



Minutes

Meeting Title:	Reserve Capacity Mechanism Review Working Group (RCMRWG)
Date:	30 August 2023
Time:	9:00 AM to 11:00 AM
Location:	Microsoft TEAMS

Attendees	Company	Comment
Dora Guzeleva	Chair	
Manus Higgins	AEMO	
Toby Price	AEMO	Until 10:10 AM
Gerry Devereux	AEMO	
Daniel Kurz	Summit Southern Cross Power	
Oscar Carlberg	Alinta Energy	
Richard Cheng	Economic Regulation Authority	Proxy for Matt Shahnazari
Patrick Peake	Perth Energy	
Paul Arias	Shell Energy	
Noel Schubert	Small-Use Consumer representative	
Annabel Keogh	Synergy	Proxy for Rhiannon Bedola Until 10:45 AM
Peter Huxtable	Water Corporation	
Mark McKinnon	Western Power	
Andrew Walker	South32 (Worsley Alumina)	
Owen Cameron	EnelX	
Scott Cornish	EnelX	
Kiran Ranbir	ATCO	
Samuel Lee Mohan	Frontier Economics	
Tim Robinson	Robinson Bowmaker Paul (RBP)	
Isaac Gumbrell	RBP	
Ajith Sreenivasan	RBP	
Laura Koziol	EPWA	
Shelley Worthington	EPWA	

Item	Subject	Action
1	<p>Welcome</p> <p>The Chair opened the meeting with an Acknowledgment of Country and welcomed members and observers.</p> <p>The Chair noted that the purpose of the meeting was to seek the RCMRWGs feedback on the draft Amending Rules before the public consultation.</p> <p>The Chair emphasised that the timely implementation of the Amending Rules is important to address several urgent issues. Therefore, any feedback is required quickly.</p> <p>In response to a question from Mr Price, the Chair clarified that:</p> <ul style="list-style-type: none"> • The draft Amending Rules will be published as soon as possible after the 4 September 2023 RCMRWG meeting for a consultation period of four weeks. • During the consultation period, EPWA will discuss the sequence of commencing different aspects of the Amending Rules with AEMO and present the proposed sequence to the RCMRWG. • An additional meeting of the RCMRWG may be held if needed. • EPWA plans to submit the Amending Rules to the Minister in late October or early November 2023 for gazettal by the end of November 2023. • Some of the Amending Rules are planned to commence in December 2023. 	
2	<p>Meeting Attendance</p> <p>The meeting attendance is provided above.</p>	
3	<p>What constitutes a Transitional Facility?</p> <p>The Chair presented the proposed approach for the treatment of upgrades and additions to Transitional Facilities.</p> <p>The Chair noted that this was a new issue that had not been considered previously in the RCM Review.</p> <p>The Chair noted that:</p> <ul style="list-style-type: none"> • upgrades to a Facility, once certified, are difficult to be considered separately from the original Facility; and • additional Separately Certified Components that are added to a Facility can be treated separately from the original Facility for pricing purposes. <p>The Chair noted that EPWA proposes that new Separately Certified Components of Transitional Facilities should receive the prevailing Reserve Capacity Price and not the Transitional Reserve Capacity Price to incentivise efficient investment in the market.</p> <ul style="list-style-type: none"> • Mr Carlberg, Mr Higgins and Mr Peake supported the proposal. • Mr Kurz noted that he had no concerns with the proposal. 	

4 Rules to introduce Flexible Capacity

Mr Robinson presented the key draft Amending Rules for the implementation of the new flexible capacity product. The discussion is summarised below.

- Mr Price suggested to utilise the definition for a Fast Start Facility when setting the requirements for the flexible capacity product.

Mr Robinson agreed to assess how to include the requirements for Fast Start Facilities in the requirements for the flexible capacity product.

- Mr Schubert asked whether it is assumed that Facilities with Flexible Capacity Credits will be able to also address volatility outside of the evening ramp.

The Chair noted that the review decision was to not address volatility separately though the RCM.

Mr Robinson noted that the conclusion of stage 1 of the RCM Review had been that no extra product is required to address volatility separately because if sufficient capacity is available to cover the afternoon ramp, volatility would also be covered.

In response to a question from Mr Price, Mr Robinson clarified that meeting the requirements for Frequency Co-Optimised Essential System Services (FCESS) will not be a requirement to be certified for flexible capacity. However, a Facility holding Flexible Capacity Credits would be required to apply for accreditation for all FCESS it was capable of providing.

- Mr Carlberg raised concerns that the requirements for flexible capacity (e.g. minimum ramp rate and maximum allowed minimum stable load) could change from year to year increasing uncertainty for investors.

The Chair considered that, with the expected change to the generation mix, it was likely that the requirements for flexible capacity would become less demanding over time.

