

Minutes

Meeting Title:	Market Advisory Committee (MAC)
Date:	14 February 2018
Time:	12:35 PM – 4:00 PM
Location:	Training Room No. 2, Albert Facey House 469 Wellington Street, Perth

Attendees	Class	Comment
Stephen Eliot	Chair	
Matthew Martin	Minister's Appointee – Small-Use Consumer Representative	
Martin Maticka	AEMO	
Dean Sharafi	System Management	
Sara O'Connor	Economic Regulation Authority (ERA) Observer	
Angelina Cox	Synergy	Proxy
Margaret Pyrchla	Network Operator	
Wendy Ng	Market Generators	
Andrew Stevens	Market Generators	
Jacinda Papps	Market Generators	To 3:25 PM
Shane Cremin	Market Generators	
Patrick Peake	Market Customers	
Alex Penter	Market Customers	Proxy
Geoff Gaston	Market Customers	
Steve Gould	Market Customers	
Peter Huxtable	Contestable Customers	

Apologies	Class	Comment
Will Bargmann	Synergy	
Simon Middleton	Market Customers	

Also in attendance	From	Comment
Jenny Laidlaw	RCP Support	Presenter, minutes
Richard Cheng	RCP Support	Presenter
Natalie Robins	ERA	Presenter
Ashwin Raj	Public Utilities Office (PUO)	Presenter, to 1.50 PM
Aditi Varma	PUO	Presenter
Bobby Ditric	PUO	Presenter
Daniel Kurz	Bluewaters Power	Observer
Ignatius Chin	Bluewaters Power	Observer
Thomas Coates	PUO	Observer
Duncan MacKinnon	Australian Energy Council	Observer
Noel Schubert		Observer
Laura Koziol	RCP Support	Observer

Item	Subject	Action
1	<p>Welcome</p> <p>The Chair opened the meeting at 12:35 PM and welcomed members and observers to the 14 February 2018 MAC meeting.</p>	
2	<p>Meeting Apologies/Attendance</p> <p>The Chair noted the apologies, attendance, and proxies, as listed above.</p>	
3	<p>Minutes from Previous Meeting</p> <p>The minutes of MAC meeting 2017-08 held on 13 December 2017 were circulated on 8 January 2018.</p> <p>The Chair noted a correction that was suggested by Mrs Jacinda Papps but inadvertently omitted from the draft minutes included in the meeting pack:</p> <p>Page 4, Section 5: Presentation – Balancing Offer Market Guideline, second dot point:</p> <ul style="list-style-type: none"> “Mrs Jacinda Papps asked whether the ERA intended for the new Guideline to replace the other SRMC guidance documents already published on the ERA website. Mr Arapis replied that the new Guideline was intended as a complementary paper rather than as a replacement for the previous documents.” <p>Subject to the change proposed by Mrs Papps, the MAC accepted the minutes as a true record of the meeting.</p>	

	<p>Action: RCP Support to amend the minutes of meeting 2017-08 to reflect the agreed changes and publish on the Rule Change Panel's website as final.</p>	<p>RCP Support</p>
<p>4</p>	<p>Actions Arising</p> <p>The closed action items were taken as read.</p> <p>Action 19/2017: Mr Bobby Ditric noted that after further analysis, the PUO has concluded that the current arrangement for the provision of generator modelling information (under which Western Power provides the modelling information to AEMO, some of which is provided to Western Power by Market Participants under the Technical Rules) lacks transparency and makes a 'quick fix' solution to the concerns raised by MAC members difficult. The PUO intends to develop a more extensive rule change to specify the required modelling information more clearly, and to require that information to be provided by Rule Participants directly to AEMO. The PUO aimed to present a proposal at the next MAC meeting.</p> <p>Action 28/2017: Mr Martin Maticka noted that:</p> <ul style="list-style-type: none"> • AEMO is not obliged to publish dynamic refund factors until settlement, (but agreed this timing may cause difficulties for some Market Participants); • AEMO is not yet publishing spare capacity as required under the Market Rules; the necessary system updates have been expedited and are due for implementation in mid-April; • work has commenced on updates to the Market Procedure: Balancing Market Forecasts to provide guidance on how the provisional spare capacity is calculated; • AEMO is also working on a guideline to assist Market Participants to independently forecast dynamic refund factors; • AEMO is planning to develop a provisional spare capacity calculation, likely to be published after Outage data is finalised (15 days) and based on SCADA; and • AEMO is also working on changes to the Outstanding Amount calculation for prudential management, in parallel with RC_2017_06 (Reduction of the prudential exposure in the Reserve Capacity Mechanism), and proposes to provide an estimate of the dynamic refund rates as part of that work, which has an estimated implementation date of mid-to-late 2019. <p>In response to a question from Mrs Papps, Mr Maticka advised that the spare capacity details would be provided via the Market Participant Interface and web services, but probably not via AEMO's public website.</p> <p>Action 29/2017: to be addressed under agenda item 4(a).</p> <p>Action 31/2017: Mr Maticka noted that AEMO had started work on the question of how to account for late logging of Forced Outages in settlement, but had found it to be less straightforward than originally expected. Mr Maticka confirmed that AEMO expected to provide</p>	

