

Minutes

Meeting Title:	Market Advisory Committee (MAC)
Date:	5 May 2020
Time:	9:30 AM – 11:55 PM
Location:	Online via Microsoft Teams

Attendees	Class	Comment
Stephen Eliot	Chair	
Matthew Martin	Small-Use Consumer Representative	
Martin Maticka	Australian Energy Market Operator (AEMO)	
Dean Sharafi	System Management	
Sara O'Connor	Economic Regulation Authority (ERA) Observer	
Andrew Everett	Synergy	To 11:30 AM
Zahra Jabiri	Network Operator	To 11:30 AM
Jacinda Papps	Market Generators	
Wendy Ng	Market Generators	
Daniel Kurz	Market Generators	From 10:10 AM
Tom Frood	Market Generators	
Patrick Peake	Market Customers	
Geoff Gaston	Market Customers	
Timothy Edwards	Market Customers	To 11:40 AM
Peter Huxtable	Contestable Customers	

Also in Attendance	From	Comment
Aden Barker	Energy Transformation Implementation Unit (ETIU)	Presenter to 11:50 AM
Richard Cheng	ERA	Presenter
Oscar Carlberg	Alinta	Presenter
Jenny Laidlaw	RCP Support	Minutes
Kei Sukmadjaja	Western Power	Observer
Dimitri Lorenzo	Bluewaters Power	Observer

Also in Attendance	From	Comment
Paul Arias	Bluewaters Power	Observer
Erin Stone	Point Global	Observer
Jo Anne Chan	Synergy	Observer
Laura Koziol	RCP Support	Observer
Natalie Robins	RCP Support	Observer
Sandra Ng Wing Lit	RCP Support	Observer
Adnan Hayat	RCP Support	Observer
Noel Schubert		Observer

Apologies	From	Comment
None		

Item	Subject	Action
1	Welcome The Chair opened the meeting at 9:30 AM and welcomed members and observers to the 5 May 2020 MAC meeting. The Chair welcomed Mr Timothy Edwards, who was recently appointed as a Market Customer representative to the MAC.	
2	Meeting Apologies/Attendance The Chair noted the attendance as listed above.	
3	Minutes of Meeting 2020_03_24 Draft minutes of the MAC meeting held on 24 March 2020 were circulated on 28 April 2020. The MAC accepted the minutes as a true and accurate record of the meeting. Action: RCP Support to publish the minutes of the 24 March 2020 MAC meeting on the Rule Change Panel's (Panel) website as final.	RCP Support
4	Action Items The closed action items were taken as read. Action 27/2019: Open. Action 28/2019: Open. Action 2/2020: Ms Jenny Laidlaw advised that AEMO had clarified that its previous feedback, which related to situations where Western Power placed fixed constraints on a Generator Interim Access (GIA) generator in the GIA tool for a period	

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	<p>because of a network outage. As noted by Alinta in its Pre-Rule Change Proposal: Estimates for GIA Facilities (RC_2020_03), the GIA generator was not eligible for a Consequential Outage in these situations. Ms Laidlaw noted that because of the market impact of these events the intent was to manage them using the triggering outage processes proposed as part of Rule Change Proposal: Administrative Improvements to the Outage Process (RC_2014_03).</p> <p>Ms Laidlaw also noted Mr Martin Maticka's advice from the previous meeting that, based on AEMO's modelling, not providing estimates to Intermittent Generators for the ramp down period before a triggering outage and the ramp up period after a triggering outage would have a negligible impact on their Certified Reserve Capacity. AEMO had confirmed that it had used basic assumptions in its modelling which did not reflect that Intermittent Generators were not always dispatched down just before the start of a triggering outage and were not always dispatched at their maximum ramp rate.</p> <p>Ms Laidlaw agreed with Mr Maticka that there was no need for AEMO to undertake further modelling, noting that the Intermittent Generators would receive estimates if they were dispatched by System Management out of merit, regardless of the size of the lost generation.</p>	<p>Action 6/2020: The Chair noted that RCP Support and AEMO were scheduled to meet on 12 May 2020 to discuss the scope of a workshop for Rule Change Proposal: The Relevant Demand calculation (RC_2019_01); and would advise the MAC following that discussion.</p>

5 **MAC Market Rules Issues List (Issues List) Update**

The MAC noted the recent updates to the Issues List.

The Chair sought the views of MAC members on whether issues 2, 16 and 35, and proposed review 1 (Behind-the-meter issues) had been addressed by the recently published Distributed Energy Resources (**DER**) Roadmap and could be closed.

Ms Wendy Ng considered that the issues should remain on the Issues List so the MAC could continue to monitor them. Ms Ng noted that while the DER Roadmap included some proposals relating to the issues, the outcomes were still uncertain.

The MAC agreed to leave issues 2, 16 and 35 and proposed review 1 on the Issues List pending the development of Energy Policy WA's (**EPWA's**) program to implement the relevant actions from the DER Roadmap.

