



Minutes

Meeting Title:	Market Advisory Committee (MAC)
Date:	21 March 2024
Time:	9:30am –11:30am
Location:	Microsoft Teams online meeting

Attendees	Representing in MAC	Comment
Sally McMahon	Chair	
Tom Butler	Australian Energy Market Operator	
Katie McKenzie	Australian Energy Market Operator	
Genevieve Teo	Synergy	
Noel Schubert	Small-Use Consumer Representative	
Christopher Alexander	Small-Use Consumer Representative	
Jacinda Papps	Energy Producer	
Adam Stephen	Energy Producer	Left 11.10am
Paul Arias	Energy Producer	
Peter Huxtable	Contestable Customer	
Geoff Gaston	Energy Retailer	
Patrick Peake	Energy Retailer	
Tim Edwards	Energy Retailer	
Rajat Sarawat	Economic Regulation Authority (observer)	
Noel Ryan	Minister (observer)	
Non-member attendees	From	Comment
Dora Guzeleva	EPWA	MAC Secretariat
Bronwyn Gunn	EPWA	MAC Secretariat
Shelley Worthington	EPWA	MAC Secretariat
Dr Matt Shahnazari	ERA	Presenter for Item 6(b)
Geoff Glazier	Merz Consulting	Presenter for Item 6(c)
Tim Robinson	Robinson Bowmaker Paul (RBP)	Presenter for Item 6(e)

Apologies	From	Comment
Zahra Jabiri	Network Operator	Apology

Item	Subject	Action
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1 Welcome

The Chair opened the meeting with an Acknowledgement of Country.

The Chair noted her appointment as part-time councillor to the National Competition Council as of 23 February 2024 and advised that she would recuse herself from any applications relating to energy infrastructure assets should they arise.

The Chair noted her role as Commissioner at the Australian Energy Market Commission and that the views or advice provided by the MAC to the Coordinator do not necessarily represent the views of the Chair.

The Chair noted the Competition and Consumer Law obligations of the MAC, inviting members to bring to her attention any issues should they arise.

The Chair noted that MAC operates for the good of the Wholesale Electricity Market (WEM) Objectives and members are to participate in the interests of the stakeholder group they represent. Any specific views pertaining to particular organisations can be provided through the applicable consultation processes.

2 Meeting Apologies/Attendance

The Chair welcomed the new MAC members from AEMO, Ms McKenzie and Mr Butler and noted the attendance and apologies as listed above.

3 Minutes of Meeting 2024_02_08

The minutes of the 8 February 2024 meeting were approved out of session and published on the Coordinators website on 21 January 2024.

4 Action Items

The Chair noted the open Action Items.

Mr Butler provided an update on item 6/2024 and noted that minor changes had been made to the Dispatch Algorithm Formulation Procedure and that the second consultation period closed on the 14 March with the Procedure scheduled to commence 28 March 2024.

Mr Stephen provided an update on item 2/2024. He noted that he had met with Ms Guzeleva and understood that AEMO, EPWA and the ERA were reviewing how the new WEM is performing and that he was happy to wait for the outcomes of those reviews to be made public.

Mr Stephen noted that he did consider it appropriate for the MAC to discuss how the market was functioning at some point.

Mr Arias supported Mr Stephen's comment and sought to clarify whether outcomes from the ERA review would be made public.

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	<p>Mr Sarawat replied that the ERA normally did make their findings public, except in instances where information is confidential.</p> <p>The Chair requested that EPWA and the ERA provide an update of where the review was at, at the next MAC meeting.</p> <p>Mr Sarawat clarified that the ERA was not undertaking a full review of the market, rather that it was specifically looking into Frequency Co-Optimised Essential System Service (FCESS) and the FCESS prices pre and post new market.</p> <p>Ms Guzeleva noted that item 2/2024 would remain open and that EPWA would discuss the review of the FCESS prices with the ERA and provide an update at the next MAC meeting as a separate action item. She also noted that EPWA was required to publicly report on the effectiveness of the market by 1 July 2025 and that EPWA would engage with the MAC in preparing that report for the Minister.</p>	

ACTION: EPWA and the ERA to discuss the review of the FCESS prices and provide an update at the next MAC meeting.

