

## Meeting Agenda

<b>Meeting Title:</b>	Essential System Services Framework Review Working Group (ESSFRWG)
<b>Date:</b>	Wednesday 6 November 2024
<b>Time:</b>	3:00 PM – 4:00 PM
<b>Location:</b>	On-line

Item	Item	Responsibility	Type	Duration
1	Welcome and Agenda <ul style="list-style-type: none"> <li>Conflicts of interest</li> <li>Competition Law</li> </ul>	Chair	Noting	5 min
2	Introductions	Chair	Noting	15 min
3	Project Objective and scope	Chair	Noting	5 min
4	Essential System Services Review stages	GHD	Noting	20 min
5	Discussion and next steps.	GHD	Discussion	10 min
6	Any other business	GHD/Chair	Discussion	5 min
	Next meeting: To be advised			

Please note, this meeting will be recorded.

## Competition and Consumer Law Obligations

Members of the MAC's Essential System Services Framework Review Working Group (**Members**) note their obligations under the *Competition and Consumer Act 2010 (CCA)*.

If a Member has a concern regarding the competition law implications of any issue being discussed at any meeting, please bring the matter to the immediate attention of the Chairperson.

Part IV of the CCA (titled "Restrictive Trade Practices") contains several prohibitions (rules) targeting anti-competitive conduct. These include:

- (a) **cartel conduct:** cartel conduct is an arrangement or understanding between competitors to fix prices; restrict the supply or acquisition of goods or services by parties to the arrangement; allocate customers or territories; and or rig bids.
- (b) **concerted practices:** a concerted practice can be conceived of as involving cooperation between competitors which has the purpose, effect or likely effect of substantially lessening competition, in particular, sharing Competitively Sensitive Information with competitors such as future pricing intentions and this end:
  - a concerted practice, according to the ACCC, involves a lower threshold between parties than a contract arrangement or understanding; and accordingly; and
  - a forum like the MAC is capable being a place where such cooperation could occur.
- (c) **anti-competitive contracts, arrangements understandings:** any contract, arrangement or understanding which has the purpose, effect or likely effect of substantially lessening competition.
- (d) **anti-competitive conduct (market power):** any conduct by a company with market power which has the purpose, effect or likely effect of substantially lessening competition.
- (e) **collective boycotts:** where a group of competitors agree not to acquire goods or services from, or not to supply goods or services to, a business with whom the group is negotiating, unless the business accepts the terms and conditions offered by the group.

A contravention of the CCA could result in a significant fine (up to \$500,000 for individuals and more than \$10 million for companies). Cartel conduct may also result in criminal sanctions, including gaol terms for individuals.

**Sensitive Information** means and includes:

- (a) commercially sensitive information belonging to a Member's organisation or business (in this document such bodies are referred to as an Industry Stakeholder); and
- (b) information which, if disclosed, would breach an Industry Stakeholder's obligations of confidence to third parties, be against laws or regulations (including competition laws), would waive legal professional privilege, or cause unreasonable prejudice to the Coordinator of Energy or the State of Western Australia).

### Guiding Principle – what not to discuss

In any circumstance in which Industry Stakeholders are or are likely to be in competition with one another a Member must not discuss or exchange with any of the other Members information that is not otherwise in the public domain about commercially sensitive matters, including without limitation the following:

- (a) the rates or prices (including any discounts or rebates) for the goods produced or the services produced by the Industry Stakeholders that are paid by or offered to third parties;
- (b) the confidential details regarding a customer or supplier of an Industry Stakeholder;
- (c) any strategies employed by an Industry Stakeholder to further any business that is or is likely to be in competition with a business of another Industry Stakeholder, (including, without limitation, any strategy related to an Industry Stakeholder's approach to bilateral contracting or bidding in the energy or ancillary/essential system services markets);
- (d) the prices paid or offered to be paid (including any aspects of a transaction) by an Industry Stakeholder to acquire goods or services from third parties; and
- (e) the confidential particulars of a third party supplier of goods or services to an Industry Stakeholder, including any circumstances in which an Industry Stakeholder has refused to or would refuse to acquire goods or services from a third party supplier or class of third party supplier.