Item	Subject	Action
6	Update on the Energy Transformation Strategy (ETS)	
	Mr Aden Barker provided the following updates on the ETS.	
	<ul style="list-style-type: none"> • The most recent meeting of the Energy Transformation Taskforce (Taskforce) was held on 24 April 2020. The Taskforce approved the release of information papers on generator performance standards monitoring and compliance, the broader Wholesale Electricity Market (WEM) monitoring and compliance framework, and the Essential System Services (ESS) Supplementary Mechanism; along with the final draft Amending Rules for the constraints governance information framework which would be released for a two-week period for comment before the Amending Rules were made by the Minister. • The Transformation Design and Operation Working Group (TDOWG) met on 29 April 2020 and discussed safe Rate of Change of Frequency limits in the context of the new ESS, and battery accreditation under the Reserve Capacity Mechanism (RCM). • ETIU intended to hold another TDOWG meeting on 26 May 2020 to discuss operational planning, further information relating to generator performance standards monitoring programs, and the Network Access Quantities (NAQ) framework. • The DER Roadmap, which was released on 4 April 2020, contained a number of outstanding actions for Government. ETIU held a special TDOWG meeting to discuss the DER Roadmap on 30 April 2020. • ETIU expected to release within the next two weeks a consultation paper on changes to the Network Access Code and proposed rule changes to allow cost recovery for AEMO to undertake actions under the DER Roadmap. The consultation paper would also speak to the issue of the Technical Rules change management process. • Modelling for the Whole of System Plan (WOSP) was still underway. ETIU intended to present the modelling outcomes to the MAC at its June 2020 meeting. The initial outcomes had been discussed with the Taskforce and ETIU intended to engage with individual Market Participants on a one-on-one basis over the following month. • The WEM Reform Implementation Group (WRIG) was scheduled to meet again on 7 May 2020. ETIU apologised for not having issued papers for the meeting but intended to send out an agenda within 1-2 days. 	

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	<p>Ms Ng asked if a decision had been made on whether generators would still need to pay Use of System charges under the new constrained network access regime. Mr Barker replied that he would take the question on notice, but considered it would be timely for Mr Ashwin Raj to discuss the broader scope of the Improving Access to the SWIS workstream, including how the workstream will address charges and the application and queueing policy, at the next TDOWG meeting.</p>	
	<p>Action: ETIU to provide an update to the MAC on whether Market Generators will still be required to pay Use of System charges under the new constrained network access regime.</p>	<p>ETIU</p>
7	<p>AEMO Procedure Change Working Group (APCWG) Update</p>	
	<p>Mr Dean Sharafi advised that the next APCWG meeting was scheduled for 7 May 2020 and would discuss the Market Procedure: Reserve Capacity Security. The proposed changes were a priority as a result of the Minister's RCM pricing rules.</p>	
	<p>Mr Sharafi advised that AEMO was likely to hold another APCWG meeting later in May 2020 because AEMO was proceeding with a Procedure Change Proposal for prudential changes required to improve the accuracy of the Outstanding Amount calculation under AEMO's Reduction of Prudential Exposure project. The new Outstanding Amount calculation would provide AEMO and Market Participants with a real-time estimate of their exposure to the market based on actual market data.</p>	
	<p>Mr Sharafi considered that this Procedure Change Proposal was a priority because it would provide more effective prudential monitoring, reduce the risk of Default Levies and allow AEMO to manage default risk more closely. Market Participants would receive a more accurate Outstanding Amount with an accurate daily financial estimate, which they may find useful for internal purposes such as cash flow management and billing their customers.</p>	
	<p>Mr Maticka provided an update on AEMO's current Procedure Change Proposal: Certification of Reserve Capacity Market Procedure (AEPC_2020_02). Mr Maticka noted that AEMO had proposed amendments to clarify the fuel requirements for applications for Certified Reserve Capacity. In response to queries from Market Participants, AEMO had decided to link the requirement to the existing 14-hour fuel requirement, rather than the 90% threshold originally proposed. AEMO had contacted each Market Participant who queried the 90% fuel requirement to advise them of the change.</p>	

