

Minutes

Meeting Title:	Market Advisory Committee (MAC)
Meeting No:	2017-03
Date:	12 July 2017
Time:	1:05 pm – 4:05 pm
Location:	Training Room No. 1, Albert Facey House 469 Wellington Street, Perth

Attendees	Class	Comment
Jenny Laidlaw	Chair	
Martin Maticka	AEMO	
Dean Sharafi	System Management	
Will Bargmann	Synergy	
Matthew Martin	Minister's Appointee – Small-Use Consumer Representative	
Geoff Gaston	Market Customers	
Aiden Jenkins	Market Customers	Proxy
Shane Cremin	Market Generators	
Wendy Ng	Market Generators	
Peter Huxtable	Contestable Customers	
Sara O'Connor	Economic Regulation Authority (ERA) Observer	

Apologies	Class	Comment
Steve Gould	Market Customers	

Also in attendance	From	Comment
Laura Koziol	RCP Support	Presenter
Stuart MacDougall	AEMO	Observer
Mark Katsikandarakis	AEMO	Observer
Jacinda Papps	Alinta Energy	Observer
Dan Kurz	Bluewaters Power	Observer

Patrick Peake	Perth Energy	Observer	
Aaron Kerrigan	Perth Energy	Observer	
Angelina Cox	Synergy	Observer	
Ben Williams	Synergy	Observer	
Andrew Stevens	Energy Made Clean	Observer	
Matt Shahnazari	ERA	Observer	
Sandra Ng Wing Lit	RCP Support	Observer	

Item	Subject	Action
1	Welcome	
	The Chair opened the meeting at 1:05 pm and welcomed members and observers to MAC meeting 2017-03.	
	The Chair noted that she was filling the roles of Executive Officer to the Rule Change Panel and MAC Chair during July 2017.	
2	Meeting Apologies/Attendance	
	The following apologies were noted:	
	Steve Gould (Market Customers)	
	The following proxies were noted:	
	Aiden Jenkins for Steve Gould (Market Customers)	
3	Minutes from Previous Meeting	
	The minutes of MAC meeting 2017-02 held on 14 June 2017 were circulated on 3 July 2017.	
	Mr Will Bargmann asked for further clarification of the comments made by Mr Dean Sharafi in the meeting about AEMO's intention to develop a Rule Change Proposal to create a system planning function for AEMO (page 4 of the minutes). Mr Bargmann asked how the proposed function differed from the system planning functions currently undertaken by Western Power. Mr Sharafi explained that Western Power undertook network planning but not planning at the system level, e.g. planning on generation connections or what fuel mix is required. Mr Sharafi again noted that the proposal was consistent with recommendations made by the Finkel Review for the National Electricity Market (NEM), and confirmed that the Rule Change Proposal would explain how the proposed function differed from Western Power's planning functions.	
	The minutes were accepted as a true record of the meeting.	
	Action: RCP Support to publish the minutes of Meeting 2017- 02 on the Rule Change Panel's website as final.	RCP Support

4 Actions Arising

The Chair provided an overview of the open action items.

Action 2/2017: The Chair noted that a proposed framework for Rule Change Proposal prioritisation and scheduling would be discussed with the MAC under agenda item 5e, to seek MAC input before presenting the framework to the Rule Change Panel for approval.

Action 3/2017: Underway.

Action 6/2017: The Chair advised that just prior to this meeting representatives of AEMO, the Public Utilities Office (PUO), the ERA and RCP Support met to discuss options to log and coordinate the management of rules issues and potential enhancements. The parties had agreed on the following proposal for MAC consideration.

- Details of minor and typographical errors should be emailed to RCP Support. RCP Support would take responsibility for developing Rule Change Proposals to address these errors, which would allow the proposals to be timed in a way that avoided conflicts with more urgent work.
- Approximately every three months RCP Support would call for stakeholders to provide lists of the "bigger ticket" items they consider should be addressed in the Market Rules (including both problems to be resolved and potential enhancements).
- RCP Support would collate the lists received and circulate the collated list to MAC members for consideration over a period of at least three weeks.
- RCP Support would then schedule a session to give MAC members the opportunity to work through the list and give their views on the items listed.