### Compliance Procedures for Meetings

If any of the matters listed above is raised for discussion, or information is sought to be exchanged in relation to the matter, the relevant Member must object to the matter being discussed. If, despite the objection, discussion of the relevant matter continues, then the relevant Member should advise the Chairperson and cease participation in the meeting/discussion and the relevant events must be recorded in the minutes for the meeting, including the time at which the relevant Member ceased to participate.



Department of Energy, Mines,  
Industry Regulation and Safety  
Energy Policy WA

# Review of the Essential System Services Framework

Essential System Services Framework Review Working Group

6 November 2024

Working together for a  
**brighter** energy future.

# Meeting Protocols

- Please place your microphone on mute, unless you are asking a question or making a comment
- Please keep questions relevant to the agenda item being discussed
- If there is not a break in discussion and you would like to say something, you can 'raise your hand' by typing 'question' or 'comment' in the meeting chat
- Questions and comments can also be emailed to EPWA - Energy Markets [energymarkets@demirs.wa.gov.au](mailto:energymarkets@demirs.wa.gov.au) after the meeting
- The meeting will be recorded and minutes will be taken (actions and recommendations only)
- Please state your name and organisation when you ask a question
- If you are having connection/bandwidth issues, you may want to disable the incoming and/or outgoing video

# Agenda

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3.00pm **Welcome**

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3.05pm **Introductions**

Introductions of the ESSFRWG members and the GHD and EPWA team working on this review

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3.20pm **Project objective and scope**

2024 ESS Framework Review

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3.25pm **Essential System Services Review stages**

Overview of the four-stage review approach

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3.45pm **Discussion and next steps**

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3.55pm **Any other business**

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# Essential System Services Framework Review 2024

Ensuring that the Essential System Service Standards and requirements are consistent with the WA State Electricity Objectives

**“...to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interest of consumers of electricity in relation to –**

- a) The quality, safety and reliability of supply of electricity; and**
- b) The price of electricity; and**
- c) The environment, including reducing greenhouse gases**

Focus of this Essential System Services (ESS) Framework (the Review) is to consider whether the ESS requirements are set at an efficient level and the ESS quantities to meet these requirements are being effectively and efficiently scheduled and procured to meet the WEM Frequency Operating Standard at the lowest cost to consumers.

This first meeting will introduce the Scope of Work and time frame for review to the ESS Framework Review Working Group (ESSFRWG)

# ESSFRWG Terms of Reference

## Objectives and purpose of the Working Group

*The ToR set out the role and responsibilities, and the ways of working of the ESSFRWG*

The ESSFRWG has been established to provide expert advice and analysis on all aspects of the ESS and SESSM identified in the Scope of Work, including:

- assessment of the ESS Process and Standards and ESS requirements and the SESSM;
- identification of issues with the performance and suitability of the existing ESS Process, Standards and requirements and the SESSM (gap analysis);
- to identify and formulate recommendations regarding any changes to the ESS Process and Standards and ESS requirements and the SESSM;
- to develop targets and metrics for the ongoing monitoring of the ESS; and
- development of a suitable Rule Change proposals, if required.

