

Minutes

Meeting Title:	Market Advisory Committee (MAC)
Meeting No:	2017-04
Date:	16 August 2017
Time:	1:05 pm – 3:20 pm
Location:	Training Room No. 1, Albert Facey House 469 Wellington Street, Perth

Attendees	Class	Comment
Jenny Laidlaw	Chair	
Matthew Martin	Minister's Appointee – Small-Use Consumer Representative	
Martin Maticka	AEMO	
Dean Sharafi	System Management	
Julian Fairhall	Economic Regulation Authority (ERA) Observer	Proxy
Margaret Pyrchla	Network Operator	
Will Bargmann	Synergy	
Shane Cremin	Market Generators	
Wendy Ng	Market Generators	
Andrew Stevens	Market Generators	From 1:30 pm
Jacinda Papps	Market Generators	
Patrick Peake	Market Customers	
Simon Middleton	Market Customers	From 1:30 pm
Geoff Gaston	Market Customers	
Aidan Jenkins	Market Customers	Proxy
Peter Huxtable	Contestable Customers	

Apologies	Class	Comment
Steve Gould	Market Customers	
Sara O'Connor	ERA Observer	

Also in attendance	From	Comment	
Clayton James	AEMO	Presenter, to 2:05 pm	
Adrian Theseira	ERA	Presenter	
Laura Koziol	RCP Support	Presenter	
Rajat Sarawat	ERA	Observer	
Ignatius Chin	Bluewaters Power	Observer	
Tim McLeod	Amanda Energy	Observer	
Angelina Cox	Synergy	Observer	
Sandra Ng Wing Lit	RCP Support	Minutes	

Item	Subject	Action
1	Welcome	
	The Chair opened the meeting at 1:05 pm and welcomed members and observers to MAC meeting 2017-04.	
	The Chair welcomed the new and re-appointed members to the MAC and farewelled former member Michael Zammit.	
2	Meeting Apologies/Attendance	
	The following apologies were noted:	
	Steve Gould (Market Customers)	
	Sara O'Connor (ERA Observer)	
	The following proxies were noted:	
	Aidan Jenkins for Steve Gould (Market Customers)	
	Julian Fairhall for Sara O'Connor (ERA Observer)	
3	Minutes from Previous Meeting	
	The minutes of MAC meeting 2017-03 held on 12 July 2017 were circulated on 1 August 2017.	
	The minutes were accepted as a true record of the meeting.	
	Action: RCP Support to publish the minutes of Meeting 2017-03 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 the prioritisation of the open Rule Change Proposals would be further discussed under Agenda Item 6b.	
	Action 3/2017: The Chair noted that a Procedure Change Proposal to reflect the recent changes to MAC Working Groups in the Market	

	Procedure: Procedure Administration would be considered by the Rule Change Panel on Monday 21 August 2017 and was expected to be published by 25 August 2017.	
	Action 16/2017: The Chair noted that the Public Utilities Office (PUO) and AEMO would be giving a presentation on the 30 June 2017 gazettal under Agenda Item 5.	
5	Presentation: Gazettal of the Wholesale Electricity Market Rules Amending Rules 2017 (No. 3) on 30 June 2017 (Action Item 16/2017)	
	Mr Matthew Martin and Mr Clayton James gave a joint presentation about the gazettal of the <i>Wholesale Electricity Market Rules</i> <i>Amending Rules 2017 (No. 3)</i> (2017/03 Amending Rules) on 30 June 2017. The presentation is available on the Rule Change Panel's website.	
	The following key points were discussed.	
	• Mr Martin noted that three sets of amending rules were gazetted during June 2017, of which the 2017/03 Amending Rules was the third. The first two sets were required to support the certification and connection of generators under the Generator Interim Access (GIA) arrangements, while the 2017/03 Amending Rules are required to support the transfer of System Management functions from Western Power to AEMO (although they are also required for the GIA implementation). The 2017/03 Amending Rules were not intended by the PUO and AEMO to change the obligations on Market Participants or the actual implications for Market Participants that already existed under the Market Rules and Technical Rules. For this reason the PUO focussed its stakeholder consultation on the first two sets of amending rules.	
	There was some discussion about the reasons for the lack of consultation on the 2017/03 Amending Rules. Mr Martin acknowledged that the PUO should have consulted with stakeholders on the rule change and advised that this would not happen again in the future.	
	• Mrs Jacinda Papps asked for clarity on when the Minister intended to exercise his extended rule making powers versus submitting proposals to the Rule Change Panel. Mr Martin indicated that the Minister might provide an answer to this question at the time he made an announcement about his future reform plans.	
	• The Chair and Mrs Papps asked how the 2017/03 Amending Rules applied to Facilities that existed before 2007 and have grandfathered connection standards. Mr James replied that modelling data is still required for these Facilities and they were subject to the new rules.	
	 Mrs Papps noted that Alinta Energy was receiving varying advice from System Management as to whether a Facility should be on a Planned Outage during a Commissioning Test. Mrs Papps noted that logging a Planned Outage for a Commissioning Test could result in having to log a Forced 	

