

Minutes

Meeting Title:	Reserve Capacity Mechanism Review Working Group (RCMRWG)
Date:	4 September 2023
Time:	9:00 AM to 11:00 AM
Location:	Microsoft TEAMS

Attendees	Company	Comment
Dora Guzeleva	Chair	
Manus Higgins	AEMO	
Neetika Kapani	AEMO	
Toby Price	AEMO	From 9:55 AM
Gerry Devereux	AEMO	
Daniel Kurz	Summit Southern Cross Power	
Oscar Carlberg	Alinta Energy	
Richard Cheng	Economic Regulation Authority	Proxy for Matt Shahnazari From 9:30 AM
Paul Arias	Shell Energy	
Tessa Liddelow	Shell Energy	
Noel Schubert	Small-Use Consumer representative	
Rhiannon Bedola	Synergy	
Peter Huxtable	Water Corporation	
Mark McKinnon	Western Power	
Scott Cornish	EnelX	
Peter Huxtable	Water Corporation	
Geoff Gaston	Change Energy	
Dale Waterson	Merredin Energy	
Samuel Lee Mahon	Frontier Energy	
Tim Robinson	Robinson Bowmaker Paul (RBP)	
Isaac Gumbrell	RBP	
Ajith Sreenivasan	RBP	
Laura Koziol	EPWA	

Shelley Worthington	EPWA	
---------------------	------	--

Item	Subject	Action
------	---------	--------

1 Welcome

The Chair opened the meeting with an Acknowledgment of Country and welcomed members and observers.

Mr Robinson noted that the purpose of the meeting was to seek the RCMRWG's feedback on the draft Amending Rules before the public consultation.

2 Meeting Attendance

The meeting attendance is provided above.

3 Optional Expressions of Interest Optional

Mr Robinson presented the key draft Amending Rules for making the Expression of Interest (EOI) process optional. The discussion is summarised below.

- Mr Devereux noted that AEMO will still need the information currently required for the EOI submissions to determine the constraint equations which are needed for the ESOO and the Network Access Quantities (NAQ).
- Mr Devereux suggested to remove the EOI process altogether and instead bring the time forward by which a facility must be registered to allow them to apply for Certified Reserve Capacity (CRC).

The Chair noted that some simple drafting that requires participants to provide AEMO with the data that is required would be good to include at some point but considered that removing the EOI process was not appropriate.

The Chair considered that bringing the requirement for registration forward would just replace the current requirement to participate in the EOI with the requirement to register. She noted that discussions in the MAC and public forums have indicated that is too early for participants to know exactly what proposals they might ultimately make.

The Chair considered that this change would not resolve the issue with stakeholders registering many facilities that may not eventuate for the Capacity Year and that this will not improve the input data for the constraint equations. She added that some valuable facilities that could be available in the relevant Capacity Year may not be able to apply for CRC later in the process.

- Mr Carlberg agreed with the Chair.
- Mr Higgins noted that AEMO will provide a suggestion for a changed date by when facilities must be registered to receive CRC.

Item	Subject	Action
------	---------	--------

4 Demand Side Programmes

Mr Robinson presented the key draft Amending Rules for the implementation of the changes to the treatment of Demand Side Programmes (DSPs). The discussion is summarised below.

In response to questions from Mrs Bedola, the Chair:

- clarified that analysis on the number of hours DSPs are expected to be needed is presented in the Stage 2 Information Paper;
 - agreed that it must be ensured that the Amending Rules do not allow DSPs to use the same capacity for both reducing their loads' Flexible Individual Reserve Capacity Requirement (IRCR) and for providing Flexible Capacity; and
 - agreed that available DSP capacity must be taken into account in AEMO's outage planning process.
- Mrs Bedola and Mr Kurz noted that outage scheduling was currently already difficult.
 - Mr Schubert considered that with the expected electrification, it could be expected that winter peaks will increase. Therefore, outage scheduling will become even more difficult.

The Chair noted that AEMO would need to consider whether DSPs are taken into account as a firm and available capacity for the outage planning process.

- Mr Cornish considered that the prohibition on Associated Loads of DSPs to reduce IRCR should be removed because the issue of double dipping will be addressed through the implementation of dynamic baselines.

The Chair noted that it will need to be assessed first that the dynamic baseline addresses all potential double dipping issues adequately.

Mr Robinson suggested that the prohibition should remain until the method for determining the dynamic baseline is determined as part of the Demand Response Review.

5 Testing, Outages, and Refunds

Mr Robinson presented the key draft Amending Rules for the implementation of the changes to the testing, outages and refunds regimes. The discussion is summarised below.