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	<p>Mr Maticka noted that the consultation period for AEPC_2020_02 had closed, and asked whether MAC members wished to see the additional changes before the publication of the Procedure Change Report. Mrs Jacinda Papps indicated that Alinta would prefer to see the drafting before it was finalised. Mr Maticka indicated that AEMO would circulate the revised draft Market Procedure for information, and depending on responses would consider a further short consultation period.</p>	
	<p>In response to a question from Ms Laidlaw, Mr Maticka advised that AEMO did not propose to make any changes to the arrangements for setting Credit Limits at the same time as its changes to the Outstanding Amount calculation, for reasons that would be detailed in the Procedure Change Proposal. In part, the delay was because AEMO wanted to see how the new Outstanding Amount calculations were working before reducing Credit Limits. There were also issues associated with some of the potential Default Levies that AEMO needed to explore.</p>	
	<p>Mr Edwards asked whether AEMO intended to release the daily indices that Market Participants would require to carry out their own independent checks and validations of the daily credit exposure estimates AEMO intended to provide. Mr Edwards suggested there were about six indices that Market Participants were unable to estimate themselves. Mr Maticka replied that he would ask one of his team to investigate how a Market Participant would be able to reconcile their Outstanding Amount and their own internal reports.</p>	
	<p>In response to a question from Ms Ng, Mr Maticka advised that AEMO expected to implement the new daily prudential exposure calculations in its production environment by the end of May 2020. AEMO intended that Market Participants would be able to monitor the values for about a month before the commencement of the associated Market Procedure changes.</p>	
	<p>In response to a question from Mr Geoff Gaston, Mr Maticka reiterated that AEMO did not intend to make changes to how Credit Limits were calculated or how Market Participants could manage their exposure (for example through pre-payments) as part of the upcoming Procedure Change Proposal. AEMO intended to cover the rationale for delaying these additional changes at the APCWG meeting to discuss the Procedure Change Proposal. Mr Maticka was unsure of the date of that meeting but agreed to email the meeting date to Mr Gaston.</p>	

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	Action: AEMO to investigate and report to the MAC on how a Market Participant will be able to reconcile the daily credit exposure estimates to be provided by AEMO with their own internal reports.	AEMO
	Action: AEMO to advise MAC members of the date of the APCWG meeting to discuss the Procedure Change Proposal to implement the new Outstanding Amount calculation.	AEMO

8(a) Overview of Rule Change Proposals

The paper for agenda item 8(a) was taken as read. The Chair provided the following updates:

- The Draft Rule Change Reports were well progressed for Rule Change Proposals: Administrative Improvements to the Outage Process (RC_2014_03) and Implementation of 30-Minute Balancing Gate Closure (RC_2017_02). RCP Support is waiting on AEMO for cost and time estimates and intends to publish the Draft Rule Change Reports by 28 May 2020, pending the estimates from AEMO.
- In response to a question from Ms Jo-Anne Chan, the Chair indicated that the dates in the first table in Agenda Item 8(a) are indicative timings that the Panel is targeting for the next step for the various Rule Change Proposals, whereas the dates in the subsequent tables are the official deadlines as per the rule change process in the Market Rules.

8(b) RC_2020_03: Estimates for GIA Facilities

Mr Oscar Carlberg provided an overview of Alinta's Pre-Rule Change Proposal: Estimates for GIA facilities (RC_2020_03). The Pre-Rule Change Proposal is available in the meeting papers and a copy of Alinta's presentation is available on the Panel's website.

The following points were discussed:

- Mr Sharafi noted that Alinta's solution would estimate a GIA generator's output for all Trading Intervals in which the Facility's output was constrained by the GIA tool, not just the ones related to a network outage. Mr Sharafi considered that this would cause the GIA generators to be treated no differently to other Non-Scheduled Generators, which would put the GIA generators in an advantageous position, because they paid less for their network connections and effectively have a sub-standard network connection.

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	<p>Mr Sharafi advised that if AEMO ignored the sub-standard connections and assigned a Relevant Level to a GIA generator in the same way as to other Non-Scheduled Generators, then Power System Security would be at risk, because the Relevant Level of each GIA generator would not reflect a reasonable expectation of their output on peak days.</p>	
	<p>Mr Sharafi advised that AEMO proposed an alternative method, which would be slightly more administratively burdensome for AEMO but from a system perspective would provide a better outcome. Under AEMO's proposed method, a Market Generator could advise AEMO of Trading Intervals where it considered its GIA generator's output was reduced by a network outage, and AEMO could assess the Trading Intervals and provide an estimate where AEMO considered it appropriate.</p>	
	<ul style="list-style-type: none"> • Mr Maticka added that the proposed changes may affect the independent experts' reports used in the Reserve Capacity certification process. • Mr Tom Froid considered that Alinta's proposal was very sensible. • Mrs Papps disagreed with Mr Sharafi's comments, noting that Western Power accounted for the effect of network constraints on GIA generators when determining the Constrained Access Entitlement (CAE) for a GIA generator. Alinta noted that the assignment of Capacity Credits was a two-step process and Alinta's intent was just to ensure that correct inputs were provided to the Relevant Level Methodology. A GIA generator's Capacity Credits would still be limited to reflect network constraints through the CAE methodology. 	
	<p>In response to a question from Mr Sharafi, Mrs Papps confirmed that the CAE process was already included in the Market Rules and provided an overview of its operation. Mrs Papps explained that if the CAE calculation for a GIA generator was lower than its Relevant Level, the GIA generator's Capacity Credits would be restricted to the CAE value.</p>	
	<p>Mr Maticka confirmed that Mrs Papps' comments were correct, and clarified that AEMO was suggesting a process that might be less labour intensive for AEMO as it would only be assessing Trading Intervals that were affected by a network outage.</p>	