The Chair noted that while the Rule Change Panel was unable to take action on the items in the list, the session would provide stakeholders with a forum to gauge the level of support for particular suggestions and identify opportunities for parties to work together and coordinate the development of Rule Change Proposals.

The MAC was supportive of the proposed approach and the Chair agreed to initiate the first request to stakeholders within the next two months.

Action: RCP Support to issue the first request to stakeholders for lists of material items that should be addressed in the Market Rules (including problems to be resolved and potential enhancements) by 13 September 2017.

RCP Support

Action 8/2017: Underway.

5a Overview of Rule Change Proposals

Ms Laura Koziol provided an update on the open Rule Change Proposals.

Ms Koziol noted that AEMO's Rule Change Proposal: AEMO Role in Market Development (RC_2017_05) was formally submitted to the Rule Change Panel on 7 July 2017.

5b Pre Rule Change Proposal RC_2017_06: Reduction in the prudential exposure in the Reserve Capacity Mechanism

The Chair welcomed Mr Stuart MacDougall and Mr Mark Katsikandarakis from AEMO, who were attending the meeting to answer any questions from members on RC_2017_06. The Chair noted that the Pre Rule Change Proposal had been circulated for informal consultation and requested any feedback be provided by 5:00 pm on Friday, 14 July 2017.

In response to a query from Ms Wendy Ng, Mr MacDougall confirmed that the proposed window for making Capacity Credit Allocations opened before the Trading Month in which the liabilities occurred and closed at the Interval Meter Deadline for that Trading Month, i.e. after the Trading Month.

Mr Geoff Gaston asked for clarification of the proposed transitional arrangements. Mr MacDougall explained that the Individual Reserve Capacity Requirement (IRCR) obligations for the first Trading Month under the new arrangements would be allocated to Market Customers based on their meter ownership across the four months up to and including that Trading Month.

In response to a query from Mrs Jacinda Papps, Mr MacDougall confirmed that the estimated implementation cost of this approach was no greater than that of the alternative "drop dead" approach, under which IRCR would be determined based on meter ownership in the Trading Month from the first Trading Month after commencement.

Mrs Papps noted that Alinta had supported the drop dead approach and asked how AEMO decided which approach to propose. Mr MacDougall replied that AEMO also received feedback supporting the proportional approach, though many parties appeared to be indifferent. Mr Gaston expressed a preference for the drop dead approach. Mr Katsikandarakis replied that AEMO chose the proportional approach as it considered it fairer that ownership in all months be captured in the IRCR calculations, but noted the proposal would still be open to amendment through the formal consultation process.

No MAC members raised any concerns about the progression of the proposal into the formal rule change process, although Mr Bargmann noted that Synergy would probably want to raise some issues with the proposal during the formal consultation process.

Action: MAC members and observers to provide any feedback on the Pre Rule Change Proposal: Reduction in the prudential exposure in the Reserve Capacity Mechanism (RC_2017_06) by 5:00 pm on Friday, 14 July 2017.

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5c Pre Rule Change Proposal RC_2017_07: Reserve Capacity Mechanism – Transitional Rules

Mr Martin Maticka invited questions on the Pre Rule Change Proposal RC_2017_07. The following key points were discussed.

- Mr Ben Williams noted that several recent rule changes included transitional clauses similar to those set out in RC_2017_07. Mr Williams questioned whether there might be a way to provide a more generic mechanism in the Market Rules to support these transitions. There was some discussion about the feasibility and potential benefits of implementing more generic provisions to manage rule change transitions.
- Mr Williams asked why certain chapter references were included in clause 1.22.4. Mr Katsikandarakis replied that the provisions were derived from similar provisions used to support the implementation of the Balancing Market, and while some of the specific references might not be strictly necessary the list provided flexibility in case some aspect of the transition was overlooked.
- Mr Peter Huxtable suggested the words "8:00 AM on" were not required in clause 1.22.2 as the definition of RCM Amendments Commencement Day indicated that it was a Trading Day and so began at 8:00 AM.

The MAC supported AEMO's recommendation to progress the proposal using the Fast Track Rule Change Process, on the basis that it corrected a manifest error in the Market Rules.