- Mrs Bedola suggested to amend all formulas, so all variables are denoted by P for Peak or F for Flexible where possible to avoid confusion.

In response to questions from Mrs Bedola, Mr Robinson clarified, that it is intended that a Facility can have a partial outage related to Peak Capacity without an Outage for Flexible Capacity that it can still deliver. Mr Robinson noted that it would be ensured that this is reflected in the draft Amending Rules.

Item	Subject	Action
	<p>In response to a question from Mr Carlberg, Mr Robinson clarified that there are new calculations for the Flexible Trading Interval refund rate - clauses 4.26.1(h) – 4.26.1(k). He noted that the refund rate for flexible capacity is different from the refund rate for peak capacity and, similarly, the refund factor and the per Trading Interval refund price will be different.</p> <p>In response to a question from Mrs Bedola, Mr Robinson noted that the rate equals 1.5 times the Facility monthly Flexible Reserve Capacity Price.</p> <ul style="list-style-type: none"> Mr Kurz noted that 12/8 was more representative. <p>The Chair noted, in regard to clause 9.8.3, that it will be distributed to participants that have withdrawal quantities and that some generators have withdrawal quantities.</p> <ul style="list-style-type: none"> Mrs Bedola sought to clarify, with regard to refunds being redistributed on the IRCR, if the individual interval the outage occurred in was what the refund was paid for. <p>Mr Robinson responded that the capacity costs for that interval are divided up based on the IRCR in that interval and that the refund is paid on the basis of that interval, not over a longer period.</p>	

6 Relevant Level Method

Mr Robinson presented the key draft Amending rules for the implementation of the new Relevant Level Method (RLM). The following was discussed.

The Chair noted that “load curtailment” covered everything including SRC activations and clarified that every direction or instruction to demand or interruptible loads will be added back, including SRC activations.

In response to a question from Mrs Bedola, Mr Robinson noted that if intermittent facilities were to provide Essential Systems Services (ESS) then that would be accounted for as well.

Mr Robinson noted that the idea is that the historical output for each facility is what it would have done, the maximum it could have done in the absence of anything that could have curtailed output. Similarly, the demand needs to be what it would actually have been free of any intervention that may have reduced it.

Mr Robinson noted that there was a transitional rule included due to the IRCR intervals being measured in a particular way before the new RLM rules come into effect, so that on commencement the IRCR intervals selected under the new rules will be used as part of the new RLM.

In response to questions from Mrs Bedola, Mr Robinson noted that:

- AEMO calculates what the IRCR intervals would have been in each of those historical years and the facility average performance level is their deemed historical output;
 - if a facility was actually in operation AEMO has their actual output, adding any curtailment back;
-

Item	Subject	Action
	<ul style="list-style-type: none"> for new facilities, expert report numbers are available for the historical period and combined with the historical IRCR intervals to estimate average performance level. <p>Mr Robinson noted that the intervals are the same, but the data is different depending on whether a facility was actually commissioned for that period or not.</p> <p>Mr Robinson noted that the complexity of the four different groups of facilities had not been discussed in the working group but was required at the detailed design level for implementation. Mr Robinson added that the fleet ELCC is calculated for each of the four different categories of facilities, and that detail of how this is calculated is in previous papers available on the Coordinator's website.</p> <p>In response to a question from Mrs Bedola, the Chair noted that this process was already very complex and that anything to judge whether a year is typical, or an outlier will be extremely arbitrary. The Chair noted that the lowest year was a decision, as per the Information Paper.</p> <p>Mr Robinson added that EPWA had considered whether there was any threshold that could be used to differentiate. However, any reasonable threshold number would have thrown out more years rather than fewer years.</p> <p>In response to a question from Mr Bedola, Mr Robinson noted that it was only the additional portion of the ELCC that relates to the Proposed Facilities that gets allocated to the Proposed Facilities. If none of the Proposed Facilities are allocated any NAQs that will not change the CRC of the other facilities because the Proposed Facilities do not impact on the Committed Facilities.</p> <p>The Chair noted that there had been previous discussion as to how the NAQs may influence this and if there would be a need to consider if the process would need to be rerun. The Chair noted that there may be circumstances in which things change in the NAQ process, but that Committed Facilities would always have the first allocation and the Proposed Facilities would receive the residual.</p> <p>Mr Robinson added that the RLM was independent of the NAQ. The NAQ process comes after the relevant level was determined for each of the facilities and because Committed Facilities have preference in the NAQ there was a need to separate the Fleet ELCCs so that the Committed fleet ELCC was not affected by facilities that may not eventuate.</p> <ul style="list-style-type: none"> Mr Price asked if the contribution for each of the groups was then underestimated, noting that it was his understanding that the larger the group the lower the ELCC for that group. <p>Mr Robinson responded that this depended on the characteristics of the facilities. For example, if there was a wind farm that produces only during the day and another that produces only during the night, the ELCC across both of those facilities would be larger than the ELCC if they were in an individual fleet by themselves.</p>	