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•	<p>Ms Laidlaw noted that RCP Support had sought advice from ETIU about its policy position on estimates for Intermittent Generators under the new market arrangements. ETIU had advised that while the Taskforce was yet to make any decisions on this issue, ETIU's current thinking was that the use of estimates would continue, and that the NAQ process would require 'unconstrained' inputs. This implied that estimates should be used for Trading Intervals where the output of the generator was constrained by the network.</p> <p>Ms Laidlaw agreed that the proposed amendments would also provide estimates for GIA generators when they were constrained down under system normal conditions, but suggested that this might be required in future to measure the unconstrained capacity of Intermittent Generators.</p>	
•	<p>Mr Daniel Kurz noted that, as a Market Generator, he supported the notion that there should not be an unfair allocation against any generator for something that is outside of its control.</p>	
•	<p>Mr Gaston agreed that a GIA generator's Capacity Credits should not be reduced because it was constrained due to a network outage. However, Mr Gaston questioned whether other GIA instructed constraints should be able to affect the Facility's Capacity Credits.</p> <p>Ms Laidlaw clarified that certain constraints were applied in the GIA tool to account for planned network outages. A blanket fixed constraint was usually applied to the Facility's output for the duration of the network outage because sophisticated constraint equations to handle network outage situations were not available.</p> <p>Mr Gaston asked if the situation was likely to get worse as more GIA generators connected to the SWIS. Ms Laidlaw considered the market transparency problems were likely to increase, and that if a GIA generator was subjected to a large constraint for a period then the market should have visibility of that event.</p>	
•	<p>The Chair suggested that AEMO and Alinta discuss their proposed solutions to see which one was likely to work the best, while noting that Alinta could submit its Rule Change Proposal whenever it chose. Mrs Papps advised that Alinta would contact AEMO after the MAC meeting, and would probably submit the Rule Change Proposal as soon as possible because of the associated timing constraints.</p>	
•	<p>The Chair noted if AEMO could provide feedback to Alinta regarding cost and practicality, then it would be helpful to</p>	

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	<p>include this in the Rule Change Proposal to allow stakeholders to see that information as early as possible.</p> <ul style="list-style-type: none"> Ms Chan asked how RC_2020_03, if approved, would affect the 2020 Reserve Capacity Cycle. Mrs Papps replied that Alinta hoped the changes could be used for the upcoming accreditation process, to prevent the adverse impacts on Badgingarra's Capacity Credits predicted by Mr Carlberg. <p>In response to a question from Ms Chan, Mrs Papps considered that if RC_2020_03 was progressed using the Fast Track Rule Change Process there was a reasonable chance of commencing the changes in time for the 2020 Reserve Capacity Cycle, because the certification period had been delayed by about two months.</p> <p>Mr Maticka advised that AEMO was scheduled to notify applicants of the Certified Reserve Capacity for their Facilities for the 2020 Reserve Capacity Cycle by 19 August 2020. Mr Maticka noted that AEMO would need the Amending Rules to be implemented some time before that date to allow the changes to be taken into account. AEMO could provide more information on the required timeframe in its submission on the Rule Change Proposal.</p> <ul style="list-style-type: none"> Ms Zahra Jabiri noted that Western Power understood and appreciated the concern raised by Alinta, and asked Alinta and AEMO to include Western Power in their discussions of potential options before finalising the Rule Change Proposal. Mrs Papps and Mr Sharafi agreed to Ms Jabiri's request. The Chair sought the views of MAC members on whether RC_2020_03 addressed a manifest error in the Market Rules and so was eligible to be progressed using the Fast Track Rule Change Process. No attendee suggested that the proposal did not address a manifest error in the Market Rules. <p>Mr Andrew Everett observed that while one could argue about whether the proposal addressed a manifest error, the problem was really just one that was impacting financially on certain Market Participants. Mr Everett suggested that a degree of consistency should be applied, noting that Synergy's recent Rule Change Proposal: Amending the Minimum STEM Price definition and determination (RC_2019_05) addressed an issue with a significant financial impact on Synergy, but had not been deemed to be something that needed to be done in a hurry.</p>	