	Outage if the timing of the Commissioning Test changed or if the test took longer than anticipated. Mr James agreed that the relationship between Commissioning Tests and Outages should be clarified in the Market Rules. There was some discussion about the implications of undertaking Commissioning Tests under a Planned Outage.	
•	Mr James explained that if a generator in commercial operation demonstrated unstable behaviour that might affect Power System Security then AEMO might place the Facility on a Forced Outage. Mr James emphasised however that a Forced Outage would not be the common consequence of such an issue and that more often AEMO would place more specific restrictions on the plant, such as requiring the plant to operate in a different mode. The Chair asked if AEMO might need to constrain a Generator where the Facility was unstable as a result of changes in the network. Mr James confirmed that this was a possible scenario. The Chair noted that drafting of the new rules might be too harsh if they resulted in a Forced Outage in these circumstances.	
•	In response to a question from Mr Ignatius Chin, Mr James explained that the modelling data had been assigned a confidentiality class of System Management Confidential because some of the data was provided to Western Power on a confidential basis under strict non-disclosure agreements (in some cases by the participant and in others by the actual manufacturer of the device). AEMO did not think right that it should be able to share this information with other people who would not normally be able to see it.	
	Mrs Papps raised a concern that under her interpretation of the 2017/03 Amending Rules this classification could result in AEMO placing a Facility on a Forced Outage because of concerns with the modelling data but not being able to inform the affected participant of the reason. Mr James replied that AEMO's interpretation was that in these situations System Management would be able to inform the participant about the reason for the constraint. Mrs Papps noted that other participants shared her interpretation, which had been confirmed by both internal and external resources.	
	In response to a question from the Chair, Mr James clarified that that AEMO's concern related to modelling data that was provided by one Generator being made available to another Generator. The Chair suggested that the Rule Participant Network Restricted confidentiality class may be more appropriate in that case. Mr Shane Cremin however noted that in some cases confidentiality agreements are between the original equipment manufacturer and the Network Operator, bypassing the Generator.	
•	Mr James noted that AEMO was revising several Power System Operation Procedures (PSOPs) and suggested it might be helpful to include additional information in some of these PSOPs (such as the PSOP: Dispatch and the PSOP: Commissioning and Testing) to provide clarity and transparency about the	