# ESSFRWG: Members

Name	Company	Name	Company
Dora Guzeleva (Chair)	EPWA	Mark McPartland	Nomad Energy
Bronwyn Gunn	EPWA	Christopher Wilson	AEMO
Shelley Worthington	EPWA	Dimitri Lorenzo	Bluewaters PS
Alex Gillespie	AEMO	Brad Huppertz	Synergy
James Eastcott	Clean Energy Council	Bobby Ditric	SSC Power
Mark McKinnon	Western Power	Graeme Ross	Simcoa
Oscar Carlberg	Alinta Energy	Peter Huxtable	Water Corporation
Sumeet Kaur	Shell	Reece Tonkin	Woodside
Rhiannon Bedola	Synergy	Noel Schubert	Small-Use Consumer representative
Mark Lee	Grid Beyond	Andrew Scarfone	Perth Energy



# GHD : Key Team Members

Name	Company	Role and function
Dennis Stanley	GHD	Project Director <i>Escalation, Governance, and Quality Assurance</i>
Christian Schaefer	GHD	Technical Director and Project Manager <i>FCESS Technical Analysis</i>
Paul Espie	GHD	Specialist Power System Advisor <i>Jurisdictional comparison</i>
Ali Kharrazi	GHD	Team Leader Grid Planning <i>FCESS Technical Analysis</i>
Jesse Singh	GHD	Power Systems Engineer <i>FCESS Technical Analysis &amp; Economic assessment</i>
Richard Hickling	GHD	Economic Specialist <i>Economic assessment</i>
Clare Ballantine	GHD	Graduate Engineer <i>Jurisdictional comparison</i>
Daniel Cooper	GHD	Graduate Engineer <i>Jurisdictional comparison</i>

# Project scope

## Scope of Work for the Coordinator's Review of the Essential System Services Framework

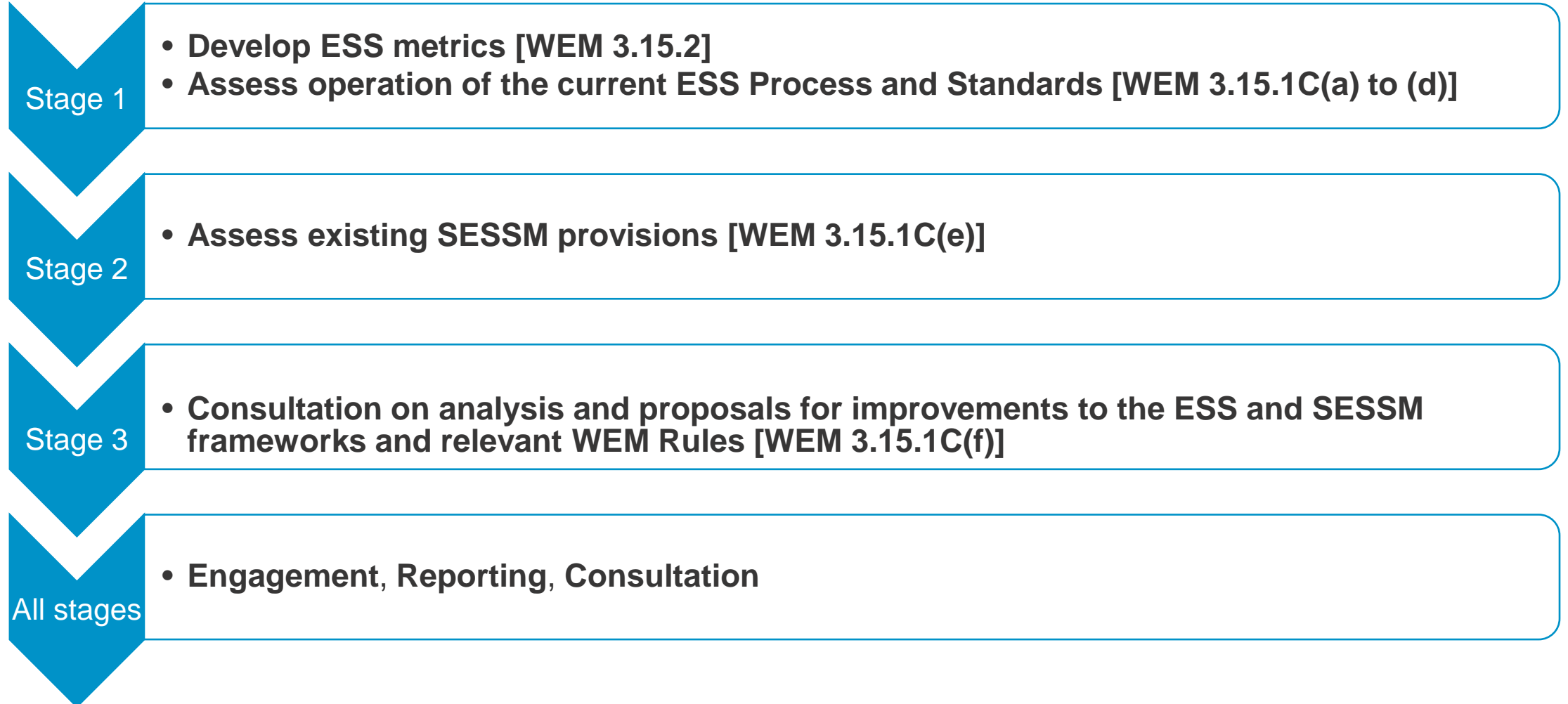
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- Review of Essential System Service (ESS) Process and Standards.