	<p>RCP Support with a rough order of magnitude estimate for the preferred option by 1 March 2018.</p> <p>Action 33/2017: The MAC agreed for this action item to be held over until early 2019, as the PUO is currently focussed on the major energy market reforms and would prefer to conduct its review of Protected Provisions following that process.</p> <p>Ms Wendy Ng asked whether the Minister’s rule-making powers that are due to expire on 1 July 2018 would be extended. Mr Matthew Martin replied that the PUO had not been instructed to make any changes to the relevant Regulations.</p> <p>Action 34/2017: Mr Maticka considered that the information needed by Market Participants to determine their forecast and actual LFAS and Spinning Reserve costs was generally available, but the costs could be difficult to determine, as the information was scattered over several locations. Mr Maticka indicated that AEMO was considering the development of a guide sheet for Market Participants on how to determine these costs, but noted the process could vary depending on the participant. Mr Maticka suggested that individual participants arrange to meet with AEMO’s operations team to walk through the process for determining their costs from available data.</p> <p>Mr Maticka also noted that the proposed changes to the Outstanding Amount calculation are expected to provide early estimates of all settlement quantities.</p> <p>Action 36/2017: to be addressed under agenda item 9.</p> <p>Action 41/2017: The Chair advised that AEMO intended to give a presentation to address this action item at the end of the meeting (under agenda item 10).</p>	
<p>4(a)</p>	<p>ERA Market Reviews Update (Action Item 29/2017)</p> <p>Ms Sara O’Connor gave a presentation on the ERA’s intentions regarding the periodic market reviews for which it became responsible in July 2017. The presentation is available on the Rule Change Panel’s website.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> • Ms O’Connor noted that when the ERA conducts a five-yearly review of the methodology for setting the Benchmark Reserve Capacity Price (BRCP) and the Energy Price Limits (EPLs) under clause 2.26.3 of the Market Rules, it must provide a report to the Minister but is not required to take any other action. This differed from the arrangements for other reviews, which required the ERA to develop Rule Change Proposals to implement its recommendations. Ms O’Connor indicated that the ERA would like the support of another party to put forward a Rule Change Proposal to address this concern, and Mr Martin indicated that the PUO could help with this matter. • Mrs Papps questioned why the ERA could not use the rule change process to make this change. Ms O’Connor replied that the ERA’s governing body was reticent to propose something that benefits the ERA, and so the change would need to be progressed by another party. Mrs Papps expected that the 	

	<p>general preference would be for such a change to be progressed using the rule change process.</p> <ul style="list-style-type: none"> Mr Maticka questioned the suggested three-month timeframe (shown on slide 6 of the presentation) for rule changes arising from the ERA's next review of the Relevant Level Methodology. Ms O'Connor agreed that the rule change process would take longer than three months and indicated the ERA would take this into account in its detailed project planning. <p>Mr Maticka noted the additional time needed to implement system changes following the making of Amending Rules, and questioned if there was an opportunity, should the ERA identify any obvious rule change requirements early in its review, to commence the rule change process early (e.g. mid-2018). Ms O'Connor agreed that this might be possible if the draft report clearly showed some recommended changes and the ERA did not anticipate much feedback on those matters during the consultation period.</p> <ul style="list-style-type: none"> Ms O'Connor noted that the ERA wished to engage with stakeholders very early in the process for each review. The ERA was planning to hold a stakeholder workshop in mid-March 2018; and one of the items for discussion at that workshop was how the ERA should engage with stakeholders and report on progress to stakeholders during these reviews. There was some discussion about who could and/or should progress rule changes to implement the recommendations of a periodic review undertaken by the ERA. Mr Martin noted that the current Market Rules did not prevent the ERA from submitting a Rule Change Proposal to implement its recommendations. Ms Jenny Laidlaw noted that it may not be possible to implement the recommendations of the Relevant Level Methodology review in time for the 2019 Reserve Capacity Cycle, due to the time required for rule and IT changes. However, it would be possible to retain the current methodology for that Reserve Capacity Cycle and implement changes in time for a later Reserve Capacity Cycle. Mrs Papps queried the status of the legacy Rule Change Proposal RC_2014_05 (Reduced Frequency of the Review of the Energy Price Limits and the Maximum Reserve Capacity Price). Ms Laidlaw replied that the progression of RC_2014_05 was waiting on the outcomes of the ERA's review of the BRCP and EPL methodologies. Ms Laidlaw also noted that over the next five years the market was expected to undergo material changes that may affect the choice of BRCP and EPL methodologies. 	
5(a)	<p>ERA Presentation – Effectiveness of the Synergy Regulatory Regime 2016</p> <p>Dr Natalie Robins gave a presentation on the ERA's 2016 review of the Electricity Generation and Retail Corporation (EGRC) Regulatory Scheme. The presentation is available on the Rule Change Panel's website.</p>	