	practical application of the new rules. Mrs Papps asked if in that case the consultation period for the PSOP: Dispatch, which was scheduled to close on Friday, 18 August 2017, could be extended. Mr Martin Maticka replied that AEMO would look at extending the consultation period by a couple of weeks if additional changes to the PSOP were proposed.	
	In response to a question from Ms Angelina Cox, Mr James confirmed that the PSOP: Network modelling data specifically dealt with network modelling information and so had no impact on Generators.	
•	The Chair asked why different terms were used to refer to AEMO in the 2017/03 Amending Rules. Mr James considered that referring to System Management rather than AEMO might be taken to indicate that the modelling data could only be used by AEMO to support its prescribed "System Management" functions. The Chair suggested that if the intent was to permit the data to be used only for specific functions it might be clearer to specify what those functions were.	
	Ms Wendy Ng asked under what circumstances AEMO would actually place a Facility on a Forced Outage. Mr James answered that this would only happen where the Facility could not operate stably. Ms Ng asked how that would apply if the instability was instantaneous and then disappeared. Mr James replied that AEMO would need to investigate to understand what caused the event and what action was needed to prevent a reoccurrence of the instability.	
•	Mr Patrick Peake asked if a Forced Outage could be changed to a Consequential Outage if it was later identified that the instability that had led to AEMO placing the Facility on a Forced Outage had been caused by the network. Mr James noted that this might not be possible in all cases because the Market Rules only allow for a Consequential Outage if it is due to an actual outage of the network, but not for other reasons related to the network. Mr James suggested that this was one of several issues that would be worth looking at as a separate exercise.	
•	Ms Cox raised a concern that the new rules did not allow a Market Participant to provide modelling data directly to AEMO, leaving it dependent on the promptness of Western Power's actions. The Chair noted that in the National Electricity Market participants provided modelling data directly to AEMO. Mr James noted that the current Technical Rules require the modelling data to be provided to Western Power.	
•	In response to a questions from the Chair, Mr James advised that the new provisions were intended to apply to all Facilities (including Networks and Loads as well as Generators) connected to the SWIS.	
•	Mr Andrew Stevens raised a concern that no restriction was placed on the time Western Power had to process any updated modelling information. This created a significant risk for Market Generators. Ms Margaret Pyrchla agreed that the principle of a time limit being placed on Western Power to assess updated	

	 modelling data was reasonable, but considered it would be difficult to determine an appropriate time limit as the situations could vary significantly. Several members considered there needed to be some limit placed on how long a Generator could be left on Forced Outage for reasons outside its control, with Mr Stevens suggesting a maximum period of 28 days. Mr James emphasised that AEMO would only place a Facility on Forced Outage if it was actually unstable. Mrs Papps and the Chair noted that while this was probably AEMO's intent the Market Rules would allow AEMO to constrain a Facility due to outdated modelling data. The MAC agreed that the intention to only place a Facility on a Forced Outage for system security or system stability reasons should be clarified in the Market Rules and relevant PSOPs. 	
	• The Chair asked Ms Pyrchla whether Western Power considers the modelling data to be up to date and if there are any problems with the Technical Rules that make it difficult for Western Power to keep the modelling data up to date. Ms Pyrchla replied that she would discuss these questions within Western Power and report back to the MAC with the answers.	
	Action: Western Power to advise the MAC on whether it considers the modelling data provided to AEMO to be up to date and if there are any problems with the Technical Rules that make it difficult for Western Power to keep the modelling data up to date.	Western Power
	• Mr Martin advised that the PUO would consult with AEMO and RCP Support on how to address the concerns raised by MAC members about the 2017/03 Amending Rules and develop a proposal for consideration at the next MAC meeting.	
	Action: The PUO to consult with AEMO and RCP Support on how to address the concerns raised by MAC members about the 2017/03 Amending Rules and develop a proposal for consideration at the next MAC meeting.	PUO/ AEMO/RCP Support
6a	Overview of Rule Change Proposals	
	Ms Laura Koziol provided an update on the open Rule Change Proposals.	
	Ms Koziol noted that the Rule Change Panel had completed its clarification of the PUO's Rule Change Proposal: Reserve Capacity Mechanism - Minor Changes 2017 (RC_2017_04) and intended to progress the proposal under the Fast Track Rule Change Process. The Rule Change Notice was due to be published at the end of the week.	
	Mrs Papps asked whether this year's calculation of the Reserve Capacity Price would be based on the original Capacity Credits assigned or on the subsequently corrected number of assigned Capacity Credits. Under the current Market Rules the price would be based on the original assignment, which had been wrong by 9 MW. Mr Maticka noted that AEMO would look into the issue.	

