

31 May 2024

Mr Ryan Buckland  
Project Manager  
ACIL Allen  
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Dear Mr Buckland

### **Consultation Paper – Review of the Market Advisory Committee (Stage 1)**

The Australian Energy Market Operator (AEMO) welcomes the opportunity to provide a submission on ACIL Allen's Consultation Paper – Review of the Market Advisory Committee (MAC).

AEMO supports the objectives of the MAC review, which seeks to ensure the MAC is fit for purpose and effective, and that it provides balanced, timely and useful advice to the Coordinator of Energy (Coordinator). AEMO recognises the crucial role of the MAC in the context of the energy transition, particularly in the development and implementation of the Energy Sector Market Rules (ESMR) and ongoing Wholesale Electricity Market (WEM) reforms.

ACIL Allen has requested specific feedback on a series of draft recommendations under four key categories. AEMO has outlined some high-level responses to the recommendations in Attachment 1, as well as some broader comments on the functioning of the MAC within each of the categories.

AEMO has also made some additional recommendations relating to the operations of the MAC. Importantly, this includes a recommendation to establish a MAC Working Group, chaired by AEMO, to advise the Coordinator and seek feedback from industry on reform delivery and implementation issues. AEMO considers this would be a useful and important opportunity for promoting transparency and clarity on AEMO's work program to key stakeholders.

AEMO looks forward to working with Energy Policy WA on the next two stages of the MAC review and providing feedback on the final design proposals for the revised MAC arrangements.

If you would like to discuss any matters raised in this submission, please contact Mena Gilchrist at [mena.gilchrist@aemo.com.au](mailto:mena.gilchrist@aemo.com.au).

Yours sincerely,



Kate Ryan

**Executive General Manager – Western Australia & Strategy**

Attachment 1: AEMO's response to the MAC Review Consultation Paper Draft Recommendations

## Attachment 1 – AEMO’s response to the MAC Review Consultation Paper Draft Recommendations

MAC Review Draft Recommendations	AEMO comments and questions
<b>Issue 1 – Purpose of the MAC</b>	
<p><b>P2. Define the overarching purpose of the MAC (draft recommendation)</b></p> <p>To provide greater focus and clarity towards achieving specific outcomes (shaped by guiding principles)</p>	<ul style="list-style-type: none"> <li>AEMO is generally supportive of the proposal to more clearly define the overarching purpose of the MAC, especially if the MAC’s role is expanded to include providing strategic advice to the Coordinator (as proposed under Issue 2). AEMO suggests that consideration is given to whether this could be achieved through changes to the MAC Constitution and communication with MAC members, rather than through amendments to the WEM Rules.</li> <li>AEMO has identified some issues with the proposed guiding principles outlined in the consultation paper. <ul style="list-style-type: none"> <li>For example, one of the suggested principles seeks to define whether the type of advice sought from the MAC is primarily strategic or technical. AEMO notes that while the MAC may advise on technical matters, the group should not move towards primarily providing technical advice. There are other potential entities more suited to do this – see additional AEMO recommendations below.</li> </ul> </li> </ul>
<b>Issue 2 – MAC roles and responsibilities</b>	
<p><b>R3. Addition of a proactive strategic function to the MAC (draft recommendation)</b></p> <p>Provide for MAC to be convened to provide longer-term strategic policy advice to the Coordinator (shifting away from focus on immediate rule changes)</p>	<ul style="list-style-type: none"> <li>AEMO is generally supportive of the addition of a strategic function to the MAC and will provide more detailed feedback on the design if this recommendation progresses under Stage 2.</li> <li>AEMO notes that the MAC currently considers each agenda item at MAC meetings in isolation, including each of the various reviews being conducted by the Coordinator under the WEM Rules. There may be benefit in the MAC taking a more holistic view to consider the interaction of the agenda items and their longer-term impact on the WEM.</li> </ul>

<p><b>R2. State the unstated roles of the MAC (other option)</b></p> <p>Defining these within the MAC constitution</p>	<ul style="list-style-type: none"> <li>• AEMO does not consider that any change is needed to further define these roles. Many of the listed unstated roles of the MAC are responsibilities currently held by the MAC secretariat and are already well documented in the MAC Constitution.</li> <li>• Another unstated role refers to MAC’s role in providing for Working Group participation, which is a role already held by the MAC under section 2.3 of the WEM Rules.</li> </ul>
<p><b>R4. Remove the need for consensus (other option)</b></p>	<ul style="list-style-type: none"> <li>• The MAC Constitution currently specifies that MAC members must endeavour to reach consensus and, if consensus is not able to be achieved, the independent Chair must then reflect both majority and dissenting views in any advice provided to the Coordinator.</li> <li>• AEMO does not support any change to remove the need for consensus, as this requirement may assist with providing direction to MAC members and encouraging good faith discussion. AEMO also strongly supports retaining the requirement for dissenting and majority views to be reflected in advice to the Coordinator.</li> </ul>
<p><b>Issue 3 – Membership of the MAC</b></p>	
<p><b>M4. Representation based on the SEO (draft recommendation)</b></p> <p>Members would be aligned and grouped across the three State Electricity Objective (SEO) limbs to ensure balanced advice</p>	<ul style="list-style-type: none"> <li>• Basing member representation on the SEO is a complex proposition and it is not clear to AEMO from the detail in the consultation paper how this would work in practice. As many members would fit under more than one limb (as would most issues), any clear delineation would be challenging, making it potentially difficult to ensure each limb has an equal voice.</li> </ul>
<p><b>M6. Minister’s Discretion (draft recommendation)</b></p> <p>All MAC members would be approved by the Minister for Energy (Minister) in consultation with the independent Chair</p>	<ul style="list-style-type: none"> <li>• AEMO questions whether there would be any additional benefit from requiring MAC members to be approved by the Minister. The WEM Rules already require the Coordinator to consult with the independent Chair when appointing MAC members, and the MAC Constitution details additional requirements in appointing and replacing members.</li> <li>• An alternative approach could be to maintain the current membership structure but allow for additional members to be considered at the independent Chair’s discretion, based on their expertise and relevance.</li> </ul>
<p><b>M2. Add a renewable generation representative (other option)</b></p>	<ul style="list-style-type: none"> <li>• AEMO notes that providing for a renewable generation representative may not necessarily ensure that the environmental limb of the SEO is provided for on the MAC. Generator fuel</li> </ul>

