



Minutes

MEETING TITLE	Market Advisory Committee
MEETING NO	89
DATE	Wednesday, 13 April 2016
TIME	2:05pm – 3:30pm
LOCATION	Board Room, Level 17, 197 St Georges Terrace, Perth

Attendees	Class	Comment
Kylie O’Keeffe	Chair - IMO	
Erin Stone	Compulsory – AEMO	Proxy
Dean Sharafi	Compulsory - System Management	
Matthew Cronin	Compulsory – Western Power	
Will Bargmann	Compulsory - Synergy	
Ray Challen	Minister’s Appointee – Small Use Consumer Representative	
Simon Middleton	Minister’s Appointee – Observer	
Patrick Peake	Discretionary – Customer	Proxy
Steve Gould	Discretionary – Customer	
Andrew Stevens	Discretionary – Generator	
Shane Cremin	Discretionary – Generator	
Peter Huxtable	Discretionary – Contestable Customer	
Elizabeth Walters	Economic Regulation Authority (ERA) – Observer	

Apologies	Class	Comment
Martin Maticka	Compulsory – AEMO	Proxy attended
Geoff Gaston	Discretionary – Customer	Proxy attended
Michael Zammit	Discretionary – Customer	
Wendy Ng	Discretionary – Generator	

Also in attendance	From	Comment
Ross Davies	Western Power	Presenter
John Rhodes	Alinta Energy	Observer
Ignatius Chin	Bluewaters Power	Observer
Jenny Laidlaw	IMO	Observer
Laura Koziol	IMO	Observer and Minutes

Item	Subject	Action
1.	<p>Welcome</p> <p>The Chair opened the meeting at 2:05pm and welcomed all members to meeting number 89 of the Market Advisory Committee (MAC).</p> <p>The Chair noted that since the last MAC meeting the IMO had completed the annual review of the composition of the MAC. The Chair confirmed that, for the 2016 year, the discretionary class positions that were held by Mr Steve Gould (Market Customer) and Mr Andrew Stevens (Market Generator) were up for renewal. The Chair confirmed that the outcome of the IMO's review was that Mr Gould and Mr Stevens had been reappointed to represent their respective classes for a further term of two years.</p>	
2.	<p>Meeting apologies/attendance</p> <p>The following apologies were received:</p> <ul style="list-style-type: none"> • Martin Maticka • Wendy Ng • Michael Zammit • Geoff Gaston <p>The following proxies were noted:</p> <ul style="list-style-type: none"> • Erin Stone • Patrick Peake <p>The following presenters/observers were noted:</p> <ul style="list-style-type: none"> • Ross Davies (Presenter – Western Power) • John Rhodes (Observer – Alinta Energy) • Jacinda Papps (Observer – Synergy) • Ignatius Chin (Observer – Bluewaters Power) • Jenny Laidlaw (Observer – IMO) • Laura Koziol (Observer and Minutes – IMO) 	
3.	<p>Minutes of previous meeting</p> <p>The minutes of MAC Meeting No. 88, held on 24 February 2016, were circulated to members prior to the meeting. The minutes were accepted as a true record of the meeting.</p> <p><i>Action Point: The IMO to publish the minutes of MAC meeting No.88 on the Market Web Site as final.</i></p>	IMO

