 1: Using an ELCC approach; • Option 2: Based on load in historical IRCR intervals; and • Option 3: Nomination of the CRC by the DSP proponent with provision of evidence. The proposal was to implement two methods for assigning CRC to DSPs depending on the characteristics of the Associated Loads as follows:	

- Option 2 for DSPs made of a small number of large industrial loads that have consistent data of historical performance.
- Option 3 for DSPs made up of a large number of smaller loads that are likely to change from year-to-year.

The following was discussed:

Availability requirements for DSPs

- In response to a question form Mrs Bedola, Mr Robinson clarified that:
  - currently DSPs can declare in their application for certification during which hours they will be available;[1]
  - currently DSPs can be dispatched for 200 hours;
  - under Option 3 a DSP would need to be available to deliver the certified MW in every interval in which it must be available; and
  - the availability requirement under Option 3 could be amended, for example, to allow for lower MW availability during off-peak times.
- Mrs Bedola noted that currently DSPs must be available to be dispatched for 200 hours but it is not specified in which months or hours of the day the 200 hours can fall.
- The Chair clarified that the 200 hours are limiting the total hours a DSP can be dispatched. The purpose is not do define when a DSP can be dispatched.
- Mrs Bedola considered that the availability requirements for DSPs should be consistent with the requirements for other capacity providers. Alternatively, it should be recognised that the availability requirements for DSPs are different and if they have to be available less they should get paid less.
- Mr Carlberg agreed with Mrs Bedola. He expressed concerns that reducing the availability requirement to less than 200 hours would reduce the alignment with other capacity providers. Mr Carlberg considered that the 200 hour availability requirement had been introduced to harmonise the requirements for DSP with the requirements for Scheduled Generators.
- The Chair noted that DSPs have never been dispatched for 200 hours in any year.
- Mr Robinson clarified that DSPs must be available from 8 AM to 8 PM on Business Days. They incur refunds if they are not available during any of these hours. The 200 hours only limit the total amount of hours they can be dispatched for in a Capacity Year.
- Mr Schubert considered that the availability requirement for DSPs should be based on the time they are expected to be actually

1 Clause 4.10.1(h) of the WEM Rules requires DSPs to be available to be dispatched:
- for a minimum of 200 hours; and
- at least during the periods between 8 AM and 8 PM on all Business Days.

needed. He considered that 8 AM to 8 PM is specifying a time span than that is much longer than what is actually needed from DSPs.

- Mr Cameron supported Mr Schubert's comment.
- The Chair considered that it should be assessed whether DSPs have to be available for the same quantity of MW for every interval.
- The Chair considered that DSPs should have to be available when they are needed. She noted that Electrical Storage Resources (ESR) have to be available from 4:30 PM to 8:30 PM and are getting the same capacity payments. This recognises that they cannot be available 24 hours a day and is based on the time they are actually needed. DSPs should be assessed the same way.
- Mr Carlberg considered that ESR face a higher risk to be dispatched than DSPs.

Value DSPs bring to the market

- Mr Carlberg noted that he does not consider DSPs will provide a noticeable incremental benefit to the IRCR signal.
- Mr Higgins considered that AEMO's experience during the 2022 Supplementary Reserve Capacity process indicated that there is not much additional potential beyond the loads that AEMO identified are reacting to the IRCR signal.
- Mr Cameron considered that:
  - in years with mild weather, loads that react to the IRCR incentive have to reduce demand many times during summer when there are actually no reserve constraints which delivers only a small benefit to the system;
  - DSPs can be dispatched when needed, including times outside of the IRCR intervals; and
  - there are resources that cannot participate in IRCR or the RCM because they cannot reduce consumption for the 30 to 50 hours required to reduce their IRCR but could reduce consumption for 10 to 20 hours a year..
- Mrs Bedola considered that AEMO can rely less on loads to react to the IRCR signal than on a DSP that must respond to a dispatch instruction. If AEMO reduces its forecast demand because a load previously reduced consumption in response to the IRCR signal and the load does not react to the IRCR signal the next time this may cause issues for system reliability.
- Mr Schubert considered that DSPs will have a substantial role in the future. He considered that the requirements for DSPs should not be too restrictive and avoid excluding useful resources from participation. For example, the requirement to be dispatched with two hours notice may exclude resources that would need three hours notice.

- Mr Schubert considered that, while some DSPs may be dispatched often, others may only be dispatched once in ten years, which is much better than building a power plant for that purpose.
- Mrs Bedola considered that DSPs should not receive capacity payments when there is a lot of overcapacity. She suggested that DSPs should be paid a lower availability payment and a higher dispatch payment. This would recognise that providing capacity is not the core business of a DSP.
- Mr Higgins and Mr Kurz supported Mrs Bedola's suggestion.
- Mr Higgins considered that this would help to ensure availability of the DSPs.
- Mr Kurz considered that DSPs incur high costs when dispatched because this is reduction of their productivity.
- Mr Cameron considered that, if a DSP can provide peaking capacity cheaper than a power plant, it should be preferred. It should not matter whether the facility providing peaking capacity is built for that purpose.
- Mrs Bedola considered that loads will have a bigger role to play in the WEM but that this could also be through DER instead of DSPs.
- Mr Schubert considered that the cheapest capacity for meeting the 1 in 10 year peak demand should be procured.
- Mr Higgins considered that the actual consumption data needs to be available to AEMO in real-time to make DSPs useful for dispatch.