5d RC_2017_02: Implementation of 30-Minute Balancing Gate Closure – Presentation and Discussion

The Chair gave an update on the progress made by RCP Support on RC_2017_02. The presentation is available on the Rule Change Panel's website.

The Chair stressed that the purpose of the session was not to seek decisions or any firm views from members, but rather to share some initial observations and discuss the next steps for the progression of the proposal. The Chair noted that considerable further analysis was required and the proposal was yet to be assessed by the Rule Change Panel.

- Mr Bargmann asked when the Rule Change Panel was expected to make its draft decision on the proposal. The Chair replied that while due to the complexity of the proposal the timeframes for the publication of the Draft Rule Change Report would need to be extended, the new timeframes were yet to be decided by the Rule Change Panel.
- There was some discussion about why the wind forecasts provided by Market Generators in their Balancing Submissions did not noticeably improve in accuracy over time. Mr Shane Cremin and Mr Katsikandarakis considered it likely that Market Generators were providing the best information available to them, given the relative infrequency with which their own forecasts were updated.

- There was some discussion about options to improve the quality of wind forecasts in the Balancing Merit Order (BMO), including the use of persistence forecasts after a certain point in time and the implementation of a centralised wind forecasting system such as AEMO's Australian Wind Energy Forecasting System (AWEFS).
- Mrs Papps asked whether the proposal would affect AEMO's current practice (as set out in its most recent Ancillary Services Report) to set the LFAS Requirement at +/-72 MW regardless of the actual quantity used. Mr Sharafi noted that the report reflected the current arrangements, including the gate closure time. If, due to shorter gate closure, System Management did not have time to move Synergy's slower machines to prepare for the ramping of Independent Power Producer (IPP) facilities, then it might seek to increase the LFAS Requirement.
- Mr Patrick Peake asked if Synergy had considered requesting a reduction in its gate closure times. The Chair replied that Synergy had requested the same gate closure time as IPPs. Mr Peake suggested that alternatively Synergy's gate closure could be reduced by an amount that retained the current proportional information asymmetry, so that Synergy was not made any worse off by the change.
- The Chair noted that Synergy's Balancing Submissions have for some time offered a constant ramp rate of 15 MW/minute, which meant that the Balancing Portfolio should be able to comply with notional dispatch instructions to increase or decrease its output by up to 15 MW/minute. The Chair noted that Synergy received constrained on/off payments whenever it was dispatched away from its Theoretical Energy Schedule (TES) beyond the levels consistent with its LFAS enablement.
- Mr Williams observed that System Management always used the Balancing Portfolio to compensate for the fast ramping of other Facilities, even on those occasions (about 15% of the time) when the Balancing Portfolio was not the marginal Facility. Mr Williams considered that System Management was required under the Market Rules to issue a Dispatch Advisory whenever it dispatched the Balancing Portfolio out of merit, and its failure to do so in these situations suggested that the Balancing Portfolio movements should be regarded as LFAS rather than out of merit dispatch. There was considerable discussion about how these movements should be categorised (Balancing vs LFAS), how Synergy is currently compensated for them, the technical limitations on System Management's dispatch options and the potential costs of amending AEMO's dispatch systems to dispatch marginal IPPs to address ramp rate discrepancies.
- Mr Bargmann noted the expected short payback period was based on the assumption that the WEM would move to a NEM-like spot market in the next few years. Mr Bargmann considered there was some uncertainty about this assumption, given the current focus within the State Government on capital expenditure. Mr Bargmann suggested that there would need to