2

- Review of the Supplementary Essential System Service Mechanism (SESSM).

# Project stages



# Stage 1 scope

FCESS technical analysis

Economical analysis

Jurisdictions comparisons

# Stage 1 scope continue

Assess operation of the current ESS Process and Standards

Develop ESS metrics

- **Develop proposed metrics to be used for the ongoing monitoring of Frequency Co-optimised Essential System Services (FCESS) (as required by Clause 3.15.2) for discussion with the ESSFRWG**
- **Review of frequency management in SWIS post commencement of New WEM on 1 October 2023, setting of FCESS Requirements, FCESS quantities scheduled and dispatched, FCESS participation and bidding patterns, etc.**
- **Selection of up to ten Market events/periods for detailed analysis.**
- **Correlation analysis of market price variation with other parameters of the system such as underlying demand, dispatch scenario, total inertia of the system, available FCESS, etc.**
- **Analysis of FCESS clearing prices, and duration and frequency of significant variation from average prices**
- **Consultation with the ESSFRWG and the Market Advisory Committee (MAC)**

# Economic analysis

## What statistical evidence is there to identify significant price drivers?

- Aim to discover contributors to high market price outcomes, focusing on FCESS
- Use regression of prices against a range of potential influencing factors
- Data for each frequency service from 10 high price periods
  - ✓ Data Availability
  - ✓ Prior assumption

## How do FCESS prices change as the procurement quantities change?

- Use actual bids and constraints that set prices
- “What if” exercise for historical periods
- Data for each frequency service from 10 high price periods
  - ✓ Data Availability
  - ✓ Prior assumption

## How do FCESS prices change as the technical parameters vary?

- Use the relationships determined during the above regression analysis
- Costs and benefit categories, valuation techniques, discount rates, etc. to be determined

# Eastern Australia – NEM

## Relevance to project:

- Number of reform processes underway alike WEM
- Similar generation mix and challenges to WEM
- Both operated by AEMO (and recently undergone reform)

## Services include:

- Frequency
- Operating Reserves
- System Strength and inertia
- Operational security mechanism

## Procurement:

- Market based procurement – for frequency control ancillary services (FCAS)
- Non-market ancillary services (NMAS) acquired under bilateral contracts – System restart and Network support and control (SRAS & NSCAS)
- Non-market ancillary services (NMAS)

# New Zealand – Aotearoa System

## Relevance to project:

Comparable peak demands (New Zealand ~7GW & WEM ~4GW)  
Both Islanded networks (with an HVDC link between north and south-island)

## Services include:

Frequency keeping and voltage support  
Instantaneous reserves  
Black start capability  
System strength and inertia

## Procurement:

- Ancillary Services Procurement Plan – Outlines principles for purchasing services
- Closed tender process between August and November each year
- Procured on either a “firm quantity basis” or through half-hour clearing market process.

