



Minutes

Meeting Title:	Market Advisory Committee (MAC)
Date:	13 June 2024
Time:	9:30am –11:00am
Location:	Microsoft Teams online meeting

Attendees	Representing in MAC	Comment
Sally McMahon	Chair	
Amy Tait	Australian Energy Market Operator	
Katie McKenzie	Australian Energy Market Operator	Joined 9:39am
Genevieve Teo	Synergy	
Noel Schubert	Small-Use Consumer Representative	
Zahra Jabiri	Network Operator	
Jacinda Papps	Energy Producer	
Adam Stephen	Energy Producer	
Paul Arias	Energy Producer	
Patrick Peake	Energy Retailer	
Tim Edwards	Energy Retailer	
Geoff Gaston	Energy Retailer	
Rajat Sarawat	Economic Regulation Authority (observer)	
Peter Huxtable	Contestable Customer	

Non-member attendees	From	Comment
Dora Guzeleva	EPWA	Proxy for Noel Ryan
Bronwyn Gunn	EPWA	MAC Secretariat
Shelley Worthington	EPWA	MAC Secretariat
Sean McAvoy	EPWA	MAC Secretariat
Daniel Cassidy	Western Power	Presenter for Action Item 4/2024
Dr Matt Shahnazari	Economic Regulation Authority	Presenter for Item 5(b)
Tim Robinson	Robinson Bowmaker Paul (RBP)	Presenter for Item 5(d)

Apologies	From	Comment
Christopher Alexander	Small-Use Consumer Representative	Apology
Noel Ryan	Minister (observer)	Apology

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1	Welcome	
	<p>The Chair opened the meeting with an Acknowledgement of Country.</p> <p>The Chair noted that she had no conflicts to declare.</p> <p>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.</p> <p>The Chair noted the Competition and Consumer Law obligations of the MAC, inviting members to bring to her attention any issues should they arise.</p> <p>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 an organisation can be provided through the applicable consultation processes.</p>	
2	Meeting Apologies/Attendance	
	<p>The Chair noted the attendance and apologies as listed above and welcomed Ms Tait as the new MAC member for the Australian Energy Market Operator (AEMO).</p> <ul style="list-style-type: none"> Mr Stephen noted that his employer had changed since the 2 May 2024 MAC Meeting, but he can still represent Energy Producers. 	
3	Minutes of Meeting 2024_05_02	
	<p>The 2 May 2024 meeting minutes were approved out of session and published on the Coordinator’s website on 6 June 2024.</p> <p>Ms Guzeleva advised that the minutes were revised before publication to reflect Dr Shahnazari’s feedback for item 5(b) of the 2 May 2024 MAC meeting.</p>	
4	Action Items	
	<p>The Chair noted the open Action Items as per the papers.</p> <p>The Chair noted the information Western Power provided for item 4/2024 and welcomed Mr Cassidy as the subject matter expert who was available to answer any questions the MAC may have.</p> <ul style="list-style-type: none"> Mrs Papps asked if generators seeking to connect should use the information provided to the MAC instead of the TSP. Mr Cassidy answered that, in this instance, the previously provided information to the MAC should be used. He noted that the TSP is a high-level, system wide screening tool, while the information 	

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provided that is relevant to the North Region Energy Project (NREP) is a more detailed specific study.

- Mrs Papps further asked if the information would be available to those outside of the MAC, noting the MAC is a limited group and the information should be available to all network connection applicants.
- Mr Cassidy answered that the information is made available once people engage with Western Power directly through the connection process. He noted that Western Power is performing congestion modelling for the first time as the boundary analysis in the TSP is no longer meeting participants' needs.
- Ms Jabiri advised that Western Power is available to discuss any specific issue and that people should contact the relevant Western Power department.

The Chair noted that this item could be closed.

The Chair noted that items 6/2024, 8/2024 and 9/2024 were closed but item 10/2024 remained open.

- Ms Tait stated that AEMO had received no comments and recommended closing the item. Ms Tait noted that AEMO has an open invitation policy.

The MAC agreed and the Chair stated that item 10/2024 would close.

The Chair noted that an update on item 11/2024 would be provided at a future MAC meeting.

The Chair noted that AEMO and EPWA had met to discuss item 12/2024 offline, and the MAC agreed that the item could be closed.

The Chair noted that updates on items 13/2024 and 14/2024 were provided in Agenda Item 8 and can be closed at the next meeting.

The Chair noted item 15/2024 was an ongoing AEMO responsibility and recommended that it should not be kept as an action item.

- Ms McKenzie and the MAC agreed.

5 Update on Working Groups

(a) AEMO Procedure Change Working Group (APCWG)

The paper was taken as read.