- be a real focus on the benefits and costs of the wider reforms for them to proceed in the current circumstances. Both Mr Andrew Stevens and Mr Matthew Martin noted that the benefits and costs of these changes had already been articulated by the Electricity Market Review.
- Mr Peake considered that a long-term solution being further away would provide additional justification for trying to take whatever quick wins were possible through this Rule Change Proposal. The Chair noted that if the payback period were to become indefinite then this could bring several previously discounted options back into consideration, e.g. more material changes to the Real Time Dispatch Engine (RTDE) and settlement calculations.
- Mr Peake queried how Synergy's coal units were being affected as he assumed that the current high Balancing Prices were being set largely by gas units. There was some discussion about how and why Synergy's coal plant was affected by the ramping of IPP Facilities.
- The Chair noted the ramp rate discrepancy problem already exists in the WEM. Preliminary analysis had found occasional ramp rate discrepancies too large to be managed using a combination of Synergy's 15 MW/minute ramp rate and LFAS. Further work was needed to investigate these events and understand the options for their prevention or efficient management. There was some discussion about whether and to what extent the frequency of such occurrences would increase under a shorter gate closure.
- Mr Williams expressed concern that any option that delayed the upwards or downwards ramping of units (e.g. the implementation of linear ramping) might create inefficiencies that counter some of the economic benefits of shorter gate closure. Mr Peake commented that Perth Energy preferred other options including staggering the dispatch of Facilities, as linear ramping could require operation of their plant at inefficient output levels for extended periods.
- Mr Sharafi considered that the purpose of LFAS is not really to manage ramping discrepancies, but to manage fluctuations in load and unscheduled generation. The Chair agreed that ideally ramping discrepancies should be managed through the dispatch process.
- There was some discussion about the advantages and disadvantages to Synergy of the Balancing Portfolio.
- In response to a question from Mr Williams, the Chair clarified that although Perth Energy had only proposed gate closure changes for IPPs, RCP Support had found the potential efficiency benefits of allowing participants to respond to later, more accurate forecasts would also apply to the Balancing Portfolio.

- There was some discussion about what criteria should be used to make decisions on whether or not to progress a Rule Change Proposal.
- The Chair noted the proposed next steps for the progression of RC_2017_02, which include clarification of submissions, discussion of submissions with the Rule Change Panel, further analysis and a workshop to discuss technical concerns and options to address the ramp rate discrepancy issue. The Chair advised that the timing of these activities would depend on the urgency rating assigned to the proposal and the effect of competing priorities.
- Mr Bargmann acknowledged the large amount of work undertaken by RCP Support on the proposal but expressed his strong concerns about not receiving the presentation in advance of the meeting. Mr Bargmann considered that such presentations needed to be provided to members at least three days ahead of time to allow members to prepare for the discussion. Mr Bargmann stressed that Synergy had not had any time to consider the presentation and did not necessarily agree with the observations presented, and was worried that a failure to challenge a statement during the presentation might be construed as agreement with that statement.

The Chair reiterated that the intention of the presentation was not to seek any kind of formal agreement or decision from the MAC, but to provide a verbal update to interested stakeholders about progress so far and to advise members of the need for further work, including a workshop to discuss options for which ample preparatory information would be provided.

Mr Stevens commented that previously the MAC had received some but not all presentations in advance, and while it could have been useful to receive the presentation earlier there was still ample opportunity for Synergy to provide feedback.

- Mr Gaston expressed his concern that administrative issues appeared to be trumping economic questions about how to achieve the most efficient dispatch in the market, and that the WEM was in danger of backsliding into an administrative market. Mr Gaston expressed concern about the proposed Generator Interim Access arrangements, under which a tool provided by Western Power would be deciding which units would run without consideration of economic cost. Mr Gaston considered that economic efficiency should be the prime objective of the market and if there is even a miniscule amount of additional economic efficiency to be gained from the proposal then the market should be striving to implement it.
- Ms Angelina Cox asked when the proposed workshop was likely to be held. The Chair responded that the date would depend on the outcomes of RCP Support's current work planning exercise but was unlikely to be very soon due to the large amount of preparation and pre-notice required.

5e Rule Change Proposal Prioritisation and Scheduling Framework

Ms Koziol gave a presentation to MAC members on RCP Support's proposed framework for the prioritisation and scheduling of Rule Change Proposals. The presentation is available on the Rule Change Panel's website.

The following key points were discussed.