# Ireland – SEM

## Relevance to project:

Comparable peak demands (Ireland ~7MW & WEM ~4MW)  
Similar renewable generation mix growth expected for both Ireland and WEM  
Both Islanded networks (with two HVDC links between UK and Ireland)

## Services include:

Frequency and voltage control  
System restoration  
Operational Reserve  
System Strength and Inertia  
Cybersecurity

## Procurement:

- Structured framework managed by EirGrid
- Procured through the **Delivering a Secure Sustainable Electricity System (DS3)** program
- Progressed into the **Future Arrangements for System Services (FASS)** in 2024



# Stage 2 scope

## Assess existing SESSM provisions

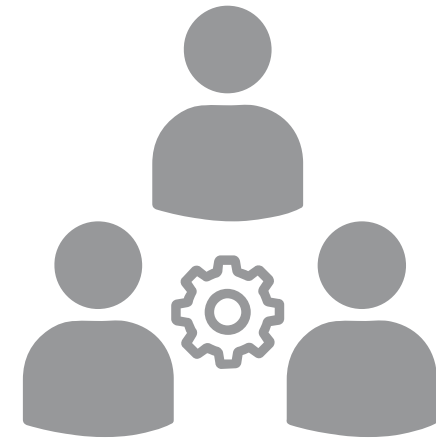
- **No Activation of SESSM since Market reform. Hence, conducting a desktop review of SESSM process. Use a case study – “what if” the WEM needs additional RoCoF control service**
- **Reflect on the SESSM design and whether the functionalities established are applicable to and effective in the realities of the new Market.**
- **Consider the veracity of SESSM triggers, by reviewing the frequency and duration of AEMO notified FCESS shortfalls since 1 October 2023**
- **Review whether the number and frequency of AEMO FCESS directions over the same period, particularly for Contingency Raise services, represent realistic market outcomes or weaknesses in the mechanism.**
- **Assess whether the SESSM provides sufficient incentivisation for participation in the FCESS market by new technologies/services.**



# Stage 3 scope

Consultation on analysis and proposals for improvements to the ESS and SESSM frameworks and relevant WEM Rules

- **Develop Consultation Paper with proposed outputs from the Review.**
- **Review and consolidate submissions received on the Consultation Paper, propose responses and consider changes in the WEM Rules that could address comments, and undertake any further assessment required.**
- **Draft possible rule changes for discussion.**
- **Convene regular ESSFRWG meetings to update on results and outcomes, and seek feedback and input from the ESSFRWG.**