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	<p>In response to a question from the Chair, Mr Everett clarified that he had no firm view on whether RC_2020_03 met the fast track criteria, but did not consider that something was a manifest error just because it had an adverse impact on certain Market Participants.</p>	
	<ul style="list-style-type: none"> Ms Laidlaw asked whether EPWA or ETIU could provide any guidance on whether the current arrangements for GIA generator estimates constituted a manifest error. Ms Laidlaw also noted that the problem had existed for over a year and it was unfortunate that it had not been raised much earlier. 	
	<p>Mr Matthew Martin considered that the Public Utilities Office, when developing the Minister's Amending Rules to implement the GIA solution, was focussed on the situation during normal working operations rather than the issues identified in RC_2020_03. Mr Martin agreed that the withholding of estimates was an unintended consequence rather than an intended outcome.</p>	
	<p>Mrs Papps did not agree that the problem had existed for a year because there had been a previous internal interpretation at AEMO that Consequential Outages were to be granted for these instances. That interpretation changed when the rule was read in more detail early in 2020. Alinta had hoped the problem could be resolved through RC_2014_03, but acted as soon as it became aware that RC_2014_03 would not be implemented in time. Ms Laidlaw agreed that Alinta was not responsible for the delay.</p>	
	<ul style="list-style-type: none"> The Chair sought the views of the MAC on an urgency rating for RC_2020_03, noting that Alinta proposed a High urgency rating. 	
	<p>Mr Kurz supported the concept that it was an unintended consequence that GIA generators should be treated differently for network outages that are not a result of security constraints, and recommended a High urgency rating.</p>	
	<p>Mr Gaston, Ms Ng, Ms Jabiri and Mr Peter Huxtable also supported a High urgency rating. Mr Gaston considered that the proposal should be progressed using the Fast Track Rule Change Process.</p>	
	<ul style="list-style-type: none"> The Chair noted that if RC_2020_03 was given a High urgency rating then it would move to the top of the Panel's priority list (after RC_2014_03, RC_2019_04 and RC_2019_05) even if it was not progressed using the Fast Track Rule Change Process. If the proposal was 	

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	<p>progressed using the Fast Track Rule Change Process, then RCP Support would require information on AEMO's implementation requirements to help it determine whether the Amending Rules could be commenced in time for the 2020 Reserve Capacity Cycle.</p> <ul style="list-style-type: none"> Ms Laidlaw sought clarification on the purpose of the proposed meeting between Alinta, AEMO and Western Power. Mrs Papps understood that the purpose of the meeting was to discuss the alternate methodology proposed by AEMO. Alinta proposed to report back on the outcomes of the meeting via email rather than wait until the next MAC meeting. 	
	<p>Action: Alinta, AEMO and Western Power to meet to discuss AEMO's alternative to the solution proposed in Pre-Rule Change Proposal: Estimates for GIA facilities (RC_2020_03).</p>	<p>Alinta/AEMO</p>

8(c) Prioritisation of Rule Change Proposals

Mr Sharafi indicated that AEMO wanted the MAC to discuss prioritisation of Rule Change Proposals because AEMO had been swamped over the last two months due to COVID-19 issues, and wanted to understand if other MAC members were similarly affected.

Mr Sharafi acknowledged AEMO's obligation to support the Panel and that the Panel was waiting on AEMO to provide quotes for RC_2014_03 and RC_2017_02 to be able to progress the Draft Rule Change Reports, but indicated that AEMO had very little capacity to deal with these Rule Change Proposals because COVID-19 had created a new focus for AEMO and had consumed a lot of its resources.

Mr Sharafi indicated that AEMO had a back-up control room that was almost ready as a back-up, but COVID-19 had forced AEMO to use the back-up as a co-primary control room with substandard equipment, so AEMO's controllers cannot carry on their normal duties. This had affected AEMO's capacity to respond to some Rule Change Proposals.

Mr Sharafi also indicated that some Rule Change Proposals will have a limited life until the ETS reforms commence in October 2022 and that AEMO could not implement some of these proposals until after other projects were complete, such as the System Management System Transition (**SMST**) project.

The Chair invited comments from MAC members, who responded as follows:

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	<ul style="list-style-type: none"> • Mr Kurz indicated that COVID-19 had had far-reaching impacts on Bluewaters' and NewGen's operations. The focus on operations had made it more challenging for Bluewaters and NewGen to progress things, including rule change-related and general reform activities, and projects at the sites. Mr Kurz acknowledged that AEMO was highly involved in the rule change processes because it had to implement the changes and that he understood the issues that Mr Sharafi had raised. • Mrs Papps indicated that Alinta was facing resourcing constraints as a result of COVID-19, but that this was impacting its operations staff more than its regulatory staff. Mrs Papps indicated that Alinta had a FIFO workforce and had made some changes to its staffing to address issues with operations, and that the delay to the Reserve Capacity certification processes had eased pressure on its regulatory staff. • Ms Ng indicated that ERM Power had similar comments to Mr Kurz. Ms Ng indicated that COVID-19 was making it take longer to get things done and that there was a lot happening in the regulatory space. Ms Ng indicated that ERM Power appreciated that AEMO had delayed the Reserve Capacity certification process and that any other steps to alleviate the workload would also help. • Ms Jabiri indicated that Western Power had been impacted in a similar way to Alinta – Western Power's operational staff had been highly impacted, but its office staff had been less impacted. Ms Jabiri indicated that it understood AEMO's viewpoint and that it was willing to discuss priorities of Rule Change Proposals. • Mr Patrick Peake indicated that Perth Energy was experiencing significant pressure in dealing with regulatory matters and had looked at adding resources where possible. Mr Peake indicated that Perth Energy understood AEMO's viewpoint and wanted to ensure that there was no delay to the new dispatch engine because there would be serious problems if the dispatch engine was delayed beyond the summer of 2022/23. <p>The Chair summarised that COVID-19 had clearly impacted all Market Participants, but that several MAC members had suggested the impact was more on the operational side and less on the regulatory side, and asked AEMO to comment on this. Mr Sharafi indicated that AEMO:</p>	