EPWA and the ERA

5 Market Development Forward Work Program

The Chair noted the updates to the paper.

Ms Guzeleva clarified that under the MAC review section, where it referred to ACIL Allen' appointment to assist with the Procedure Change Process Review that it should instead state that ACIL Allen was also appointed to assist with the MAC Review. Ms Guzeleva reminded MAC members to fill out the survey they had received from ACIL Allen regarding both these reviews.

Following a request from Mrs Papps, the MAC agreed that moving forward links would be provided to working group meeting minutes that were already published, and minutes would only be included in the MAC papers if they were not yet published.

6 Update on Working Groups

(a) AEMO Procedure Change Working Group (APCWG)

The Chair noted the updates, and the paper was taken as read.

Mr Butler noted, with regard to the prioritisation schedule, that the Procedures that are categorised as high priority are those that are Procedures that are required to manage operational processes to ensure AEMO and Market Participants do not breach the rules.

Mr Butler encouraged all MAC members and Market Participants to be involved in the process of finalising Procedures.

The Chair noted that MAC members would provide feedback to AEMO directly on the schedule.

ACTION: MAC members to contact AEMO directly regarding the prioritisation framework or specific procedures.

Item	Subject	Action
	<p>(b) ERAs BRCP (Benchmark Reserve Capacity Price) WEM Procedure Review Working Group Working Group (BRCPWG)</p> <p>Dr Shahnazari, the Chair of the BRCPWG, provided an update to the MAC as per the papers.</p> <p>Dr Shahnazari proposed to present a summary of proposed changes at the next MAC meeting on the 2 May 2024.</p> <p>The Chair agreed.</p>	
	<p>(c) Power System Security and Reliability Standards (PSSR) Working Group (PSSRSWG)</p> <p>The Chair noted that minutes of the 1 February PSSRSWG meeting are draft minutes and therefore may be subject to change.</p> <p>The Chair noted that Dr Shahnazari left the meeting.</p> <p>Mr Glazier discussed Slide 4 and highlighted the contribution of the Technical Working Group and the PSSRWG to this project.</p> <p>Mr Glazier discussed slide 5 and noted that a jurisdictional comparison would be completed on the PSSR definitions.</p> <p>Mr Glazier discussed slide 7 and 8 and explained that:</p> <ul style="list-style-type: none"> • the first stage included reviewing the existing instruments to identify all the relevant standards and the role of AEMO and Western Power in implementing each standard across planning and operational timeframes; • the matrix on slide 8 sets the scope for the stage 2 gap analysis; • the work to date recognises how the mechanisms have been applied historically and may not be the best way to break down functions in the future; and • the PSSR Analysis Workbook (excel spreadsheet) details the existing PSSR Standards and related mechanisms. <p>Mr Glazier noted that the PSSR related work undertaken by Western Power as part of their Technical Rules submission to the ERA have been incorporated in the gap analysis for this review. He noted that only the higher level/policy gaps had been discussed with the working group, but there were a number of other more minor gaps that would be resolved through this project.</p> <p>Mr Glazier discussed the gaps in slides 10-12 and made the following comments:</p> <ul style="list-style-type: none"> • Gap 1: <ul style="list-style-type: none"> • different planning standards work in different environments and across time, and that in and of itself that this is not an issue, but it is not clear how each should be applied; • the Technical Rules have deterministic standards, and the Access Arrangement has a value of customer reliability and a requirement to demonstrate economic prudence before making an investment. The Electricity Industry (Network 	

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Quality and Reliability of Supply) Code 2005 has outcome-based measures such as System Average Interruption Duration Index, System Average Interruption Frequency Index and Customer Average Interruption Duration Index; and

- it is important that these standards and processes are consistent and coordinated effectively.
- Gap 2: Western Power have had to seek exemptions from the Technical Rules to do what is required of them under the Access Code and Access Arrangement, and noted that resolving this gap required clarity about when Western Power had to follow technical requirements and when they had to work under economic regulation to avoid administrative burden.
- Gap 4: this gap is a result of bringing some parts of the connection framework into the WEM Rules and leaving other parts in the Technical Rules.
- Gap 6: retirement of coal will reduce diversity of fuel sources and existing security standards may not adequately consider how to address this.
- Gap 7: there is a lack of clear guidance in the WEM Rules about the roles and responsibilities for maintaining system strength.
- Gap 8: there is a need for more clarity around when Western Power should use Non Co-optimised Essential System Services to deliver reliability outcomes.
- Gap 9: customers can request a non-reference service under the Electricity Networks Access Code 2004 and participate in demand side management services but this needs to be better integrated into the standard.