<p>Include a new representative class on the MAC to ensure environmental limb of SEO is provided for</p>	<p>source is often not representative of views on environmental matters, and AEMO has found that often it is consumer representatives who are most vocal on environmental matters.</p> <ul style="list-style-type: none"> <li>• Additionally, Market Participants may represent multiple fuel sources, with renewable based generators, storage and fossil fuel based generation. This makes representation on a single issue an additional challenge.</li> </ul>
<p><b>M3. Expert Advisory Body (other option)</b></p> <p>The MAC would move towards being an expert technical body (instead of a strategic, representative body)</p>	<ul style="list-style-type: none"> <li>• AEMO does not support any move for the MAC to become an expert technical body instead of a strategic representative body. The issues being considered within the scope of ongoing WEM reforms, and in the design and implementation of the ESMR, require a level of detail beyond what could realistically be achieved in the length and frequency of MAC meetings.</li> <li>• While a technical advisory body may be required, AEMO suggests this should be formed with a specific scope and purpose and should consist of members with an appropriate level of technical expertise.</li> <li>• On the specific technical area of reform implementation, please see AEMO’s additional recommendations below. Additionally, the Power System Security and Reliability work stream within Project Eagle could consider the need for additional technical expertise or advice relevant to these matters.</li> </ul>
<p><b>M5. Equal representation (other option)</b></p> <p>Equal split of all representative classes (with gentailers comprising their own class)</p>	<ul style="list-style-type: none"> <li>• AEMO generally supports a move towards more equal representation of member classes, noting that clause 2.3.5A already requires the Coordinator to endeavour to ensure equal representation of generators and retailers on the MAC. AEMO will provide further feedback if this option is progressed under Stage 2.</li> </ul>
<p><b>Issue 4 – Operations of the MAC</b></p>	
<p><b>O2. Define the reporting process between the MAC and the MAC Working Groups (WG) (draft recommendation)</b></p> <p>Clearer arrangements embodied in the WG Terms of Reference to ensure WG outcomes or views are provided to and agreed upon in advance by the WG members</p>	<ul style="list-style-type: none"> <li>• AEMO supports the proposal to clearly define the reporting process between the MAC and the MAC Working Groups.</li> <li>• At a minimum, AEMO considers that Working Group members should be provided with the summary of views that are provided to MAC and be given the opportunity to comment, particularly where it is stated a “majority of Working Group members” support an outcome.</li> </ul>

	<ul style="list-style-type: none"> <li>• AEMO also suggests that dissenting views should be represented to the MAC (to the extent practicable).</li> <li>• AEMO considers that providing papers to the Working Group at the same time as MAC is not a suitable alternative to allowing the WG to respond to the paper beforehand. This does not allow for Working Group feedback to be incorporated and AEMO notes that many Working Group members are also MAC members, and therefore would receive the papers at the same time.</li> </ul>
<b>O3. Allow observers at the MAC meetings (other option)</b>	<ul style="list-style-type: none"> <li>• AEMO notes that detailed minutes and papers are published and readily for available for non-MAC members to keep updated on what occurs at MAC meetings. AEMO agrees with the statement that there may be limited benefit to the functioning and purpose of the MAC in allowing observers.</li> </ul>
<b>Additional AEMO recommendations</b>	
<b>1. Recommendation on MAC operations</b>	<ul style="list-style-type: none"> <li>• AEMO acknowledges the high volume of agenda items the MAC must work through in each meeting. However, AEMO notes that the way MAC meetings are structured places the important agenda items at the end of the meeting, which can minimise the time dedicated and potential for robust discussion and input on the more complex issues.</li> <li>• AEMO suggests that the meeting structure could be improved by ordering items by importance and length of consideration, with such items provided early in the meeting where sufficient time can be given to discussion.</li> </ul>
<b>2. Recommendation for MAC Working Group</b>	<ul style="list-style-type: none"> <li>• AEMO recognises that existing arrangements are not providing Market Participants and other stakeholders, including consumer representatives, with the opportunity to fully understand and provide feedback on AEMO's work program to deliver the reform agenda.</li> <li>• Accordingly, AEMO recommends that a MAC Working Group be established to advise the Coordinator on WEM reform delivery and seek feedback from members on prioritisation, interdependencies, sequencing and cost of market reforms and change initiatives.</li> <li>• Early engagement with EPWA is underway on this proposal and, should this be accepted as a concept, we would commence working through the detail - which could be captured as part of Stage 2.</li> </ul>