(b) ERAs BRCP (Benchmark Reserve Capacity Price) WEM Procedure Review Working Group Working Group (BRCPWG)

Dr Shahnazari, the Chair of the BRCPWG, advised that the Economic Regulation Authority (ERA) is expected to publish the final report in June or early July 2024.

Dr Shahnazari stated that the BRCPWG members had agreed that no further meetings were required following submissions on the consultation paper and recommended closing the BRCPWG.

- Mr Schubert reiterated the Expert Consumer Panel's opposition to the annuity tilt due to the use of Gross CONE allowing for significant

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extra revenue (relative to Net CONE). Mr Schubert asked if there was any update on the annuity tilt.

Dr Shahnazari answered that a final decision had not been reached by the ERA at this time. Dr Shahnazari stated that it was a policy decision by the Coordinator of Energy to use Gross CONE and, therefore, the ERA must use it. This meant, in practice, that the ERA cannot consider revenue from the energy or essential system services (ESS) markets when determining the BRCP. However, the issue has been raised with the ERA's Governing Body, which is exploring options.

- Acknowledging other revenues would be difficult to calculate, Mr Schubert sought clarification on whether the ERA can or cannot account for the other revenues, noting that this decreases the need for such a big annuity tilt.

Dr Shahnazari stated that it was the difference between Net and Gross CONE that determined this. Under Gross CONE, the ERA cannot offset the cost by the expected revenue.

- Mr Schubert noted that it was good that the ERA's Governing Body was exploring options as all generators would get paid the higher prices that result from an annuity tilt, not just electric storage resources.

(c) Power System Security and Reliability Standards (PSSR) Working Group (PSSRSWG)

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

Ms Guzeleva noted that technical working group meetings are being held to discuss the details flagged in the paper.

- Mr Schubert asked if network issues would be examined noting that customers experience outages due to network issues and the focus of stage three appears to be on generation.

Ms Guzeleva answered that in previous technical working group meetings the focus was on system strength, planning and forecasting from a network perspective. Additionally, in the most recent meeting, the discussion was on network output-based standards.

- Ms Jabiri thanked Ms Guzeleva for the team's out-of-session presentation on progress.

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

The Chair noted that the item is to provide an update on the activities of the WICRWG and asked the MAC to note the update. She noted that Initiative 3, support for renewables, was not included in the draft WIC Review Consultation Paper due to the need to assess the impact and interaction of the Commonwealth's Capacity Investment Scheme (CIS).

The Chair noted that the update for this meeting was on Initiative 3 - WEM renewables support and the top-up calculation.

Ms Guzeleva provided an overview, noting that:

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	<ul style="list-style-type: none"> Initiative 3 was not included pending the publication of the design and application of the CIS in the WEM, which has now been published; EPWA is holding discussions with the Commonwealth ahead of the first CIS tender; and the WICRWG is looking at how to introduce Initiative 3 in parallel with the CIS without distorting either of these schemes. 	
	<p>Mr Robinson noted that the four options for WEM specific support for renewable generation were discussed at the 2 May 2024 MAC meeting (found in the appendix to the slide pack) and that the preferred options have since been discussed further by the WICRWG.</p>	
	<p>Mr Robinson noted the three options to apply the CIS outputs to the WEM specific scheme (slide 8), the preferred option (slide 9), the complications associated with the preferred option (slide 10) and the post-CIS options (slide 11).</p>	
	<p>Mr Robinson noted the WICRWG discussion (slides 13-14) and asked for further comments from the MAC.</p>	
	<ul style="list-style-type: none"> Mrs Papps noted that there was a concern with the impact on existing facilities and potentially accelerating the retirement of relatively new facilities. She noted that it was unclear what the CIS would do to the wholesale market, and existing facilities could become uneconomic if wholesale prices collapse. She noted that it would cost more overall to replace these facilities. Mrs Papps clarified that she was referring to newly built renewables and batteries. She added that they should not be penalised for coming in early by responding to other market signals. Mrs Papps considered that linking Initiative 3 purely to participants who missed out on the CIS went against what she considered to be the intent of the Minister's draft Statement of Policy Principles, which seemed to be about keeping those who had already invested whole. 	
	<p>Ms Guzeleva noted that the announcement was about new renewables, but that Mrs Papps has raised a good point that EPWA would consider further.</p>	
	<ul style="list-style-type: none"> Mr Schubert sought to ensure that sufficient incentives would be provided to ensure that renewables, that are being curtailed, are incentivised to provide Frequency Co-Optimised Essential System Service (FCESS) and Rate of Change of Frequency (ROCOF) Control Service support. 	
	<p>Ms Guzeleva agreed with Mr Schubert's comment noting that EPWA was working to ensure renewable facilities can provide Regulation and Contingency Services and there were now WEM Rules in place to send signals for them to reduce their volatility.</p>	
	<ul style="list-style-type: none"> Mr Gaston asked how customers would pay for this, noting that it did not appear to be hedgeable. He asked if it would be calculated by AEMO and passed through to retailers. 	
	<p>Mr Robinson responded that this was discussed briefly at the end of the WICRWG, but that Initiative 3 was required because it is expected that</p>	