The following points were discussed.

- Mr Andrew Stevens asked how the ERA had identified the demand for customised products for the purposes of its review. Dr Robins replied that the information for the 2016 calendar year had been requested from Synergy.
- Mr Stevens asked whether the ERA had considered ancillary service prices as well as energy prices. Dr Robins replied that the ERA had considered only energy prices in this review, but had taken ancillary service prices into account in its annual review of the effectiveness of the Wholesale Electricity Market (WEM).
- Dr Robins noted that in 2016 there were five buy transactions and only one sell transaction. In response to a question from Mr Shane Cremin, Dr Robins noted that the maximum transaction size was 5 MW.
- Dr Robins confirmed that the current buy-sell spread for Synergy's standard product offers was 20 percent. Mr Cremin questioned why Synergy did not reduce its buy-sell spread if it could maintain a 69 percent chance of being better off with a buy-sell spread of 10 percent, and suggested that Synergy did not actually want to sell any standard products.
- Mr Stevens asked if the ERA determined whether a change proposed by Synergy to its foundation transfer price mechanism was of a "minor or technical nature". Dr Robins replied that there was no requirement for Synergy to notify the ERA that it had made a change of this type. Further, the ERA had no authority to reject a change made by Synergy to its foundation transfer price mechanism if the ERA did not consider the change to be of a minor or technical nature.
- Dr Robins noted that the ERA had been meeting with the PUO about the recommendations of the 2016 review. Mr Martin noted that the PUO provided a first set of advice to the Minister when the ERA's report was submitted, and would be providing some further advice to the Minister in the near future. Mr Martin noted that, as highlighted in the presentation, there were several matters that need to be addressed. Some of these matters could be addressed fairly quickly, while others would take more time, and the PUO was seeking a mandate from the Minister to start the necessary work.
- In response to question from Mr Cremin, Mr Martin confirmed that there was no requirement for the Minister to respond to the report by a specific time.
- Mr Geoff Gaston noted that even if the Government ends the subsidy currently paid to Synergy, this will not remove all the cross-subsidisation in the market. Mr Cremin noted that at this time the subsidy was still only forecasted to be removed. Dr Robins replied that the ERA recognised that the foundation customers included both contestable and franchise customers. There was some discussion about the difficulty of competing for Synergy's contestable foundation customers.

	<ul style="list-style-type: none"> • In response to a question from Mr Cremin, Dr Robins advised that the regime existed under the Electricity Corporations Act and the Electricity Corporations (Electricity Generation and Retail Corporation) Regulations. The standard product arrangements are covered in a Gazetted document that contains specifications around the products and the requirements for trade. • Dr Robins stressed that the Auditor General's reports have found that Synergy has been compliant in all material respects with the scheme, and that the ERA's concerns are with the legislation rather than any non-compliant behaviour from Synergy. • There was some discussion about the previous Government's response to the ERA's 2015 review of the scheme, and the likelihood of changes resulting from the 2016 review recommendations. • Ms Angelina Cox noted that Synergy wished to meet with the ERA to address the points raised in the presentation and look at the evidence behind some of the statements made. Synergy is willing to share the outcomes of the discussion with the ERA at the MAC, if appropriate. • Mr Patrick Peake suggested that if the Government did not act on the recommendations it would be up to privately-owned Market Participants to develop a set of products that ought to be made available by Synergy, propose these as a set of rule changes, and then bring them forward for discussion. 	
<p>5(b)</p>	<p>ERA Presentation – 2016/17 WEM Report</p> <p>Ms O'Connor gave a presentation on the ERA's 2016-17 WEM Report to the Minister for Energy (WEM Report), which was published on 12 January 2018. The presentation is available on the Rule Change Panel's website.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> • Mr Ignatius Chin sought the PUO's view on how the recommendations would influence the Minister's reform program. Mr Martin replied that the PUO had been aware of the issues raised in the report and was working with AEMO on the scoping of changes to the market. The PUO was keen to ensure that the changes it was working on as part of the core market reform program are focussed on the implementation of the security constrained market model, rather than things that were fundamentally broken in the market now and should be addressed as soon as possible using 'business as usual' processes. <p>The PUO considered that quick changes can be made relatively soon to fix some of the problems, rather than waiting for the implementation of the security constrained market model. The PUO hoped that any further changes to the Market Rules to empower AEMO to undertake market development rule changes would help in that process.</p>	

