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Submission by Expert Consumer Panel members Chris Alexander and Noel Schubert on the ACIL Allen Consultation Papers on their Independent Reviews of the Market Advisory Committee and the Procedure Change Process

Dear Ryan,

Thank you for the opportunity to make submissions on the ACIL Allen Independent Review Consultation Papers. This single submission provides our comments on both consultation papers separately.

The energy sector in Western Australia exists to provide electricity and gas to consumers. It is central to energy production and delivery that the long-term interests of energy consumers are served. The Expert Consumer Panel (ECP) was established by the Western Australian Government to provide input on policy, rules and other processes across all elements of the energy supply chain. ECP members include representatives from a variety of energy-related backgrounds, all of whom bring a unique customer perspective to the work of the group.

As members of the ECP, we represent energy consumers on the Market Advisory Committee (MAC) and some of its working groups. We have both provided input to ACIL Allen through interviews and/or online surveys to assist ACIL Allen with its independent reviews and the preparation of these consultation papers.

ACIL Allen Consultation Paper on its Independent Review of the Market Advisory Committee (MAC)¹

To date the MAC has focussed primarily on providing advice and assistance on the WA Wholesale Electricity Market (WEM) rules, procedures, WEM evolution and WEM effectiveness.

In future the MAC's focus will need to be broader than just matters that affect the WEM, due to the application of the new State Electricity Objective (SEO) and expansion of the WEM Rules

¹ ACIL Allen Consultation Paper on its review of the MAC, at:
https://www.wa.gov.au/system/files/2024-05/review_of_the_mac_consultationpaper.pdf

(to be renamed the Electricity System and Market Rules (ESMR)) to address matters contained in:

- the Electricity Networks Access Code 2004;
- Western Power's Technical Rules;
- the Electricity Industry (Metering) Code 2012; and
- the Electricity Industry (Network Quality and Reliability of Supply) Code 2005.

The expanded coverage of the SEO (which includes “electricity services for the long-term interests of consumers” and an environmental limb) and the ESMR will require appropriate definition of the purpose of the MAC, roles and responsibilities of MAC members, and appropriate membership of the MAC to represent the expanded coverage as well as some changes to MAC operations. The consultation paper expands on these aspects and outlines ACIL Allen's recommended approaches.

1. Purpose of the MAC

As members of the ECP **we support recommendation P2 - Define the overarching purpose of the MAC**, for the reasons outlined in the consultation paper, with suggested guiding principles.

Development of the guiding principles and final purpose will require detailed discussion and consideration which we consider best addressed in future months.

At present there are uncertainties about the extent of future coverage of the MAC under the new SEO and ESMR, and so we consider defining the MAC purpose to be important and necessary, without restricting the MAC from providing advice on other important matters relevant to achieving the desired outcomes of the SEO and ESMR.

2. MAC roles and responsibilities

The consultation paper states:

High-level issue statement:

The MAC's role in clause 2.3.1 is framed as reactive rather than proactive, meaning it does not currently have a set function to take a more proactive role in assisting in the development and delivery of policy.

We support recommendation R3 – Addition of a strategic function to the MAC as described in the consultation paper to formalise the ability of the MAC to provide proactive and strategic advice to the Coordinator and/or other bodies (outside of rule change proposals), to draw on industry and member expertise.

There already exists a standing invitation to MAC members, to raise issues for consideration by the MAC at any time, included in the regular MAC Market Development Forward Work Programme agenda item document. Strategic advice suggestions for the Coordinator could be submitted by members for consideration by the MAC using this approach, however we consider

that a formally recognised approach may ‘elevate’ it and make it a more active MAC function than at present.

We do not support R4 - Remove the need for consensus

Guiding question

Do you believe that removing the need for the MAC to endeavour to reach a consensus will improve or decrease the quality of advice from the MAC?

We consider that the current intent to reach consensus should be retained because it will encourage members to openly discuss the issues with a purpose of coming to a common position in accordance with the new SEO rather than encouraging ‘camps’ with differing views to develop and firm up opposing positions. The current requirement to endeavour to reach consensus already allows for dissenting views to be published if consensus cannot be reached.

3. MAC Membership

The consultation paper states:

High-level issue statement:

Stakeholders have suggested that the current composition of the MAC is not able to provide balanced advice, particularly with the introduction of the new SEO, given the dominance of generators on the MAC.

We consider that it is very important that MAC membership appropriately reflects the future broader coverage that is needed to achieve the new SEO’s outcomes. The SEO, with its three limbs (which in-effect describe ‘outcome’ areas), is:

The State Electricity Objective²

The State Electricity Objective is to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity in relation to -

- a) the quality, safety, security and reliability of supply of electricity; and
- b) the price of electricity; and
- c) the environment, including reducing greenhouse gas emissions.

The consultation paper has proposed six options for defining MAC membership.

We consider that membership should be based on what will best achieve the desired outcomes of the SEO in full, not necessarily focussing only on the three limbs as proposed in the consultation paper for option M4 - Representation based on SEO.