The Chair invited members to provide comments and ask questions.

- Mrs Papps asked Mr Glazier to clarify how gap 6 interacts with the Reserve Capacity Mechanism and whether the approach for this gap is more from a holistic perspective rather than about meeting certification requirements for fuel supply. She asked and how this gap links with the Electricity Statement of Opportunities (ESOO) and the Gas Statement of Opportunities.

Mr Glazier explained that the WEM Rules outline the security standards that must be met, and the purpose of the ESOO is to set out how the capacity procured meets that requirement. He clarified that the identified gap is about whether the PSSR provisions and obligations for those who have to implement it are comprehensive. He noted this was specifically in relation to the unserved energy requirements in 4.5.9, and how fuel supply security is considered in meeting that requirement.

- Mrs Papps agreed with the gap outlined in item 11. She asked for clarifications on the timing of design proposals, noting that negotiations are currently in progress on the Generator Performance Standards (GPS) for existing generators.

Item	Subject	Action
	<p>Ms Guzeleva noted generators would be expected to finalise their GPS negotiations soon, and that any proposed changes as part of this review would not be implemented until late 2025.</p> <ul style="list-style-type: none"> <li data-bbox="296 367 1190 495">• Mrs Papps noted that another issue that could be addressed is removing the need for generation licenses, given the robustness of the compliance and monitoring measures under the GPS framework. <li data-bbox="296 521 1190 786">• Mr Alexander suggested categorising the identified gaps differently, clarifying what are inconsistencies, redundancies, missing content, matters that are addressed but not being implemented properly. He added that matters such as how end-use customers who increasingly play a role in achieving reliability outcomes are engaged in the change process. He asked for clarifications whether system resilience and cyber security are within scope. <p>Mr Glazier agreed with Mr Alexander’s suggestion, noting that the gaps have been categorised differently for different audiences. He clarified that the matrix on slide 8 outlines how the gaps evolved and developed over time, and this may be the best way to present the gaps going forward. He added that system resilience is within scope of this review as part of the gap analysis, nothing the discussions with the working groups on whether there is a need for a metric to measure this.</p> <p>Ms Guzeleva clarified that the purpose of this review is to introduce a single, end-to-end standard with a centralised governance framework. She added that the governance framework includes compliance, monitoring and enforcement.</p> <ul style="list-style-type: none"> <li data-bbox="296 1243 1190 1339">• Mr Butler inquired about gap 3, noting that achieving this would require additional network investments and that ride-through could be better provided through another asset or service. <p>Mr Glazier clarified that this refers to the network staying ‘on’ in ride-through conditions. He added that historically electromechanical relays meant that the network never turned off, but now there are things like electronic relays islanding protection and it’s important to clarify circumstances when the network can and can’t turn off, and for that to be consistent with generation to the extent practical.</p> <ul style="list-style-type: none"> <li data-bbox="296 1581 1190 1709">• Mr Butler raised the question of whether network investment to achieve this would be the most efficient solution or if there are other more efficient ways to achieve this, such as additional contingency services. <p>The Chair clarified that discussions on potential solutions are beyond the scope of today's presentation, which is solely focused on stages 1 and 2 of the review.</p> <ul style="list-style-type: none"> <li data-bbox="296 1848 1190 1975">• Mr Butler returned to Mis Papps’ question about fuel supply storage (item 6) and asked Mr Glazier whether this review will also consider whether there are adequate levels of demand response. 	