Item	Subject	Action
	<p>Mr Robinson noted that, assuming that wind and solar farms are correlated in some way, the more facilities are added that are correlated the more the fleet ELCC will increase but the individual share of the ELCC will drop.</p> <p>The Chair added that there would be a drop but the drop will not be as large because the fleet value will continue to increase. She noted that EPWA would include an explanatory note in the draft to explain the relationship as just discussed.</p> <p>In response to a question from Mr Carlberg, Mr Robinson clarified that a Committed Facilities was the group that referred to an existing facility or one under construction.</p> <ul style="list-style-type: none"> Mr Carlberg noted that under the current RLM when there are network constraints facilities receive estimates and asked if that would also occur under the new RLM. <p>Mr Robinson noted that curtailment for network outages would be included if a facility was able to do more but was curtailed, Step B1 will include an allowance for it, and the pre-curtailment projected output would be used to work out what a facility's historical output was.</p> <p>Mr Robinson noted that, before the new market starts, there are still periods in the five year window where there are consequential outages, whereas in the new market the facility would not be on outage rather it would be constrained by the dispatch algorithm and, therefore, there was a transitional rule to account for consequential outages before they cease.</p> <ul style="list-style-type: none"> Mr Carlberg noted that the transitional rule needs to pick up GIA generators because they do not get consequential outages but get operational instructions instead that trigger those estimates. <p>The Chair noted that consideration to what had happened in the past would be given and an attempt would be made to try and replicate it.</p> <ul style="list-style-type: none"> Mr Schubert noted that, over the last few years. intermittent generators were self-limiting their output during the day when market prices are low which would reduce their allocation of Capacity Credits in the future if that data is used for determining their RLM. <p>Mr Robinson noted that in the new market intermittent generators should be able to offer a particular price and let the clearing engine do the curtailment. However, if they were making a decision to submit a lower quantity into the dispatch process due to a low market price then that would potentially reduce their Capacity Credits.</p> <p>Mr Robinson added, however, that the price was unlikely to be low in the periods that are driving the ELCC so it was unlikely it would be in periods which would affect their relevant level.</p> <p>The Chair noted that in the new market there would be rules that should prevent this behaviour anyway.</p> <ul style="list-style-type: none"> Mr Cheng noted, with regard to dynamic refund rates, that there was a potential to get to a point where refunds become greater than Capacity Credits at which point RCOQ becomes zero and asked if this would continue with the new rules. Noting that there was now a split 	

Item	Subject	Action
	<p>between peak and flexible capacity, Mr Cheng asked if that would affect RCOQ for peak capacity and vice versa.</p> <p>Mr Robinson responded that there had been previous discussions on whether to have a single refund pool or separate refund pools. The decision was to have separate refund pools for peak and flex.</p> <p>Mr Robinson noted that one of the reasons for pushing the flexible capacity refunds to outside the Hot Season was to reduce the likelihood that a participant runs through all of its flex capacity refunds before the time that it is actually required and there is no financial incentive to provide it at the required time.</p> <p>The Chair noted that there should still be a requirement to make sure that participants are still available, though they are not paying refunds, and that failure to submit an offer or respond to an instruction is taken into account in at least the Forced Outage count.</p> <p>The Chair noted there was a need to pay more attention to the Forced Outage count, more generally.</p> <p>Mr Robinson added that effectively the RCOQ should never get to zero. If a participant paid refunds to the full amount of their capacity payments, all of the capacity obligations still remain. If they get to above the 10% Forced Outage count figure there were now rules to make it more likely that AEMO will allocate them a smaller amount of CRC.</p> <p>The Chair noted that, based on the discussions during this meeting, EPWA would ensure that there were good explanatory notes in the Exposure Draft.</p>	
7	General Business	
	No general business was discussed	
8	Next Steps	
	<p>The Chair noted that following publication of the Exposure Draft of the Amending Rules there would be public consultation.</p> <p>If there were too many issues raised following the consultation that another meeting of the RCMRWG would be held.</p> <p>Pending that, the Chair advised that the next RCMRWG meeting was scheduled for 21 September 2023 to discuss the reference technology type.</p>	

The meeting closed at 11:00 am