The SEO’s overarching objective is for “**efficient ... electricity services for the long-term interest of consumers** in relation to ...” the three limbs (*emphasis added*).

² Source: Electricity Industry Amendment (Distributed Energy Resources) Act 2024, s.5.

In future, besides the traditional and new utility-scale supply-side electricity services providers, there will be an increasing number and significance of smaller downstream and demand-side electricity services and providers playing growing and important roles in the provision of electricity services. Examples are:

- Microgrid and standalone power system providers/owners
- Behind-the-meter Customer Energy Resources (CER)
- Distributed Energy Resources (DER) located within the distribution network, even owned by third parties
- Virtual Power Plant (VPP) aggregators of CER
- Energy Service Companies (ESCOs) providing tariff, demand management, energy management, energy efficiency and environmental advice and services to providers and consumers.

It is important that MAC membership includes adequate representation of such downstream and demand-side service providers, and consumers, as well as the larger supply-side service provider representatives.

We also consider it necessary to ensure an appropriate balance on the MAC between representatives from industry classes or organisations whose dominant interests are commercial (e.g. profitability) versus those whose dominant interests are of consumers or non-commercial outcomes (which most of the SEO limbs a), b) and c) outcomes reflect). It is important for MAC membership to balance the natural tension between the profit-maximising interests of commercial entities, with the long-term interests of consumers.

We consider that focussing only on the three SEO limbs rather than the whole SEO, to define membership (as M4 does), will not capture the needs described above. It is important that MAC membership adequately covers the whole range of electricity service providers, and those agencies that ensure efficient delivery of the services in the long term interest of consumers, more so than the limb outcomes themselves.

We suggest that ACIL Allen revise its preferred recommendation accordingly, acknowledging that the Independent Review final output report reflects ACIL Allen's position and not ours.

4. MAC Operations

The MAC is well chaired and supported by the EPWA secretariat.

We agree however that the much broader coverage of the MAC in future could require a different approach to managing the larger amount of material, subject areas and technical content to cover. For example, there may be a need to consider alternative approaches to the current working group model, which engages with an issue over a series of meetings over months rather than in a focussed sprint over days which can be a superior approach for solving complex problems. How MAC operations need to be restructured to cope with the likely increased volume of work can be fleshed out in future discussion.

ACIL Allen Consultation Paper on its Independent Review of the Procedure Change Process (PCP)³

Although the MAC receives updates on certain procedure changes, as ECP members (not market Rule Participants per se) we have not been actively involved in procedure changes to date. Therefore our responses to the consultation paper are limited to those matters where we wish to convey a view.

Reform Proposal 1 - Introducing a standard presentation of Procedure Change Proposals
Based on what has been outlined in the consultation paper we support this proposal.

Reform Proposal 2 - Development of a Minor Amendments pathway for Procedure Change Proposals

Based on what has been outlined in the consultation paper we support this proposal. Where “the line” should be drawn on what is considered to be a Minor Amendment to a procedure can be fleshed out during later discussion.

Reform Proposal 3 - Uplifting Procedure Change Proposals in the MAC agenda

Whilst we have no objection to this proposal, we feel that more than this would need to be done to uplift the MAC’s consideration of Procedure Changes. The MAC’s level of consideration is probably determined more by the significance of the procedure change (e.g. its level of impact on participants) and whether or not it is perceived to be adequately managed by others.

Reform Proposal 4 - Changing who can initiate Procedure Change Proposals

“ACIL Allen is likely to recommend a change to the WEM Rules which will expand the class of entity which can initiate a Procedure Change Proposal from Rule Participant to “person”. This will align the Procedure Change Process with the Rule Change Process and correct what ACIL Allen believes is an oversight in the current WEM Rules.”

As consumer representatives on the MAC, but not Rule Participants, we support Reform Proposal 4, to allow non-Rule-Participants to be able to propose procedure changes.

Reform Proposal 5 - “Introduce a time limit on when a Procedure Administrator would be required to act upon an affirmative confirmation of a Procedure Change Proposal initiated by a third party, under clause 2.10.2 of the WEM Rules. This time limit would be set based on feedback provided by Procedure Administrators.”

³ACIL Allen Consultation Paper on its Procedure Change Process review, at: <https://www.wa.gov.au/media/46212/download?inline>

We support the introduction of a time limit as proposed, but recognise that what is reasonable for a time limit is likely to vary depending on the significance and magnitude of the proposed procedure change, and the available Administrator's resources to make the change in the time. Instead of a fixed time limit being specified in the WEM Rules, the Rules could allow the time limit to be agreed by the parties involved once the procedure change has been affirmed.

Criteria for Procedure Content

Regarding the consultation paper questions on appropriate criteria for Procedure content, the criteria proposed seem reasonable, but we defer to others more involved in the process to provide their views.

We would be pleased to provide any further information to support this submission.

Yours sincerely,

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