	<ul style="list-style-type: none"> Mr Cremin considered the changes faced by the industry were so fundamental they would require policy and legislation change to address. Mr Cremin expressed concern that by aiming for 'quick wins' the market might miss an opportunity to actually make proper, flexible changes to the market, and questioned whether any thought had been given to re-establishing the original Electricity Reform Implementation Unit (ERIU) to develop a longer-term plan for market development. <p>Ms O'Connor noted that the ERA, in its Issues Paper for the WEM Report, had asked whether an overarching body, similar to the National Electricity Market's Energy Security Board, should be established for the WEM. The general consensus in submissions was that the WEM was not large enough to warrant the establishment of such a body.</p> <ul style="list-style-type: none"> Mr Stevens considered that thermal and renewable generators have very different timelines for the development, and the current Reserve Capacity Cycle timelines may be not be appropriate for the shorter development timelines of renewable generators. There was some discussion about the ability of several aspects of the fundamental Reserve Capacity Mechanism design to handle likely future technology changes. 	
<p>6(a)</p>	<p>Overview of Rule Change Proposals</p> <p>The Chair noted that RCP Support was currently working on its resource plan and would provide a more detailed update to the MAC in March or April.</p> <p>The Chair noted that during January 2018 he met with nine MAC members and observers on a one-on-one basis, to gain an understanding of where the MAC processes were working well and what could be done to improve them.</p> <p>The role of the MAC was a reoccurring theme in these discussions. The Chair reiterated that the role of the MAC is to advise the Rule Change Panel on Rule Change Proposals. The Rule Change Panel does not have the power to develop Rule Change Proposals (unless they are required to correct a manifest error, or of a minor or procedural nature), and does not have a review role corresponding to that held by the Australian Energy Market Commission.</p> <p>The Chair reminded members that their role at the MAC was to represent the category to which they were appointed - not their individual companies - with the ultimate aim of promoting the Wholesale Market Objectives. The Chair noted that observers do not currently have a similar obligation under the Market Rules.</p> <p>The Chair noted that members had also commented on the need to make better use of the MAC's time. To help achieve this outcome, RCP Support intended to make greater use of workshops and Working Groups to discuss the more detailed aspects of Rule Change Proposals.</p> <p>The Chair advised that RCP Support intends to undertake a review of the MAC, ideally in the first half of 2018.</p>	

