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Dear Ryan

REVIEW OF THE MARKET ADVISORY COMMITTEE

Synergy welcomes the opportunity to provide comment to ACIL Allen (**ACIL**) on their publication *Review of the Market Advisory Committee – Consultation Paper (MAC Paper)*. Synergy commends ACIL for the thorough review of the current regulatory framework for the Market Advisory Committee (**MAC**) and the functions it serves in the governance of the Wholesale Electricity Market (**WEM**).

Synergy notes its keen interest in ensuring that the MAC is fit for purpose under the relevant legislation and in the context of the new market as of October 2023. Synergy's feedback on the recommendations and guiding questions contained in the MAC Paper are provided **below**.

1 PURPOSE OF THE MAC

1.1 Do you believe there is a current clear 'reason for being' of the MAC?

Synergy submits that the purpose of the MAC is properly articulated in clause 2.3.1 of the WEM Rules, which provides that the MAC is a committee of industry representatives that supports the Coordinator of Energy (**Coordinator**), Australian Energy Market Operator (**AEMO**), the Economic Regulation Authority (**ERA**) and Western Power in an advisory and monitoring capacity.

Synergy submits that this purpose aligns with the MAC's "reason for being" but notes it requires further refinement to ensure clarity for all MAC members regarding the role and scope of the MAC's functions. For example, clause 2.3.1 of the WEM Rules offers no real guidance on whether the scope of advice sought from the MAC should be more technical or strategic in nature. To this point, Synergy supports clearly articulating the scope of the advisory function the MAC serves to enable better contributions from members and more effective outcomes.

1.2 What do you consider the overarching purpose of the MAC?

Synergy considers that the overarching purpose of the MAC is to support the Coordinator's work via the provision of advice and feedback from industry representatives. However, Synergy accepts that there are differing views amongst stakeholders about what the MAC is convened to achieve, as stated in the MAC Paper.

1.3 Do you believe there is a need to define an overarching purpose for the MAC? Why or why not?

Synergy submits there is a need to define the overarching purpose of the MAC beyond what is outlined in clause 2.3.1 of the WEM Rules. With the upcoming introduction of the State Electricity Objective (**SEO**) and creation of the Electricity System and Market Rules (**ESMR**) to replace the WEM Rules, having a clearly defined overarching purpose for the MAC will provide clarity on the role of MAC as the WEM adapts to the changes. In addition, this will also address concerns in relation to the differences in views expressed by stakeholders regarding the MAC's purpose and lack of clarity regarding the scope of its advisory function as mentioned above.

1.4 If so, what are some guiding principles for developing an overarching purpose?

Synergy supports the guiding principles provided by ACIL in the MAC Paper as appropriate for developing an overarching purpose of the MAC. The overarching purpose of the MAC should also refer to the SEO to ensure it is consistent with the overarching objective of the WEM.

1.5 Draft Recommendation: P2 – Define the overarching purpose of the MAC

Synergy supports this recommendation for the reasons stated above.

2 MAC ROLES AND RESPONSIBILITIES

2.1 Do you believe that the unstated roles (transparency, industry knowledge) of the MAC should be made explicit? Why or why not?

Synergy submits that the MAC's unstated role of providing transparency for decision-making processes should be made explicit. This is because it serves an important function for accountability to all industry participants, particularly those who do not have representation in the MAC.

2.2 Do you believe that the MAC should have an explicitly proactive and strategic role within the WEM? Why or why not?

Considering the current fast pace of reform and the transitional provisions that allow the Minister for Energy to make rules, Synergy views it is unlikely that the MAC needs an explicitly proactive role within the WEM. Throughout the reform program, the MAC has functioned predominantly as a strategic advisory body or steering committee, as opposed to a proactive player in setting policy. Further, as the MAC has a small and limited membership, it does not provide a reasonable representation of the industry and may provide unintentional biases in undertaking a strategic role.

Synergy considers that at times the MAC is used as a "representative" to inform industry, when instead the wider industry should be consulted and informed. Synergy considers that in order to address this concern there should be an "on-going" composition of an industry group (similar to the Transformation Design and Operation Working Group) for more visible and broader industry discussions on emerging reform or market matters as they occur (i.e., these would be "as needed" meetings). This is especially in light of the MAC papers and minutes being voluminous, and therefore difficult for Market Participants to navigate in order to stay informed on emerging market matters.

2.3 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? Why would this be the case?

Synergy notes that it is unrealistic for members to reach a consensus on all points of discussion, however, considers that the requirement to endeavour to reach a consensus should still be retained. Maintaining the requirement to reach a consensus reinforces the overall objective of effective and informed market reform that delivers improvements to the market as a whole.

Synergy considers that without the need to endeavour to reach a consensus there is potential that the quality of advice may decrease. Without an attempt to reach a consensus, an unintentional outcome may be that the MAC becomes a forum to further the views of parties represented by MAC members. If this were to occur, it would be to the detriment of the MAC, impeding the development of an agreeable outcome that considers the whole of the market and costs/benefits to all participants when considering the items. To ensure that competing and conflicting views on market segments are understood, the MAC minutes should document in detail all areas of disagreement and compromise, and also provide clarity on how united or divided the MAC is on individual items.