Item	Subject	Action
	<ul style="list-style-type: none"> • had very low resources compared to the task that had been asked of it; • did not currently have many people to deal with the regulatory side of things, just one person and a few other people part-time; and • needed its operations staff to consider how any Rule Change Proposal would impact on its operations. <p>Mr Sharafi asked MAC members to comment on the cost-benefit of some of the Rule Change Proposals considering the short life span of some of the proposals before the ETS reforms commence.</p> <p>Ms Laidlaw indicated that RCP Support had already reduced the scope of RC_2014_03 to reduce cost because it was conscious of the delays in the proposal, the cost-benefit of the proposal, and the time remaining before the ETS reforms commence. The Panel would need to account for how long the changes would be in effect, but still needed to progress the proposal, even if the decision was to reject some parts of the proposal because it had been delayed for too long.</p> <p>Mr Sharafi noted that:</p> <ul style="list-style-type: none"> • AEMO had previously advised that it could start implementing RC_2014_03 in the second quarter of 2020, after SMST had been delivered, but it now looked like the SMST project would not be delivered until the end of 2020; and • with these delays from AEMO, the life of RC_2014_03 was going to be about a year and the implementation cost of the proposal was not trivial. <p>So Mr Sharafi suggested that MAC members should consider whether RC_2014_03 should proceed.</p> <p>The Chair indicated that he understood most of the changes from RC_2014_03 would outlive the ETS reforms. Ms Laidlaw clarified that some aspects of the proposal would continue after the ETS reforms, such as the changes relating to capacity-adjusted outage quantities, but others would not, such as the changes relating to Consequential Outages. Ms Laidlaw pointed out that the Panel needed cost and time estimates so that it could make a decision on RC_2014_03, but had been waiting on some of the estimates for two years.</p> <p>The Chair agreed that the Panel was interested in the MAC's views on the priority of Rule Change Proposals, but it could not assess the cost-benefit of proposals without cost and time estimates.</p>	

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	<p>Mr Barker noted, in respect of Mr Peake’s earlier comment, that the AEMO reform team, while functionally separate from the operations team and broader business-as-usual activities, was nonetheless highly reliant on input from those groups, and that this reliance was likely to increase as the ETS reforms move into detailed rule drafting and the development of procedures.</p> <p>The Chair asked MAC members for their view on where the current Rule Change Proposals should fit relative to other programs that AEMO was working on because AEMO would have to make a call on how it allocated its resources between the ETS reforms, supporting the Panel and AEMO’s own discretionary projects. Mr Sharafi indicated that AEMO’s priority was supporting the ETS reforms but it still wanted to support the rule change processes. AEMO would prioritise projects that relate to Power System Security but its other internal projects were on hold, including the proposed PASA process improvements.</p>	
	<p>The Chair summarised the current situation for the Rule Change Proposals as follows:</p>	
	<ul style="list-style-type: none"> • Two proposals – RC_2019_04 and RC_2019_05 – were nearing completion and were assigned high priorities by the MAC and the Panel, so it was probably worth continuing to process those proposals. • Alinta was about to submit RC_2020_03 and ask for it to be processed using the Fast Track Rule Change Process. The Panel would need to determine the priority of the proposal relative to the other proposals that were already in the queue and AEMO would need to make a call on whether to support the Panel in progressing RC_2020_03 despite its resource constraints. • RC_2014_03 had been under consideration for six years and had been repeatedly given a High urgency rating by the Panel and the MAC. RCP Support had been waiting on AEMO estimates for some time. • RC_2017_02 had been under consideration for three years and RCP Support was still waiting on AEMO estimates. 	
	<p>The Chair asked the MAC whether the Panel should consider deferring any of these proposals. Mr Kurz indicated that there was no desire to defer any Rule Change Proposals, but acknowledged that the Panel relies on AEMO to provide cost and time estimates and that AEMO cannot provide estimates if it does not have the resources to do so.</p>	
	<p>The Chair asked for the MAC’s view on whether the Panel should accept RC_2020_03 if AEMO was not going to be able to</p>	