	<p>The Chair noted that the Final Rule Change Report for RC_2017_10 (Correction of Gazettal Errors), which was published on 13 February 2018, contained a minor administrative error. An amended Final Rule Change Report was to be published within the following two days.</p> <p>The MAC noted the overview of Rule Change Proposals.</p>	
6(b)	<p>RC_2018_01 (New Notional Wholesale Meter Manifest Error) – Pre-Rule Change Proposal</p> <p>Mr Richard Cheng provided a brief overview of the Pre-Rule Change Proposal. No questions or concerns were raised by members or observers regarding the proposal.</p> <p>The MAC supported the progression of RC_2018_01 using the Fast Track Rule Change Process.</p>	
6(c)	<p>RC_2018_02 (K and U Parameters in Relevant Level Methodology for 2018 Reserve Capacity Cycle) – Pre-Rule Change Proposal</p> <p>Mr Maticka thanked those MAC members who provided support for AEMO’s plan to develop the Pre-Rule Change Proposal.</p> <p>Mr Maticka noted that some respondents suggested an additional change in their feedback, to reset the review cycle under clause 4.11.3C of the Market Rules so the next review would cover three Reserve Capacity Cycles (2019, 2020 and 2021) instead of two (2019 and 2020). AEMO considered the suggestion but decided against it, as it went beyond the simple manifest error that was outlined. AEMO sought to make the simplest, smallest change that was feasible and would allow AEMO to use the Relevant Level Methodology for the 2018 Reserve Capacity Cycle.</p> <p>Ms Laidlaw questioned whether the previous Minister had intended the ERA’s first review to cover two years instead of three, or whether this was an oversight. Mr Cremin considered that regardless of the original intent there was value in the next review covering a two-year period only. Mr Stevens agreed, considering that given the current rapid pace of change there was benefit in having a shorter review period.</p> <p>There was some discussion about the number of generators affected by the Relevant Level Methodology.</p> <p>Mrs Papps suggested leaving the drafting unchanged, noting that the ERA will have completed its review of the Relevant Level Methodology well before start of the 2021 Reserve Capacity Cycle. Ms O’Connor agreed, suggesting that the ERA consider the frequency of future reviews as part of its first review.</p> <p>The MAC supported the progression of RC_2018_02 using the Fast Track Rule Change Process.</p>	
6(d)	<p>RC_2014_03 (Administrative Improvements to the Outage Process) - Presentation</p>	

	<p>Ms Laidlaw provided a further update on the Rule Change Proposal RC_2014_03 (Administrative Improvements to the Outage Process). The presentation is available on the Rule Change Panel's website.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> In response to a question from Mr Stevens, Ms Laidlaw clarified that the 'start-up time' proposed to be included in the period of an Outage was the time that would be required for the generating unit to synchronise with the grid. Ms Laidlaw noted the discussion at the 17 January 2018 workshop on the definition of Maximum Sent Out Capacity (MSOC). Ms Laidlaw asked Mr Sharafi whether AEMO might need to be able to dispatch the emergency capacity of a Scheduled Generator (i.e. any additional output that can be provided for short periods in emergency situations only) using its future automated dispatch engine. <p>Action: AEMO to advise whether it might need to be able to dispatch the emergency capacity of a Scheduled Generator (i.e. any additional output that can be provided for short periods in emergency situations only) using its future automated dispatch engine.</p> <ul style="list-style-type: none"> Mr Peake suggested that the Declared Sent Out Capacity (DSOC) of a generating unit was set at 41 degrees Celsius and that a Market Generator was not permitted to exceed that limit. Ms Ng did not believe that DSOCs were temperature-limited. Ms Margaret Pynchla agreed to investigate the question and report back to the MAC. <p>Action: Western Power to provide an overview to the MAC on how Western Power sets the Declared Sent Out Capacity (DSOC) for a generating unit and the role of temperature in its determination process.</p> <ul style="list-style-type: none"> There was some discussion about how and whether Market Generators were exempted from network penalties if they exceeded their DSOC at the request of System Management. Ms Laidlaw noted that the MAC had received advice in the past that Western Power did not normally penalise Market Generators in these circumstances. 	<p>AEMO</p> <p>Western Power</p>
<p>7</p>	<p>Update on AEMO's Market Procedures</p> <p>Mr Sharafi noted that the 19 December 2017 meeting of the AEMO Procedure Change Working Group (APCWG) discussed two new proposed Market Procedures, namely the Power System Operation Procedure (PSOP): Tolerance Ranges, and the Monitoring and Reporting Protocol. Both procedures were currently out for public consultation.</p> <p>Mr Sharafi advised that the next meeting of the APCWG was scheduled for 19 February 2018 and would focus on changes to the PSOP: Communications and Control Systems and the IMS Interface Market Procedure. AEMO proposed to discuss changes to the PSOP: Facility Outages at a future meeting, probably in March 2018.</p>	