- Mrs Papps asked if RCP Support's work plan would be publicly available to the MAC. The Chair replied that the Overview of Rule Change Proposals provided to the MAC would constitute the public version of the work plan, as it provided the scheduled dates for key events such as the publication of Draft Rule Change Reports and Final Rule Change Reports.
- Mrs Papps questioned whether the RCP Support staff would be ring-fenced from the compliance and enforcement staff of the ERA. The Chair replied that while the staff involved were all part of the ERA Markets Division the ERA has undertaken a great deal of work on how to guarantee the ring fencing in a practical way. The Chair noted that the ERA's Governing Body was extremely conscious of the need not only to avoid conflicts of interest but to be seen to not have such conflicts.
- Mrs Papps considered that some proposals might be very compelling but may not have a large net benefit, citing the resolution of problems with the commissioning rules as an example. The Chair agreed, citing the Rule Change Proposal: AEMO Role in Market Development (RC_2017_05) as another example. Mrs Papps suggested that the definition of the High urgency rating be amended from "compelling proposal and large net benefit" to "compelling proposal and/or large net benefit" to account for such proposals.

There was some discussion about whether a proposal to address commissioning rule issues would warrant a High or Medium urgency rating. Mr Stevens noted that in some cases Market Generators see no option but to breach the commissioning rules, as strict compliance could cost them millions of dollars. Mr Martin noted that benefits such as the removal of audit risk should also be considered in assigning urgency ratings.

- Mr Sharafi suggested that as the urgency ratings would be used for prioritisation the most urgent rating (Essential) should be assigned a rating number of 1 rather than 5. There was general support for Mr Sharafi's suggestion.
- Mr Cremin noted that participants were likely to submit any Rule Change Proposals they expected would provide them with large benefits, even if they had little net benefit for the market as a whole. Ms Koziol agreed, explaining that this was why a framework was needed to assist the Rule Change Panel to prioritise the proposals it receives.
- The Chair noted that RCP Support was seeking feedback from MAC members on acceptable periods of delay for the different

- urgency ratings and on what action the Rule Change Panel and the ERA should take if the number of proposals exceeded the capacity of the budgeted resources. Mr Bargmann considered that the Rule Change Panel should work within its budget. The Chair agreed there needed to be limits on the annual expenditure of the Rule Change Panel. There was some discussion about how the costs of the Rule Change Panel were recovered from Market Participants through the collection of Regulator Fees.
- Mr Aaron Kerrigan suggested that if a proposal reached the nominated delay limit for its urgency rating then that rating might be increased, e.g. to move from a Low rating to a Medium rating. The Chair replied that RCP Support had considered this option but rejected it, on the grounds that it could create situations where a low net benefit rule change was progressed ahead of a high net benefit rule change because the low net benefit proposal had been in the formal process longer. Ms Koziol noted that the MAC might consider it acceptable for some low urgency proposals to be delayed indefinitely if budgeted resources were insufficient.
- Mr Peake asked why there was any need to define acceptable
 delay periods if in practice the delay periods would be dictated
 by the actual availability of resources. The Chair replied that the
 acceptable delay periods would be used to guide the broader
 budgeting process and so the views of MAC members were
 being sought on what level of service they wished to pay for.
- Mr Gaston asked how the prioritisation process was managed by the IMO. Mrs Papps noted that most Rule Change Proposals were developed by the IMO and so the IMO was able to manage its own workload, with much of the prioritisation process being managed internally rather than through the MAC. Mr Maticka noted that many potential Rule Change Proposals were never developed as they were not considered to be sufficiently urgent. The Chair noted that the IMO ensured it did not submit more Rule Change Proposals than its Market Development team was capable of progressing at any time.
- In response to a question from Mr Martin, Ms Koziol noted that the Rule Change Panel already needed to apply the prioritisation framework due to the backlog of Rule Change Proposals originally submitted by the IMO. Mr Martin asked whether the assessment process had yet been applied to all of the open Rule Change Proposals. The Chair replied that a tentative assessment had been made to provide some examples to the MAC and Rule Change Panel and to identify the highest urgency proposals for immediate attention.
- Mrs Papps expressed a concern that the need for the different parties to assess the urgency rating of a proposal could introduce delays into the process. The Chair replied that she did not expect the assignment of urgency ratings would introduce any additional delays, as the work would be incorporated into existing process steps.