Item	Subject	Action
	<p>Mr Glazier stated it is already adequately considered and not part of the identified gap.</p> <ul style="list-style-type: none"> Mr Schubert noted he would like to see more explicit reference to the use of outage evidence/data to identify the gaps. He noted that a high degree of the outages are due to network issues, and as such that is where the focus needs to be for fixing things. Mis Papps returned to Mr Alexander's question about cyber security and highlighted that the Security of Critical Infrastructure Act 2018 that creates the legal framework to manage cyber security obligations and compliance. She emphasised that participants, including generators, network, and AEMO, have comprehensive cyber security obligations under this and it would be costly to add any overlay onto this. <p>Ms Guzeleva noted that a public consultation paper will be released at the end of stage 3 and that MAC would be consulted on this.</p>	

(d) Demand Side Response Review (DSRRWG)

The Chair noted the papers which were taken as read.

(e) WEM Investment Certainty (WIC) Review Working Group (WICRWG) Update

Ms Guzeleva stated that feedback is only being sought on the proposals which have not already been extensively discussed by the MAC or proposals which have materially changed since that last update to the MAC in November 2023, unless members request otherwise.

On initiative three, Ms Guzeleva noted that:

- the most supported option by the WICRWG was the proposal which aligned with the Capacity Investment Scheme (CIS); and
- the WICRWG will meet again to discuss initiative three following publication of the CIS design paper by the Commonwealth; and
- the outcome of this will be brought to the MAC meeting in June.

Ms Guzeleva presented the emissions threshold proposals and noted that the proposed emissions thresholds were discussed with the Environmental Protection Authority for Western Australia (EPA) and the Department of Water and Environment and Regulation, given interlinkages with the emissions thresholds in the EPA's Environmental Factor Guideline. The aim is that the EPA consider the emissions thresholds in the WEM Rules in their decision on whether or not to require approval for new plant under Part 4 of the Environmental Protection Act 1986.

Ms Guzeleva added that the proposal for facilities that receive Flexible Capacity Credits to be exempt from the quantity thresholds will be amended so that the exemption period will last for 10 years following implementation of the thresholds, rather than 10 years from when the plant comes in. This purpose of this threshold is to ensure that operation of new and existing flexible gas plant is not distorted and that it can displace higher emitting generation and reduce overall emissions across the system.

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	<ul style="list-style-type: none"> Ms McKenzie asked which types of facilities would be impacted by these thresholds. <p>Ms Guzeleva noted the draft consultation paper contains analysis that indicates when existing facilities would be expected to become ineligible for Capacity Credits due to the decreasing intensity thresholds, and that it will be coal and diesel that would be affected by this.</p> <p>The Chair noted that the implications for existing facilities have been extensively considered by EPWA and the MAC.</p>	
	<ul style="list-style-type: none"> Mrs Papps supported the 10-year exemption for Flexible Capacity providers, however, noted concern that the Flexible Capacity product has not been designed but there is gas plant being designed now and asked if the proposal should be subject to confirmation once the parameters of the Flexible Capacity product are known to ensure there aren't facilities being forced into retirement before the 10 year exemption period ends. <p>Ms Guzeleva noted the concern and agreed to review the analysis with this comment in mind.</p>	
	<ul style="list-style-type: none"> Mr Robinson noted that the analysis had some assumptions about the parameters of the Flexible Capacity product and the analysis showed these facilities would lose Capacity Credit certification around 2037. <p>Ms Guzeleva noted that the assumptions about the Flexible Capacity product used in the analysis could be included in the paper.</p>	
	<ul style="list-style-type: none"> Ms Teo asked whether the timing of introduction of these thresholds in the 2027 Capacity Cycle has changed. <p>Ms Guzeleva responded that it has not changed, and that the proposal is aligned with the Government's coal retirement trajectory. She noted that if there are still issues with the timing they should be raised.</p>	
	<ul style="list-style-type: none"> Mr Edwards asked what work EPWA is doing to build the EPA's knowledge about the future of the grid and the need to facilitate the quick introduction of new flexible plant. <p>Ms Guzeleva responded that EPWA will include analysis of the system with and without a threshold in the consultation paper to help inform and educate. Consultation with the EPA is ongoing and EPWA is seeking to give the EPA comfort that the changes to the WEM Rules will achieve their legislated objectives. She noted that the EPA guidance and processes will be more difficult for larger gas plant. EPWA's aim is to avoid having two regimes that are impacting on investment decisions.</p>	
	<ul style="list-style-type: none"> Mr Stephen agreed with the comment from Mrs Papps about uncertainty around what Flexible Capacity is and questioned why the initial intensity threshold is set at 0.95 noting it was previously at 1. <p>Ms Guzeleva responded it was changed when the proposal changed from a quantity to intensity threshold for existing plant, as well as in the context of the coal retirement program. She noted that an explanation will be included in the consultation paper.</p>	