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	<p>support assessment of the proposal? That is, should the Panel put the time and effort into processing a proposal if AEMO was unable to provide cost and time estimates, in which case the Panel would not be able to make a decision on the proposal?</p>	
	<ul style="list-style-type: none"> • Mr Sharafi indicated that he had not reviewed Alinta's proposal in detail or what it would mean for AEMO to implement the proposal. Mr Sharafi indicated that AEMO was only saying that some Rule Change Proposals would require a lot of work and a lot of cost, and would have a short lifetime, and that the MAC should look at the proposals from a cost-benefit perspective, in light of COVID-19, to consider how to proceed. • Ms Ng suggested that, if Alinta and AEMO discussed RC_2020_03 and find a methodology to implement the proposal that was not too difficult and costly, and it was deemed to be a manifest error, then there was no reason why the Panel should not accept it because it should not require a lot of work. • Ms Ng suggested that the priority was commencement of the ETS reforms on 1 October 2022 and that AEMO resources should be prioritised to achieving this. The lifecycle of the existing Rule Change Proposals should be considered and only the parts of those proposals that will continue past 1 October 2022 should be progressed. 	
	<p>Ms Laidlaw indicated that RCP Support was trying to get estimates from AEMO so that the Panel could assess the cost-benefit of the different components of the proposals to determine which parts should be progressed.</p>	
	<p>The Chair pointed out that that the existing Rule Change Proposals did not contain a large number of changes with lifecycles that were limited by the ETS reforms, as follows:</p>	
	<ul style="list-style-type: none"> • For RC_2014_03, some parts of the proposal would continue past commencement of the ETS reforms, and some parts would not. The Panel could decide on the parts of the proposal that should be progressed, accounting for the lifecycle of the changes, once it received cost and time estimates from AEMO. • For RC_2017_02, RCP Support had been informed that AEMO would only need to make parameter changes to implement the proposal, which could be done quickly and at low cost. This proposal would not apply past commencement of the ETS reforms, but may still be worth pursuing for two years of benefits given the low implementation costs. 	

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	<ul style="list-style-type: none"> • RC_2019_04 and RC_2019_05 had lifespans past commencement of the ETS reforms. <p>Mr Sharafi suggested that some parts of RC_2017_02 might not be simple to implement, such as changes to the LFAS gate closure. Dr Natalie Robins clarified that RCP Support was only waiting for AEMO to provide cost and time estimates for a change to shift the LFAS Horizon from six to four hours.</p> <p>Mr Martin Maticka provided further information regarding AEMO's resource constraints, as follows:</p> <ul style="list-style-type: none"> • while AEMO's resourcing constraints might not directly impact on the IT staff that were required to provide estimates to the Panel, the IT staff required input from subject matter experts to know what to provide quotes on, so there was a ripple effect; • AEMO was not currently undertaking much discretionary work; and • if resourcing constraints from COVID-19 were more of an issue for AEMO than other Market Participants, then AEMO could give further thought on how to support the Panel. 	

9 Procedure Change Governance

The Chair noted that Perth Energy had sent a letter to the MAC regarding the importance of oversight of Market Procedure changes. A copy of Perth Energy's letter is available in the meeting papers.

The Chair invited Mr Peake to comment on Perth Energy's letter. Mr Peake considered it was important to ensure that the Market Procedures support the Market Rules and that the Procedure Change Process looked at the full implications of any change. Perth Energy's concerns in part related to the amount of work that was happening at the time. Perth Energy was also concerned that two recent Procedure Change Proposals had set policy rather than just supported the Market Rules.

The Chair noted that RCP Support had prepared a cover paper listing some of the changes that could be discussed if the MAC agreed with the issues raised by Perth Energy. The Chair clarified that RCP Support was not recommending any of these changes.

The Chair invited AEMO to comment on the issues raised in Perth Energy's letter. Mr Sharafi noted that for AEMO a procedure change had priority if it either addressed a security issue or was required to support a rule change. Mr Sharafi considered that the recent tie-break Procedure Change Proposal (AEPC_2020_01) addressed a security issue for

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	<p>AEMO. When the Balancing Price first reached the Minimum STEM Price AEMO identified a system security risk, and Mr Sharafi was sure that MAC members would like the system operator to be proactively looking for such risks and trying to resolve them. AEPC_2020_01 addressed the situation where a generator could be decommitted due to low demand but was required for system security reasons straight after that time.</p> <p>Mr Sharafi advised that System Management was close to decommitting a required generator during the relevant Trading Intervals, and decided the procedure change was needed to manage these situations going forward. Mr Sharafi thought that everyone appreciated that there must be a secure power system first to have an efficient market.</p> <p>Mr Sharafi considered that the power system was rapidly changing and the way it was changing will bring new things, and that Perth Energy's suggestions regarding increased MAC involvement in the Procedure Change Process would put the intended flexibility of that process at risk.</p> <p>Mr Sharafi considered that the current framework had worked for many procedure changes so far, and produced outcomes that have so far been acceptable to Market Participants. Mr Sharafi noted that AEMO had multiple internal approval layers for Procedure Change Proposals, and described the current consultation process for procedure changes. Mr Sharafi noted that to date none of AEMO's decisions on Procedure Change Proposals (which were Reviewable Decisions) had been required to be reviewed.</p> <p>Mr Sharafi also noted that the two Procedure Change Proposals highlighted in Perth Energy's letter were still in progress and suggested that Perth Energy's comments may be premature.</p> <p>Mr Maticka expressed disappointment that concerns had been raised about the governance of the Procedure Change Process. Mr Maticka considered that AEPC_2020_02 was progressed in accordance with the current process. AEMO had taken the feedback provided in the consultation period into account and made further amendments to the proposed Market Procedure. Mr Maticka also raised concerns about making the process to change a Market Procedure very long and convoluted, as this would add an unnecessary administrative overhead to the market and prevent AEMO from making effective changes to Market Procedures as quickly as it would like.</p> <p>Mr Maticka noted that AEPC_2020_02 was initiated in response to requests from Market Participants to provide more clarity</p>	