- Mr Kerrigan noted there was a risk of double handling for some low-urgency Rule Change Proposals, in that a proposal could undergo preliminary consideration by the MAC and Rule Change Panel and then be delayed for 12 months before being considered again. Ms Koziol agreed this was a risk but considered the problem was unavoidable, given that the Rule Change Panel was unable to delay the first submission period for a submitted Rule Change Proposal.
- Ms Koziol noted that RCP Support was seeking feedback on both the framework itself and which proposals should have the highest urgency ratings (Essential or High). Ms Koziol requested the provision of feedback by 5:00 pm on Tuesday, 18 July 2017, to allow RCP Support time to incorporate the feedback received into its recommendations to the Rule Change Panel. Ms Koziol also outlined the proposed next steps following the Rule Change Panel's approval of the framework and the selection of highest urgency Rule Change Proposals.

Action: RCP Support to circulate the Rule Change Proposal Prioritisation and Scheduling Framework presentation to MAC members and observers on 13 July 2017.

Action: MAC members and observers to provide feedback on the proposed framework and the highest urgency (Essential or High) Rule Change Proposals by 5:00 pm on Tuesday, 18 July 2017. RCP Support

ΑII

6 Update on AEMO's Market Procedures

Mr Maticka noted that AEMO currently had many open Procedure Change Proposals and intended to release several more in the following week for consultation.

Mr Maticka advised members that AEMO expected it would need to extend the consultation period for the Procedure Change Proposal AEPC_2017_04: Certification of Reserve Capacity, as the proposed revised Market Procedure is now inconsistent with the Market Rules due to the gazettal of amending rules by the Minister for Energy on 23 June 2017. These amending rules relate to the certification processes for new generation Facilities entering under the Generator Interim Access solution.

Mr Maticka also expressed his thanks for the very good feedback being provided to AEMO by the new AEMO Procedure Change Working Group.

The MAC noted the update on AEMO's Market Procedures.

7 General Business

<u>Gazettal of the Wholesale Electricity Market Rules Amending Rules</u> 2017 (No. 3) on 30 June 2017

Ms Ng noted that some amendments to the Market Rules were gazetted by the Minister for Energy on 30 June 2017, and that while the content of the amending rules was very important, Market Participants had been given no prior notice of some of the changes.

Ms Ng noted that the amendments included provisions to allow System Management access to generator models from Western Power. Ms Ng had no issue with this change as it had been discussed with Market Generators in several forums. However, the amendments also allow for System Management, where it deems that the performance of a Generator does not conform to its models, to request updated models from Western Power and constrain the output of the Generator until these were provided, placing the Generator on a new type of Forced Outage and so making it liable for capacity refunds. Ms Ng was unaware of any consultation with Market Participants on these additional amendments.

Mrs Papps shared Ms Ng's concerns, adding that that under the new provisions System Management can ask the Network Operator to update the model "as soon as reasonably practicable". Ms Papps noted that "as soon as reasonably practicable" as a common law term was one of the weakest timing requirements, and any delay in Western Power processing the request could result in the Generator being placed on a Forced Outage with no control over the situation.

Mrs Papps also noted that the generator model information had been assigned a confidentiality status of System Management Confidential. This meant that System Management would not be permitted under the Market Rules to tell the Network Operator what model information it needed or explain the details of its concerns to the Market Generator. Mrs Papps considered the new rules were broken, given that a Market Generator might be placed on a Forced Outage without being permitted to understand the reason for that decision. Mrs Papps suggested that public consultation on the amendments may have helped to resolve some of these issues.

Mr Martin agreed to take the feedback provided by Ms Ng and Mrs Papps back to his team, clarify the situation and then report back to the MAC. Mr Cremin requested that the feedback to the MAC include details of who introduced the provisions and why there was no consultation with Market Generators. Mr Martin noted that he had thought consultation on the amendments was covered as part of the outage planning group working process.

Mrs Papps requested, as a priority, the implementation of a heads of power for a Market Procedure to cover how the process would work in practice. Ms Ng agreed, considering that the new provisions as drafted appeared to have no effective boundaries.

Action: Mr Matthew Martin to discuss the feedback provided by MAC members on the amending rules gazetted by the Minister for Energy on 30 June 2017 with the relevant PUO staff and report back to the MAC.

PUO

The meeting closed at 4:05 pm.