Ur	gency Ratings for Open Rule Change Proposals
pro Pro of l	Koziol provided an overview of the feedback received on the posed urgency ratings for the remaining open Rule Change oposals (that have not already been assigned an urgency rating High). A paper outlining the proposed urgency ratings was culated to members and observers on 8 August 2017 with a guest for feedback by 14 August 2017.
of t RC Loa	Koziol noted that seven responses were received, supporting all the proposed urgency ratings except for the ratings for 22014_06 (Removal of Resource Plans and Dispatchable ads) and RC_2017_02 (Implementation of 30-Minute Balancing te Closure).
Th	e following key points were discussed.
RC	2014_06
•	Most responses suggested increasing the urgency rating for RC_2014_06 from Medium to High, due to the high risk associated with the penalty for breaching the obligation to submit a Resource Plan. In its response, AEMO had also noted that it was planning to develop system changes affecting the Scheduling Day processes in 2018, and so would prefer certainty about any changes to these processes.
•	Mrs Papps noted that Alinta was also planning system changes that would be affected by the outcome of the Rule Change Proposal.
•	The Chair explained that the Medium urgency rating for RC_2014_06 was based on the consideration that manifest errors with significant consequences for the market should be addressed before RC_2014_06. AEMO had indicated that it had identified some potential issues of this type affecting the Reserve Capacity Mechanism.
	Mrs Papps asked if such manifest errors would receive an urgency rating of Essential. The Chair replied that this would not necessarily be the case, since to preserve the integrity of the framework the Essential rating was reserved for exceptional problems resulting in completely unacceptable market outcomes.
	Ms Ng asked if the issues AEMO had identified would be processed using the Fast Track Rule Change Process. The Chair answered that that this would need to be assessed on a case by case basis.
•	The Chair noted that RC_2014_05 (Reduced Frequency of the Review of the Energy Price Limits and the Maximum Reserve Capacity Price), which is the first Medium rated proposal, was likely to be delayed while the ERA conducted its five-yearly review of the methodology for setting the Benchmark Reserve Capacity Price and the Energy Price Limits. This meant that RC_2014_06 would be next in line after the High rated proposals, followed by RC_2017_02.

 Mrs Papps asked if the MAC of Change Panel's decision on the agreed to circulate the Rule C members and observers. Action: RCP Support to circulate decision on the urgency ratings 	he urgency ratings. The Chair hange Panel's decision to MAC te the Rule Change Panel's
Panel for consideration. Once made its decision on the rating incorporate the proposals into the framework. Ms Koziol clari independent of the availability	uld provide its recommended s comments to the Rule Change the Rule Change Panel had gs RCP Support would then its work plan in accordance with ified that the urgency ratings were of resources.
the suggested timeframe was this would not be the case and in the process of assessing if	
 The Chair noted that RCP Sup leave RC_2013_21 (Limit to E 	oport received a late suggestion to arly Entry Capacity Payments) on eived after the publication of a call proposal.
urgency rating for RC_2017_0 proposed changes would incre	onses suggested increasing the 22 from Medium to High as the ease the flexibility of the market increasing share of generation
the proposal was approved. N take around six months to imp Chair asked when AEMO wou	element the system changes. The Id need to start the design and Iuling Day systems. Mr Maticka
for RC_2014_06 the Rule Cha	ation of the Rule Change Proposal ange Panel would probably consult all for further submissions before
 The Chair noted that the Medi of three months, which would processed in time to inform AE development plans. 	still result in RC_2014_06 being