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	<p>around the processes used by AEMO for the certification of Reserve Capacity.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> <li data-bbox="320 416 1139 555">• Mr Peake replied that he did not want to make the process more bureaucratic but was concerned that changes with unintended consequences could slip through the process unnoticed, given how much was happening at the time. <li data-bbox="320 580 1145 1128">• The Chair agreed that Procedure Change Proposals to address system security issues and support rule changes needed to proceed, but noted Perth Energy’s concerns about the inclusion of policy matters in procedure changes, and whether there was enough preliminary discussion of those matters. The Chair noted that changes to the Market Procedure: Balancing Market Forecast to align the Market Procedure with the current tie-break process would be a straightforward Procedure Change Proposal. However, he understood that AEPC_2020_01 proposed to create new tie-break categories, and asked Mr Peake if this was an example of the sort of policy change that Perth Energy suggested should be discussed by the MAC before being included in a Procedure Change Proposal. Mr Peake agreed that this was such an example. <li data-bbox="320 1153 1158 1330">• Mrs Papps noted that broadly speaking she always had some concerns with an agency being able to approve its own changes. However, this needed to be balanced against the need for timely changes and what was trying to be achieved with procedure changes. <p data-bbox="376 1355 1161 1570">Mrs Papps considered that the discussion of procedure changes earlier in the meeting (under agenda item 7) had been quite good and more detailed than in previous MAC meetings, and suggested that Perth Energy’s concerns might be alleviated by changes to how this agenda item was addressed in future.</p> <p data-bbox="376 1594 1158 1733">Mrs Papps also noted that AEMO’s procedure change decisions were only subject to procedural review, which provided less protection to Market Participants than a merits review process would provide.</p> <ul style="list-style-type: none"> <li data-bbox="320 1758 1150 2011">• Mr Kurz noted that both Bluewaters and NewGen attended APCWG meetings and approached their participation in the APCWG processes with the same level of seriousness as their participation in the MAC and rule change processes. Mr Kurz acknowledged that there were times when procedure changes involved important decisions and agreed with Mrs Papps that more extensive discussions 	

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	<p>during the regular APCWG update to the MAC may be an answer.</p> <ul style="list-style-type: none"> The Chair asked whether other MAC members ensured that they were aware of the detail of APCWG activities. Mr Sharafi noted that AEMO notified the MAC about every Procedure Change Proposal and MAC members can request a MAC meeting to discuss any Procedure Change Proposal. Mr Sharafi reiterated his concerns about losing flexibility in the Procedure Change Process and offered to explain the technical reasons why AEPC_2020_01 was necessary at a future MAC meeting if required. <p>Ms Chan, Mrs Papps and Ms Kei Sukmadjaja indicated that Synergy, Alinta and Western Power all approached their participation in APCWG processes in the same way as Bluewaters and NewGen.</p> <p>The Chair suggested, and the MAC generally agreed, that some additional discussion during the regular MAC APCWG updates, like that provided earlier in the meeting, would be beneficial and should be sufficient to address MAC members' concerns. Mr Sharafi indicated that AEMO would be happy to provide more detail about its procedure changes to the MAC.</p>	
10	<p>ERA Review –2020 review of the incentives to improve the availability of generators</p> <p>Mr Richard Cheng provided an overview of the ERA's 2020 review of incentives to improve generator availability. A copy of the ERA's presentation is available on the Panel's website.</p>	
11	<p>General Business</p> <p><u>Suspension of methodology reviews</u></p> <p>Ms Sara O'Connor noted that the ERA was required to undertake a periodic review of the methodologies used to set the Benchmark Reserve Capacity Price (BRCP) and the Energy Price Limits. The ERA began scoping work on the review at the end of 2019, and during this work became aware of multiple overlaps with the current ETS work program. The ERA discussed its concerns with ETIU and on 4 May 2020 received a letter from the Minister acknowledging the overlap.</p> <p>The ERA had decided to suspend its review of the methodologies to avoid any potential overlap or conflict, and intended to publish a notice to this effect by the following day.</p> <p>However, the ERA was cognisant of Market Participants' concerns that some of the parameters used to calculate the BRCP were out of date. The ERA therefore intended to proceed</p>	

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	with its review of the BRCP Market Procedure, albeit with a potentially narrower scope that focussed on the identified weighted average cost of capital issues and any other issues that did not overlap with the ETS work program.	

The meeting closed at 11:55 PM.