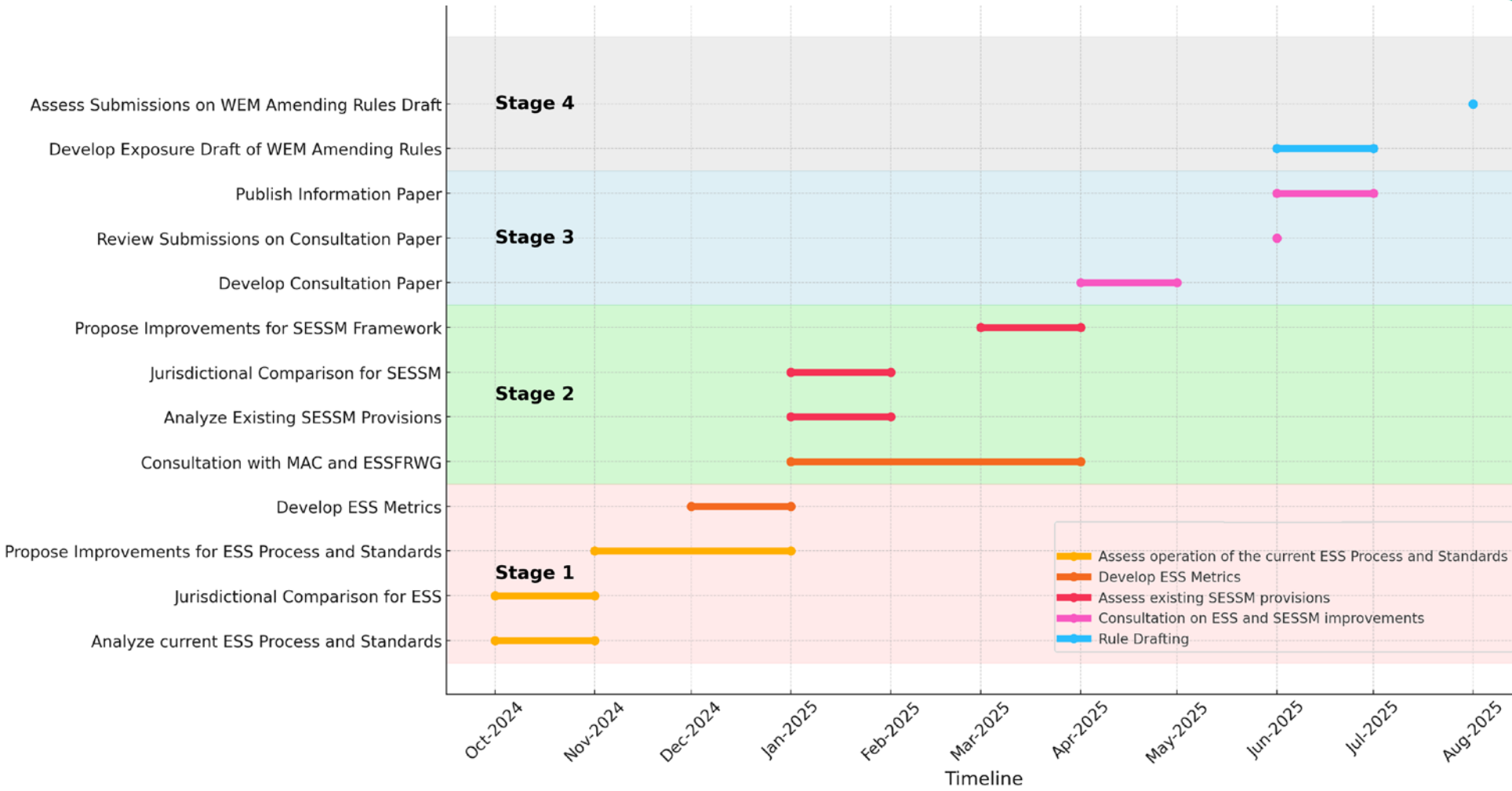
# Ongoing

## Engagement, Reporting, Consultation

- Reporting and collaboration with EPWA team
- Engagement and presentation to MAC
- Rule Change drafting
- Consultation



# Review Timeline

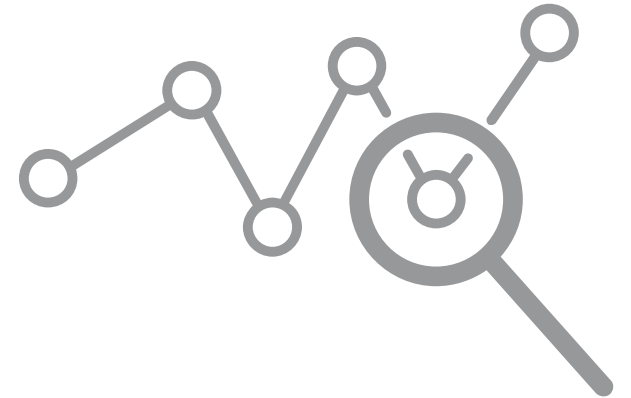


# Next steps

- Kick off meeting initiated with AEMO to discuss the RFI
- Awaiting data from AEMO to commence technical analysis

## Looking ahead

- 6 weekly, or as agreed/required, ESSFRWG meetings to present progress results and receive input from the industry experts.



**Thank you**