6c	Presentation: ERA and Rule Changes	
	Mr Adrian Theseira gave a presentation regarding the ERA's involvement in the rule change process. The presentation is available on the Rule Change Panel's website.	
	Mr Theseira noted that the ERA's Governing Body had requested feedback from the MAC on two matters: firstly on the scope of the Rule Change Proposals that the ERA should develop and secondly on whether the MAC had concerns about the ERA's role in providing secretariat support to the Rule Change Panel. The feedback would be used to inform the ERA's internal policy position on the development of Rule Change Proposals.	
	Mr Theseira noted that the ERA was considering the development of Rule Change Proposals addressing administrative and regulatory issues but not policy issues. Mr Will Bargmann questioned the boundary between regulatory and policy issues, suggesting that the examples of regulatory issues provided (long term consumer interests and the promotion of competition) sounded like policy issues.	
	Mr Theseira replied that some matters, such as market structure, could clearly be categorised as policy matter but agreed there was some ambiguity about what constituted a policy matter. The ERA however intended to be quite conservative in its approach, and also planned to bring matters to the MAC for discussion before submitting a Rule Change Proposal.	
	Mr Cremin agreed that the regulatory examples might be considered policy but questioned the need for the ERA to make such distinctions. There was some discussion about if and how the ERA should limit the scope of its Rule Change Proposals.	
	MAC members supported the ERA's development of Rule Change Proposals. MAC members did not consider that the scope of the ERA's Rule Change Proposals needs to be limited, but agreed that issues should be discussed with the MAC before commencing the development of a proposal.	
	Mr Rajat Sarawat considered that the ERA's annual report to the Minister on the effectiveness of the market was a suitable forum for the ERA to provide feedback to the Minister on policy issues. Mr Andrew Stevens raised concerns about the failure of previous Governments to address the policy issues raised by the ERA in these reports.	
	There was some discussion about the current lack of direction and coordination regarding the evolution of the market.	
	The Chair noted that one of the mechanisms proposed to assist the evolution of the market was the quarterly issues list that RCP Support planned to collate for the MAC. The objective of this mechanism is to enable collaboration between stakeholders developing Rule Change Proposals and avoid any duplication of effort.	
	The Chair also suggested that it would be reasonable for agencies, particularly those funded by the market, to discuss potential Rule	

	Change Proposals with the MAC before commencing their development, to promote collaboration and provide an opportunity for members to provide early feedback. The Chair questioned whether, if these mechanisms were in place, there should be any "no-go" areas for the ERA in terms of the development of Rule Change Proposals.	
	No specific areas were identified by MAC members. Mrs Papps however raised concerns about potential duplication of effort or lack of coordination between the work of the policy, regulatory and operational bodies. Mrs Papps considered that clear definitions of functions, like those currently being explored for the National Electricity Market, would be helpful. Mr Sarawat noted that this was one of the reasons why the ERA would bring every issue to the MAC before starting substantial work.	
	Mr Martin asked if the RCP Support staff would be involved in developing the ERA's Rule Change Proposals and expressed concern that this could exacerbate RCP Support's current resourcing problems.	
	Mr Theseira explained the organisational structures of the ERA and Rule Change Panel and the ring-fencing processes the ERA has implemented to ensure the independent processing of Rule Change Proposals. The Rule Change Panel itself is completely independent from the ERA. While RCP Support staff are employed by the ERA, no decisions related to processing Rule Change Proposals are considered by the ERA's executive or Governing Body. The ERA will consult with RCP Support during the development of a Rule Change Proposal like any other stakeholder, but the ring-fencing arrangements will ensure that the staff preparing the proposal do not have any involvement in assessing the proposal.	
	Mr Chin asked whether there would be an auditing process to check the effectiveness of the ERA's ring-fencing policy. Mr Sarawat replied that the proposed ring-fencing arrangements were not a rules requirement (and therefore not subject to the rules' auditing obligations), but rather something that the ERA had decided to implement as good governance practice.	
	No concerns were raised by MAC members about the ERA's proposed arrangements for the support of the Rule Change Panel.	
7	Update on AEMO's Market Procedures	
	Mr Maticka provided an update on AEMO's Market Procedures. Mr Maticka noted that the next meeting of the AEMO Procedure Change Working Group (APCWG) was currently planned to be held on 4 September 2017.	
	Mr Sharafi noted he had just received advice that an extension to the consultation period for AEPC_2017_10: Dispatch would jeopardise the required commencement date of 1 October 2017. Mrs Papps suggested that instead of extending the consultation period AEMO could either hold a short workshop to discuss any additional changes or else include a discussion of the changes on the agenda for the 4 September 2017 APCWG meeting. There was general support for this alternative approach.	