Dispatch

- Mr Huxtable noted that he was against the introduction of a dynamic baseline. Loads are paying for capacity based on their consumption during peak demand. Therefore, the reduction should be measured against the capacity loads are paying for.

Refunds and consumption deviation applications

- Mr Robinson clarified that under the proposal, a DSP that fails a test will be on a Forced Outage until it passes a test. The DSP will have to pay Reserve Capacity Refunds for the time it is on a Forced Outage.
- Mr Higgins supported the proposal to remove the Consumption Deviation Applications because:
  - they are onerous to administer; and
  - can be used to game the market.
- Mr Schubert agreed with Mr Higgins.
- Mr Huxtable considered that a DSP that does not consume is not contributing to system stress.
- Mr Robinson noted that this would be reflected in the load's IRCR for the next Capacity Year.

Item	Subject	Action

Assigning CRC to DSPs

- Mr Gaston expressed his support for Option 3, provided sufficient testing is implemented.
- Mr Carlberg raised concerns that under Option 3 providers may nominate a DSP and then fail to contract the required loads. This has the potential to distort the Reserve Capacity Price and the associated investment signal.
- The Chair noted that Option 3 would require a punitive refund regime that goes beyond just reducing Capacity Credits if the DSP fails to deliver.
- Mr Schubert supported the approach of implementing two methods for the assessment of DSPs' CRC.
- Mr Carlberg considered that the benefit of the proposed changes to the DSP regime may not justify the effort of developing the changes given the work load of AEMO and other participants.

  The Chair noted that the Relevant Demand must be considered under the scope of the RCM Review, as there is also an outstanding Rule Change Proposal on this.
- Mr Carlberg expressed his concerns about the cost and effort of the implementation of the considered changes.
- Mr Price and Mrs Bedola agreed that the implementation costs of proposal should be assessed.
- The Chair agreed that implementation costs must be considered. However, the system stress modelling indicates that DSPs will become much more important from 2030. Therefore, the current issues with DSPs must be fixed to remove barriers for entry for the needed resources.

6 IRCR

Mr Robinson presented the proposed methods for setting the peak IRCR and the flexible IRCR.

The following was discussed:

Peak IRCR

- Mr Schubert supported the proposal for setting the minimum of days on which IRCR intervals can fall to two.
- Mrs Bedola raised concerns that restricting the IRCR intervals to summer will result in not having a signal when the peak shifts into the winter.
- Mr Robinson considered that a shift in the peak from summer to winter should be predicted in the ESOO, which would leave sufficient time for a Rule Change Proposal. He noted that it should be assessed if a review of whether the peak is shifting to winter should be introduced.

Item	Subject	Action

- Mr Gaston noted that he would prefer keeping the current method for setting the IRCR intervals. He expressed concerns about setting the minimum to only two IRCR days. This could penalise customers as currently they may be able to respond on some but not all of the four days.
- The Chair noted that the current method can lead to setting the IRCR based on intervals that are not system stress intervals while some system stress intervals may not be accounted for.
- Mr Gaston acknowledged the issue and suggested to expand the proposed method to select a minimum of 4 days.
- Mrs Bedola considered that a load should not benefit from reducing consumption on a day which is not an extreme system load day.
- Mr Cameron noted that from a load perspective it is easier to manage IRCR intervals that fall on four days.
- Mr Carlberg suggested changing the minimum to three days.
- Mr Gaston supported Mr Carlberg's proposal.

Flexible IRCR

- In response to a question from Mr Huxtable, Mr Robinson clarified that a load that is ramping down during the high ramp period would receive a flexible IRCR of zero. It may also be possible for such a load to receive flexible Capacity Credits.
- Mr Gaston raised concerns that the mechanism for determining the flexible IRCR appears difficult to predict for customers. It may be more practicable to use the peak IRCR intervals also to allocate the cost for the flexible Capacity Credits.
- In response to a question from Mr Gaston, Mr Robinson clarified that the intervals of highest ramp don't correlate with the high demand intervals.
- Mr Carlberg suggested to assess whether the flexible IRCR intervals determined under the proposed method can be forecast to make this more transparent.
- Mr Huxtable considered that predictability will help to react to the signal.
- Mrs Bedola considered that it is a major flaw to use system demand instead of underlying demand. She considered that using underlying demand would reward DER for shifting the peak which is currently missing.
- Mr Robinson noted that reducing the peak consumption gets rewarded if the service is provided through a market mechanism but not if it is provided outside of the market.
- The Chair noted that the ramping issue which is to be addressed by the flexibility capacity product is caused by DER.

Item	Subject	Action
	• Mr Cameron, Mr Gaston and Mr Huxtable supported removing the NTDL status. Mr Cameron noted that removing the NTDL status will increase the incentive to react to the IRCR signal.	
7	**Applying the IRCR Intervals to Intermittent Generators' CRC** • In response to a question from Dr Shahnazari, Mr Robinson clarified that the allocation of the fleet's Expected Load Carrying Capability to individual facilities is based on average performance during the IRCR intervals. • Mr Carlberg raised concerns to use the IRCR for allocating CRC to intermittent generators if the IRCR intervals could fall on only two days. He considered that it places too much risk on investors. • Mrs Bedola considered that intermittent generators are not only providing capacity at peak but also for the duration gap. She expressed concerns to use the IRCR for any other purpose than allocating capacity costs to customers.	
8	**Next Steps** Mr Robinson summarised the next steps of the RCM Review.	
9	**General Business** No general business was discussed.	

The meeting closed at 11:35am