<p>4.</p>	<p>Actions arising</p> <p>The Chair noted that actions 47, 9 and 15 relate to progressing rule changes that had been deferred. The Chair advised that the outcome of discussions between the IMO and AEMO (action 1 of 2016) was that both parties agreed that the issues relating to those rule changes were being addressed through the Electricity Market Review (EMR) and, on that basis, the actions should be closed.</p> <p>In particular:</p> <p>Action 47 relates to the procurement process for Ancillary Services.</p> <p>The position paper <i>Design Recommendations for Wholesale Energy and Ancillary Service Market Reforms</i> proposes to introduce co-optimisation.</p> <p>Action 9 relates to the resubmission of the rejected Rule Change Proposal RC_2013_09.</p> <p>The position paper <i>Reforms to the Reserve Capacity Mechanism</i> proposes to include the amendments of RC_2013_09.</p> <p>Action 15 relates to the submission of a Rule Change Proposal to bring the publication of the Balancing Price forward.</p> <p>The position paper <i>Design Recommendations for Wholesale Energy and Ancillary Service Market Reforms</i> proposes to introduce ex-ante Balancing Prices.</p> <p>MAC members did not raise any objections to these items being closed. On that basis, the Chair closed actions 47, 9 and 15.</p>	
<p>5.</p>	<p>Presentation: Effect of network regulation changes on Market Participants</p> <p>The Chair invited Mr Matthew Cronin and Mr Ross Davies from Western Power to give an overview on the effect of the changes to the network regulations on Market Participants. Mr Cronin and Mr Davis gave an overview on the expected changes based on the assumption that the national electricity regulation framework and, therefore, the respective chapters of the National Electricity Rules (NER), would apply to the SWIS from 1 July 2018. In particular, the following points were noted or discussed.</p> <ul style="list-style-type: none"> • Western Power was preparing its first revenue submission to the Australian Energy Regulator (AER). • The new process for connecting to the network was expected to be similar to the current process but more formalised and with more obligations on Western Power to provide information. Western Power will also have to develop several frameworks and policies to be approved by the AER. • Under the new regime the NER will specify an automatic and a minimum technical standard for network connections in accordance with Chapter 5, which applies to Registered Participants. Applicants meeting the automatic standard will automatically qualify to be connected to the network and applicants meeting at least the minimum standard can negotiate a technical standard with Western Power. Mr Davies noted that it was understood that the technical requirements for connecting to the network in accordance with Chapter 5A (which applies to Retail Customers) would be covered in 	

a Western Australia specific document as they are not specified in the NER.

- Existing generators would be deemed to comply with the technical standards of the new regime but would have to register a performance standard with AEMO.
- Mr Patrick Peake sought clarification whether the technical standard would be locational and noted that not restricting inertia at certain locations could be problematic. Mr Dean Sharafi clarified that there would be one general technical standard supplemented by local requirements where necessary. Mr Sharafi advised that the current technical rules did not account for issues arising due to the recent increase of renewable energy such as inertia and that discussions on how to address these issues were at an early stage.
- Under the new regime the NER would specify a regulatory investment test for network augmentations and augmentations would only be undertaken for the connection of loads or where a net market benefit was determined. The threshold for the regulatory investment test will be around \$6 million instead of the current (approximately) \$34 million. Mr Davies noted that stronger requirements to consider non-network solutions were expected.
- Under the new regime the Electricity Transfer Access Contracts (ETACs) for generators will be replaced by ongoing supply contracts under the NER. Western Power expects that ongoing supply contracts will be deemed to be in existence for existing customers of Western Power. Mr Shane Cremin asked why the transfer of existing ETACs to deemed ongoing supply contracts was not brought forward. Mr Davies noted that ongoing supply contracts would be implemented with the legislative framework commencing in July 2018 and could therefore not commence earlier. Mr Peter Huxtable sought clarification regarding the handling of ETACs expiring in 2018. Mr Davies advised that the arrangements for the transition to the new arrangements were still being considered.
- Mr Davies noted that under the new regime generators applying to connect would be connected subject to meeting the technical standard but without considering deep network augmentation. All access will be non-firm. Therefore, applicants will not be processed through Competing Access Groups (CAGs). Mr Peake sought clarification if under the new regime the access studies currently mandatory for connection applications would not be required. Mr Davies suggested that the nature of the access studies would change but that the technical components of the study would still be necessary.
- Mr Cremin asked if abolishing the deep network augmentation cost for generator connection would be reflected in the calculation of the Maximum Reserve Capacity Price (MRCP). Ms Erin Stone noted that AEMO had published the final MRCP for Capacity Year 2018/19 without accounting for the planned changes to the network regulation. Further, the final report on the MRCP calculation noted the possibility that the EMR transitional rules might provide for the 2018/19 MRCP to be adjusted to reflect the change in network connection costs. Dr Ray Challen noted that the anticipated change in the network charges could not be incorporated into the calculation

of the MRCP before the transfer to the national electricity regulation regime was certain.