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Real-Time Market prices will fall precipitously, and that, everything else being equal, consumers will have lower prices. This initiative is intended to fill the revenue gap for renewables with revenue from another stream, not to impose additional costs.

- Mr Gaston noted that this is not happening at present.
- Mr Gaston noted that there was a risk that renewable generators may not bilaterally contract and instead wait for the top-up. Mr Gaston asked how a retailer would price this to customers, and highlighted the interaction with the bidding of energy storage systems and that their ability to sell at the opportunity cost could allow for double-dipping.

Mr Robinson noted that Initiative 3 did not apply to storage. He noted that market monitoring would be required to look at what storage proponents pay for the energy they use to charge, as that is their cost. If they are marginal, the Real-Time Market prices would not be zero and renewables would not be losing money in the energy market. Therefore, the top-up would be lower moving forward.

Ms Guzeleva acknowledged that Mr Gaston raised some good points and added that Initiative 3 is intended to fill the wedge that appears with collapsing prices and that customers would not pay more than before the prices collapse.

Ms Guzeleva agreed that there was a need to consider all potential gaming opportunities and consider energy as well as other market services. Ms Guzeleva added that the WICRWG had not had sufficient discussion on this point and would need to consider it further. She added this would need to be considered as more storage comes onto the system.

- Mr Schubert agreed with Mr Gaston’s concern regarding the opportunity cost. He added that if energy prices collapse, there was the possibility that capacity prices will increase significantly if renewables set the BRCP and he considered that the changes in the energy and capacity prices may offset each other.
- Mr Schubert noted that if renewables were the benchmark technology, then their fixed costs would be covered by the BRCP even considering that they only get 15% of their nameplate as Capacity Credits, it would just mean that the price would be very high per MW.

The Chair noted that Mr Schubert’s point tied into the work the ERA was undertaking and that there were several issues, including the annuity tilt, to be considered to ensure everything worked together and was consistent with the objectives of Initiative 3.

- Mr Gaston noted that he understood that a renewable energy certificate market had been discounted but noted that the Western Australian Government’s recent ‘Request for Information’ (seeking information from industry to help inform how Western Australian Government agencies can be supplied with up to 100% renewable electricity for their operations by 2030) was defined as “certificates”. He suggested that there may need to be reconsideration of this option

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	<p>noting that certificates may be simpler than trying to add and subtract different revenue streams.</p>	
	<p>Ms Guzeleva responded that the CIS would be going ahead and, therefore, there was a need to do something consistent with that.</p>	
	<p>Ms Guzeleva discussed slides 23 and 24 and noted that there was a great deal of discussion in the WICRWG on the timing for implementation. She acknowledged that some WICRWG members proposed to not implement the scheme. She stated that Initiative 3 cannot be designed now as the design of the CIS for renewables is not yet known, and support is not actually required yet.</p>	
	<ul style="list-style-type: none"> • Mr Peake agreed with the proposed timing noting that it was important to know what the Commonwealth was doing before proceeding too much further. He noted that it would be helpful to see some modelling of the system with 90% wind/solar with some batteries to determine what their actual revenues look like and if the system and market structures will work under those conditions. 	
	<p>Ms Guzeleva responded, with regards to price impacts, that EPWA has undertaken the modelling that shows the revenue impact for both storage and renewables under that scenario.</p>	
	<p>Ms Guzeleva added that, regarding the technical considerations, it is the role of AEMO to determine the operating impact on the system. She noted that AEMO now has more stringent Expected Unserved Energy criteria and is becoming more sophisticated with its modelling every year. She also noted that AEMO had flagged that there would be a SWIS road map looking at the engineering challenges associated with that high level of renewables.</p>	
	<p>The Chair noted that the modelling would be useful to understand how the CIS and Initiative 3 work together to achieve the objective.</p>	
	<p>Ms Guzeleva agreed that this would happen as part of the design for renewable support during 2025.</p>	
	<ul style="list-style-type: none"> • Mr Schubert noted that RBP had undertaken the modelling on how energy prices are likely to collapse and asked if that modelling included any scenarios in which capacity prices are increasing at the same time. 	
	<p>Mr Robinson responded that the modelling included an assumption that the capacity price would increase in the short term, but it was not assumed that the reference technology would change to renewables, it was assumed to stay with storage.</p>	
	<p>Mr Robinson referred to the earlier comments on opportunity cost noting that on a pure marginal cost basis, the modelling showed batteries charging at zero and discharging at not much more than zero, with most revenue coming from capacity payments.</p>	
	<p>Ms Guzeleva clarified that the modelling did include two scenarios, one in which the capacity prices stay approximately where they are now and one in which capacity prices increase significantly. She added the modelling will be presented with the detailed design of the scheme for Initiative 3, as this would need to be reflected in the modelling scenarios.</p>	