- Ms Keogh noted that it should be ensured that the proposed changes in clause 4.5.9 would not result in double counting of capacity for the purpose of the reserve margin. Ms Keogh noted that she would provide further detail on the concern via email.

In response to a question from Mr McKinnon, Mr Robinson clarified that the Flexible Reserve Capacity Target will be explicitly based on the highest upward ramp. This is because the analysis in stage 1 of the RCM Review indicated that the highest downward ramp will be smaller and can be addressed through curtailing PV generation. However, the requirements for flexible capacity will include the capability to ramp down quickly.

Mr Robinson noted that the Flexible Reserve Capacity Target will be based on the highest forecast 4-hour ramp considering the 10% Probability of Exceedance (POE) and the 50% POE forecasts.

- Mr Carlberg raised concerns that the availability requirements for Electric Storage Resources (ESR) providing flexible capacity will reduce the ability of ESR to offer Essential System Services (ESS).
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	<p>The Chair noted that the impact of availability requirements on the provision of ESS had been considered when setting the original requirements for the Peak Electric Storage Resource Obligation Intervals (PESROI). ESR must be available in the PESROI and Flexible Electric Storage Resource Obligation Intervals (FESROI) but the participant has the flexibility to minimise its exposure / maximise its revenues through its offers.</p> <p>In response to a question from Mr Price, the Chair clarified that:</p> <ul style="list-style-type: none"> For an ESR that is dispatched during the FESROI, the ESR's Reserve Capacity Obligation Quantity (RCOQ) will be reduced accordingly for that day's PESROI; and output above the Reserve Capacity Obligation Quantity (RCOQ) will only reduce an ESR's RCOQ in later intervals if AEMO directed the ESR to exceed its RCOQ. <p>In response to a question from Mr Price, Mr Robinson clarified that an ESR will not be able to be assigned more Flexible Capacity Credits than Peak Capacity Credits even if it could ramp to a higher quantity over the afternoon ramp.</p> <p>The Chair clarified that ESR can offer into the Wholesale Energy Market to increase their chance to be dispatched during the peak instead the ramp, in which case AEMO would only dispatch them during the ramp if they were needed to maintain security of supply.</p> <ul style="list-style-type: none"> Mr Kurz suggested that a worked example would be helpful. <p>The Chair noted that EPWA would consider including an example in the explanatory notes for the exposure draft.</p> <ul style="list-style-type: none"> Mr Schubert asked which short run marginal costs would be applied to ESR. Mr Cheng noted that the Economic Regulation Authority would consider Mr Schubert's question. 	
5	<p>Capability Classes Rules</p> <p>Mr Robinson presented the key draft Amending Rules for the implementation of the new Capability Classes. The discussion is summarised below.</p> <ul style="list-style-type: none"> Mr Carlberg asked if it had been considered to provide AEMO with discretion to reduce the 14-hour availability requirement for Capability Class 1 Facilities. <p>Mr Robinson noted that the review decision was that the availability requirement for Capability Class 1 Facilities would be at least 14 hours but could increase if the Availability Duration Gap extended beyond 14 hours.</p>	
6	<p>Peak IRCR Rules</p> <p>Mr Robinson presented the key draft Amending rules for the implementation of the new Peak Individual Reserve Capacity Requirement (IRCR). The following was discussed.</p>	

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	<p>In response to a question from Mr Schubert, Mr Robinson clarified that the IRCR intervals will be published before the Hot Season. However, because loads enter and leave the South West Interconnected System throughout the year, the IRCR will change throughout the year as well. Mr Robinson noted that for a portfolio with no new or retiring loads the IRCR will only change slightly throughout the year as a result of other load portfolios changing.</p> <ul style="list-style-type: none"> Mr Kurz raised concerns that the timing of the implementation of the new Peak IRCR regime will pose a risk for retailers who usually contract customers for two years, in particular for retailers that contracted Non-Temperature Dependent Loads (NTDLs). <p>The Chair noted that, while the impact on retailers could be taken into consideration for the commencement of the new Peak IRCR regime, these changes will need to be implemented in a timely manner to enable implementation of the new Relevant Level Method.</p> <ul style="list-style-type: none"> Ms Keogh noted that Segment 1 and Segment 2 in clause 4.29.1(b) may need to be renamed to avoid confusion with Segment 1 and Segment 2 in clause 4.29.1(a). Ms Keogh suggested that some of the clauses 4.29.1A to 4.29.1G could be combined to increase clarity and reduce repetition. 	
7	Flexible IRCR Rules	
	Mr Robinson presented the key draft Amending Rules for the implementation of the new Flexible IRCR. No issues were raised.	
3	General Business	
	No general business was discussed	
3	Next Steps	
	Mr Robinson outlined the agenda for the 4 September 2023 RCMRWG meeting.	

The meeting closed at 11:00 am