- Mr Davies noted that under the new regime the current access charges for generators would be abolished and instead generators connecting to the network would have to pay the full costs for all assets necessary to connect them.
- Mr Huxtable sought clarification of whether abolishing the access charges could result in a de facto discount for generators already connected to the network as the access charges were designed for the long term recovery of the connection costs. Mr Davies noted that the regulations would provide a solution for the transition.
- Mr Davies noted that Western Power will have the obligation to provide AEMO with system limits to support the least cost dispatch by AEMO's constrained dispatch engine. Mr Will Bargmann asked whether dispatch will consider ancillary services. Ms Stone noted that the introduction of co-optimised dispatch will provide for all ancillary services (except those contracted, such as system restart services) to be considered in the dispatch decision.
- Mr Peake asked if the new regime will allow generators to acquire export rights above the current limit of output at 41 degree Celsius. Mr Davies suggested that an export limit reflecting the current declared sent out capacities (DSOCs) may be implemented for the transition, but this would need to be confirmed.
- Mr Davies noted that Western Power would formally transition existing connection applications with expected offer dates after 1 July 2018 from the current process to the NER connection process and intended to continue the process with minimal disruption. Further, any negotiated access standard would need to be assessed by AEMO which might not be possible before 1 July 2018.
- Mr John Rhodes sought clarification on how the unrestricted connection of new generators would affect the access rights of existing generators. Mr Simon Middleton noted that the matter regarding existing connection agreements had been identified by the EMR and was currently under consultation. Mr Middleton advised that a consultation paper addressing the issues regarding the treatment of the existing access rights was being developed.
- Mr Davies noted that, in the circumstances, Western Power had decided not to progress the CAG solution and that preliminary access offers made to CAG members in August 2015 had been reviewed. Western Power is developing an interim solution for applicants with a target date of implementation before 1 July 2018.
- Mr Stevens queried whether Western Power could provide more information on the constrained modelling and how often generators were expected to be constrained. Ms Stone advised that AEMO was currently working with Western Power on providing that information.
Mr Rhodes sought clarification on what would happen to the current run back schemes. Mr Davies expected that the existing run back schemes would remain under the new regime but it was unlikely that new run back schemes would be implemented. Mr Sharafi noted that the majority of the current run back schemes will be incorporated in the constrained dispatch engine. Mr Rhodes noted that if the run

	<p>back schemes are incorporated in the dispatch engine there would be no need for a contractual implementation. Mr Middleton noted that run back schemes which were used to allocate transfer capacity would become obsolete with the abolition of firm access rights. Mr Davies noted that some specific run back schemes, such as schemes accounting for parallel transmission lines, may still be relevant (as they increase the network limit) and could not be incorporated into the dispatch engine in which case they would need to continue to be dealt with contractually. Mr Rhodes asked if run back schemes existed in the NEM. Mr Davies understood that there were. Mr Davies further noted that the implementation of the dispatch and the future of run back schemes was still under development.</p>	
<p>6.</p>	<p>General business</p> <ul style="list-style-type: none"> • The Chair noted that the IMO had received one submission on the proposed changes to the MAC constitution and the associated Appointment Guidelines and that the IMO was currently preparing its response and was planning a further short round of consultation. • The Chair noted that Mr Stevens had asked for information regarding the process and timing of the allowable revenue and asked Ms Elizabeth Walters if she could provide any comments. Ms Walters noted that the ERA had published an issues paper on the allowable revenue for consultation. • Mr Middleton noted that the timeframes to develop and implement system changes required as a result of the transfer of network regulation to the national electricity regulation framework were very tight but that there was no room to extend any timeframes. • Mr Cremin sought clarification how rule changes would be processed. Mr Middleton clarified that the Minister had the power to make the rules and that any amendments would be gazetted. 	
<p>Closed: The Chair declared the meeting closed at 3:30pm.</p>		