2.4 Draft Recommendation: R3 – Addition of a strategic function to the MAC

Synergy supports making the functions and objectives of the MAC defined and clear. As noted above, clarity on the type of advice sought from the MAC would ensure members are aligned on whether technical or strategic advice is sought. However, Synergy maintains that this advisory function does not need an explicit proactive element, as proposed by the draft recommendation, for the reasons outlined above.

3 MAC MEMBERSHIP

3.1 Do you consider that changes to the composition of the MAC are required? Why or why not? Please consider the introduction of the SEO, the reform process, and any other matters that may be relevant.

Synergy supports that the composition of the MAC should be amended. The size of the size of the MAC should be increased to enable more representatives than currently permitted. This will allow for the MAC to have a composition that better represents the mix of participants in the WEM. Synergy supports the adoption of Proposal M4, representation based on SEO; however, also agrees with ACIL on the potential disadvantages of this proposal. At a minimum, the membership should be expanded to include a representative from a renewable energy organisation.

3.2 If the composition of the MAC should be changed, are any of the above proposals appropriate? Why or why not?

Regarding option M4, Synergy supports the reform to the extent that it aligns MAC membership with the limbs of the SEO. However, Synergy notes that this option has the potential to distort the intention of the SEO, namely that all members should pay equal consideration to all limbs. Further, there may be issues with members being seen to align with one limb over another.

3.3 Considering the draft recommendation, how should the 3 limbs be balanced? Is explicit alignment with the SEO in terms of membership appropriate? Is the suggested representation under each limb appropriate? Why or why not?

See above.

3.4 Should compulsory class membership be retained? Why or why not? Are there any advantages or disadvantages to this?

Synergy considers that compulsory class membership should be retained. Without the compulsory class membership, there is the potential that MAC may not develop solutions that achieve better outcomes for the market as a whole. To be able to consider the totality of the market, informed and considered discussions are required with the network operator (Western Power), the market operator (AEMO), the government-owned gentailer (Synergy), and small-use consumer representatives.

If any of these organisations were to be excluded from the MAC, there would be a need for the party seeking the MAC advice (i.e. either the Coordinator, AEMO, ERA or Western Power) to undertake further and separate discussions with the relevant organisations to ensure that the MAC advice is fit for purpose. This outcome will slow down reform process and unnecessarily increase the workloads of the respective parties. Further, without the compulsory membership of these organisations, it is likely that the MAC composition would be in contradiction to clause 2.3.5A.

Synergy considers that the compulsory class membership is advantageous for the MAC because it ensures that MAC outcomes are developed with the ability to consider the market in its entirety. For these reasons, Synergy submits that compulsory class membership should be retained.

4 MAC OPERATIONS

4.1 Do you consider there to be any issues with current Working Group processes? Can you think of any examples of this?

Synergy does not consider there to be significant issues with the current Working Group processes, however there is potential to refine the process. The reporting process between Working Groups and the MAC needs increased clarity. Synergy considers that there have been some occurrences where Working Groups have not been able to fully consider issues due to having to meet MAC meeting deadlines. This has led to occasions where the MAC has been asked to agree to matters that had not been duly considered by Working Groups. In these circumstances, the MAC should not be viewed as an authority to enact changes that have not been given proper consideration by Working Groups. The minutes of the Working Groups should document in detail the breadth of discussion that occurs in relation to items so that all views are properly articulated.

4.2 What do you think is the role of the Working Groups versus the role of the MAC? Is there a need to make this more distinct?

Synergy considers that the Working Groups are more technical in focus, whereas the MAC serves an advisory function and provides a strategic overview of work. To this end, a clearer distinction between the MAC's roles and Working Groups may help clarify its purpose, and therefore, its effectiveness.

4.3 Do you believe there needs to be a clearer reporting line between the MAC and the Working Groups? How could this work?

As noted above, Synergy does not consider that there to be significant issues with the current Working Group processes. However, clarifying the processes and reporting line between the MAC and Working Groups through amending the Working Group Terms of Reference, would likely be beneficial for efficiency purposes. Synergy supports the draft recommendation O2 as outlined in the MAC Paper.

4.4 Other Options – O3 Allow observers at the MAC meetings

Synergy supports option O3 for reform, which recommends allowing observers at the MAC Meetings. Synergy considers that this could improve the MAC, firstly by increasing transparency of MAC discussions, as well as the potential of added details by technical experts (when requested by the MAC). Synergy acknowledges that observers have previously been viewed as disadvantageous, however considers that there are ways to mitigate these risks. Options include (but are not limited to):

- Observers being required to stay on mute and only allowed to participate in discussion when requested by the MAC;
- Observers' participation limited to the chat function only;
- Disruptive observers being disallowed from future MAC meetings; and
- Observer request having to be approved by the Chair.

CONCLUSION

Synergy appreciates the chance to comment on ACIL's MAC Paper and looks forward to continuing to work with ACIL and EPWA as the MAC review progresses to Stage 2.

Yours sincerely



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