Item	Subject	Action
	<p>The Chair summarised that proposal balances emissions and security/reliability and provides investment certainty.</p> <p>Ms Guzeleva noted an amendment to the proposal on the Reserve Capacity Price (RCP) Curve since last presented to the MAC, to set the floor at 50%. She noted this was amended following feedback provided by Geoff Gaston noting the risk to investors that an absolute zero point would have.</p> <p>Ms Guzeleva asked for feedback from the MAC.</p> <ul style="list-style-type: none"> Mr Alexander asked for elaboration on the consumer impact in the consultation paper, particularly on pages 30-31. <p>Ms Guzeleva agreed and noted that the RCP review in three years' time will consider the customer impact.</p> <p>The Chair noted that this proposal was presented to the Expert Consumer Panel on 18 March 2024.</p> <ul style="list-style-type: none"> Mr Peake expressed support for the revised floor at 50% and proposed a mechanism that keeps capacity at a constant cost to customers as this would provide them with excess reliability at no extra cost. Mr Butler asked whether the WICRWG would discuss the consultation paper prior to publication. <p>Ms Guzeleva responded that these matters had been discussed in the working group and the next step is publication.</p> <p>The Chair thanked members for discussion and noted Mr Arias had left the meeting.</p>	

7 Rule Changes

(a) Overview of Rule Change Proposals

The Chair noted there were no updates, and the paper was taken as read.

8 WEM Procedure Content Assessment

The Chair sought approval of the Procedure Content Assessment Working Group (PCAWG). MAC members supported the establishment of the working group.

The Chair sought comments on the Term of Reference for the PCAWG. The following was discussed:

- Mr Butler:
 - expressed concern about the amount of work that would be required from AEMO to complete this review given the length and breadth of WEM Procedures.
 - expressed concern with the uncertainty of having the criteria to define what should be included in procedure versus WEM Rules to be developed by the Procedure Change Review without a working group.
 - questioned how many of the WEM Procedures have had challenges or questions raised by stakeholders that haven't been
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	<p>able to be addressed through the existing change process, as in AEMO's opinion this would be a more efficient process.</p> <p>Ms Guzeleva clarified that the criteria will be determined through consultation, just not with a working group, and would be established before the review commenced but that the scope for this project had been brought to this MAC meeting ahead of time to smooth the workload for MAC.</p> <ul style="list-style-type: none"> • Mr Butler questioned if alternative approaches to address the content adequacy should be explored to reduce the resourcing impact. <p>Ms Guzeleva clarified that the working group will not review all aspects of the WEM Procedures but would need to come up with a list of specific concerns.</p> <ul style="list-style-type: none"> • Mr Butler suggested the Term of Reference be changed to indicate that members must consider the costs and benefits associated with any proposed procedure change. • Ms Papps noted she would not support moving to a National Electricity Rules style 'four-layer' framework with Rules, Procedures, Guidelines and Standards and requested this be excluded from the scope. <p>Ms Guzeleva agreed to exclude this.</p> <p>The Chair concluded the discussion and noted an action arising on EPWA to present the Terms of Reference on the next MAC meeting for approval and encouraged members to provide comments via email prior to the meeting.</p>	
	<p>ACTION: EPWA to include the Terms of Reference for the Procedure Content Assessment Working Group as an Agenda Item on the next MAC meeting to be hold on 02 May 2024, for approval.</p>	<p>EPWA</p>
<p>9</p>	<p>General Business</p> <p>The Chair noted the next MAC meeting would be held online on the 2 May 2024.</p>	

The meeting closed at 11:33am.