	Action: AEMO to hold a discussion with stakeholders on changes to the PSOP: Dispatch to provide clarity on the practical application of the amending rules in the Wholesale Electricity Market Rules Amending Rules 2017 (No. 3).	AEMO
8	General Business	
	Non-Balancing Dispatch Merit Order manifest error	
	Mr Maticka advised that AEMO was currently developing a Rule Change Proposal to address a manifest error regarding the Non-Balancing Dispatch Merit Order (in particular the determination of Cumulative Annual DSM Dispatch values). Mr Maticka suggested that the proposal should be assigned a High urgency rating as the manifest error would come into existence on 1 October 2017.	
	Mr Maticka accepted the Chair's offer to circulate the Pre Rule Change Proposal to MAC members and observers for comment after the meeting.	
	Action: RCP Support to circulate AEMO's Pre Rule Change Proposal to address a manifest error regarding the Non-Balancing Dispatch Merit Order to MAC members and observers for a short informal consultation period.	RCP Support
	Visibility of the timing of outages	
	Mr Simon Middleton questioned what provisions were in place to give the market visibility of when Generators were expected to return from Outages. The Chair replied that Outages are required to be recorded in SMMITS and the information is published on the Market Web Site. However, while Planned Outages are recorded in advance there are problems affecting the timely and accurate recording of Forced Outages.	
	Mr Stevens and Ms Ng noted that it was difficult for a Market Generator to log the end of an outage upfront as the current two hour Balancing Gate Closure could prevent a possible earlier return of the plant. Ms Ng added that once a Forced Outage was logged it could not be adjusted and in the case of Planned Outages it was usually easier to reduce the duration of an approved Planned Outage than to increase it. There was some discussion about the problems that affect the accurate and timely reporting of Outages. The Chair considered that the Market Rules should incentivise Market Participants to provide their best guess of the duration of an outage and allow for retrospective adjustments once the final details were available.	
	Mr Middleton noted that the daily average Balancing Price in April and June had been significantly volatile and asked how Market Participants could get access to the underlying data. Mr Stevens answered that the information was publicly available on the Market Web Site.	
	Uncertainty about future changes to the Reserve Capacity Mechanism	
	Mr Stevens raised his concerns regarding the current uncertainty about whether a capacity auction would be implemented this year.	

Action: RCP Support to schedule a discussion of members' concerns about the future evolution of the Reserve Capacity Mechanism in the agenda for the next MAC meeting.	RCP Suppo
The Chair agreed to include a discussion of members' concerns about the future evolution of the Reserve Capacity Mechanism in the agenda for the next MAC meeting.	
Mr Cremin and Mr Stevens suggested that it was the MAC's responsibility to raise the issue with the Minister. The Chair clarified that it was not the MAC's function to advise the Minister, although the MAC could potentially offer some advice to the Minister if it chose to do so. The MAC's role was to provide advice to the Rule Change Panel and responsible procedure administrators.	I
Mr Peake asked if a Rule Change Proposal to remove the auction would be considered by the Rule Change Panel. The Chair considered that such a proposal would be likely classified as "unable to assess due to the uncertainty about the future of the Electricity Market Review reforms", but noted there was a limit to how long the Rule Change Panel could wait for guidance. Mr Cremin considered that certainty about whether an auction would be held was required by January 2018.	
Mr Martin noted that no auction would be held in 2017 as it would not be possible to develop and implement the required changes in time. Mr Stevens considered that only an official statement could provide investors with the required certainty.	
There was some discussion about what aspects of the recent and proposed changes to the Reserve Capacity Mechanism should be subjected to review.	
Mr Martin asked what the alternative should be if the decision was made not to move to an auction. Mr Stevens proposed that the current transitional arrangements should be made permanent. Mr Peake considered that this would also lead to significant uncertainty and hinder investment.	
Mr Stevens suggested that the MAC should discuss these issues a its next meeting and consider writing a letter to the Minister about them. Mr Cremin supported Mr Stevens' suggestion.	t
 the replacement of the current Reserve Capacity Mechanism with an auction would hinder investment and should be reconsidered by the Government. 	
 the uncertainty about when and whether the current Reserve Capacity Mechanism would be replaced by an auction was preventing Market Participants from being able to secure financing or refinancing; and 	
about the Reserve Capacity Mechanism and the effect of an auction on future investment. Several members agreed that:	n

The meeting closed at 3:20 pm.