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	<ul style="list-style-type: none"> Mr Arias agreed with Mr Peak and Mr Shubert’s comments about the modelling and agreed with the proposed timing that was outlined. <p>The Chair acknowledged that an objective was that customers do not end up paying more. She summarised that there was broad support from the MAC for the timing, as outlined, and that there was valuable feedback from MAC members including the need to understand further:</p> <ul style="list-style-type: none"> the impacts on incentives for investment; how customers will end up paying for this; how retailers are going to price this; and the interaction between the energy price and the capacity price. 	
6	<p>2024 Supplementary Capacity Review</p> <p>The Chair noted the updates, and the paper was taken as read.</p> <p>Ms Guzeleva advised that the consultation period would be shorter than usual with three weeks due to the likelihood of AEMO conducting another supplementary capacity (SC) procurement.</p> <ul style="list-style-type: none"> Mrs Papps asked if there was a need for continuing the review of the relevant provisions of the WEM Rules after every SC process, noting that there is diminishing value in doing it every time, and that the normal rule change process can be used for manifest errors. She suggested adding a clause that allows the Coordinator discretion about whether a review is carried out each year. <p>Ms Guzeleva agreed.</p>	
7	<p>Integration of small aggregation DSPs (demand side programmes) in the RCM</p> <p>The Chair noted the updates, and the paper was taken as read.</p> <p>Ms Guzeleva advised that the relevant DSR Review outcomes had been superseded by the exposure draft of the Miscellaneous Amendment No.3 WEM Amending Rules (Misc. 3). MAC Members were encouraged to provide submissions and attend the Transformation Design and Operation Working Group (TDOWG) meeting the following week.</p>	
8	<p>Market Development Forward Work Program</p> <p>The Chair noted the updates and the inclusion of Table 1 which provides an overview of MAC Working Groups. The Chair asked if MAC Members had any questions or comments on anything included in the forward work program.</p> <p>There were no questions or comments.</p> <p>Members agreed that the inclusion of Table 1 was useful.</p>	

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9	<p data-bbox="295 264 545 295">General Business</p> <p data-bbox="295 315 1230 414">The Chair noted that submissions to the MAC Review and the Procedure Change Process Review were published on EPWA’s website, and that a final report is due to the Coordinator on 1 July 2024.</p> <ul data-bbox="295 434 1238 600" style="list-style-type: none"> <li data-bbox="295 434 1238 600">• Mr Arias raised an issue with the exposure draft for Misc. 3. Mr Arias stated that some of the items within Misc.3 go beyond the scope of “miscellaneous”, such as changing the functions of WEM bodies, and, therefore, should have been brought to the MAC before being included in Misc. 3. <p data-bbox="295 618 1230 683">The Chair asked if Mr Arias was seeking a response from Ms Guzeleva or if he wanted to know the thoughts of other MAC members.</p> <ul data-bbox="295 701 1230 835" style="list-style-type: none"> <li data-bbox="295 701 1230 835">• Mr Arias stated that, in the interest of time, he was not seeking a discussion at this moment. However, he hoped that, in the future, issues concerning the functions of WEM bodies would be brought to MAC before an Exposure Draft is released. <p data-bbox="295 853 1238 1019">Ms Guzeleva stated that most of the proposed amendments, excluding previously consulted DSR amendments, concern the problems identified in the ESS market from 1 October 2023 to the present. Ms Guzeleva advised that an update should be provided at the next MAC meeting about the ongoing investigation into the ESS market.</p> <p data-bbox="295 1037 1243 1135">The Chair noted that the next MAC meeting would be held online on 25 July 2024. The Chair also requested MAC members to provide feedback on a proposed face-to-face meeting on 17 October 2024.</p>	
	<p data-bbox="295 1171 1078 1236">ACTION: Provide an update on the ongoing ESS market investigation.</p>	<p data-bbox="1268 1187 1362 1218">EPWA</p>

The meeting closed at 11:00am.