	The MAC noted the update on AEMO's Market Procedures.	
8	<p>Network and Market Reform Program Update</p> <p>Mr Ashwin Raj and Mr Martin gave an update on the Minister's network and market reform program. A copy of the presentation is available on the Rule Change Panel's website.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> • Mr Raj noted that the three consultation papers due to be published by the end of January 2018 were now expected to be published within one to two weeks. The PUO intended to hold an industry forum once the papers were out for consultation (tentatively during the week commencing 12 March 2018) to give stakeholders an opportunity to ask questions and provide early feedback. The PUO planned to complete its consultation on the papers by around 23 March 2018. • Mr Raj noted that the PUO had held several one-on-one meetings with industry on the reforms and intends to continue this process of engagement. The PUO intends to adjust its stakeholder engagement process once the legislation is introduced to Parliament, at which time in-depth consultation with industry on the detailed design is likely to commence. • Mrs Papps asked whether the submission periods for the three papers would all close on the same day and raised a concern about the burden on Market Participants with small regulatory teams. Mr Raj replied that the tentative close date was currently 23 March 2018 for all three papers, but the PUO would consider extending that deadline. Mr Raj noted that any extension would apply to all stakeholders. • Mr Raj clarified that the milestone "2020 Capacity Cycle commences under a new approach" in slide 2 of the presentation referred only to changes to the certification processes. • Mr Peake considered it would be very helpful to Market Participants to hear from Western Power about what changes will be made to the network access application process. • Mr Martin noted that the PUO was working with AEMO to provide it with the certainty it needs to prepare a funding submission for a defined scope of work and subsequently establish a project team. The PUO intended to focus on the areas of work where further policy definition was needed, e.g. gate closure, whereas AEMO would be looking at the more consequential changes relating to the outage planning framework, etc. • Mr Martin noted that the PUO was hiring a consultant to determine the best fit for purpose model going forward for ancillary service arrangements. The PUO was also looking at what changes could be made to Synergy's operations (with regard to facility bidding) now rather than in 2022, and intended 	

	<p>to present a concept paper on the matter to the MAC in the near future.</p> <ul style="list-style-type: none"> • Mr Martin advised that Ms Kate Ryan had joined the project team. The PUO also intended to hire an external consultant to provide it with technical advice on market design and project management, as well as a legal consultant to assist with drafting. • In response to a question from Mrs Papps, Mr Martin clarified that the PUO was considering changes to introduce facility bidding for some Synergy Facilities early, as it considered there were efficiency gains to be realised by doing so. Ms Aditi Varma added that the PUO was looking at the technical changes required to bring certain Facilities out of the Balancing Portfolio. • Mr Peake asked what needed to be resolved before a decision can be made on the new dispatch engine. Mr Martin replied that while the PUO intended to leave the choice of dispatch engine to AEMO, it was predicating its work on the assumption that the new dispatch engine will have the same functionality as the National Electricity Market Dispatch Engine (NEMDE). There was some discussion about the choice of dispatch engine and when Market Participants would be provided with greater clarity about the technical implications of that choice for their operations. • Mr Maticka noted that AEMO was developing a more staged implementation plan, with a lower resource profile and lower impact on industry, than was developed for the Electricity Market Review. • Mr Martin sought the views of the MAC on the need for a MAC constituted Working Group to work on technical details of the proposed WEM reforms. Mr Martin proposed that the PUO would present concept papers to the MAC and then take the work to the next level of detail with a Working Group. <p>Ms Laidlaw considered there were several options for consulting on detailed technical matters, including a single MAC Working Group, multiple MAC Working Groups and the use of ad-hoc workshops to discuss particular issues. Mr Stevens favoured the idea of specific Working Groups for specific topics, each with well-defined scopes.</p> <p>The MAC supported the concept of establishing one or more MAC Working Groups to assist with the technical details of the Minister’s reform program.</p>	
<p>9</p>	<p>Update on the MAC Market Rules Issues List</p> <p>Ms Laidlaw provided a progress update on the MAC Market Rules Issues List. The following points were discussed.</p> <ul style="list-style-type: none"> • Ms Laidlaw noted that RCP Support had asked MAC members and observers to provide suggested urgency ratings for the potential Rule Change Proposals discussed at the 13 December 2017 MAC meeting. A summary of the responses received was included in the paper for this agenda item. 	

- Ms Laidlaw noted that Bluewaters offered to develop one of the Rule Change Proposals and to assist with the development of another. No other offers to develop (or assist in the development of) any of the Rule Change Proposals were received. The Chair reiterated that the Rule Change Panel did not have the authority to develop a Rule Change Proposal of this type.
- Mr Chin asked what would be the next steps for the potential Rule Change Proposals. Ms Laidlaw replied that RCP Support planned to present the MAC's feedback at the 22 February 2018 Rule Change Panel meeting, and obtain from the Rule Change Panel a preliminary urgency rating for each issue. RCP Support would then publish the results for the consideration of stakeholders.

Mr Cremin suggested that Bluewaters wait until the Rule Change Panel's preliminary urgency ratings are published before deciding whether to proceed with the development of its Rule Change Proposals. Mr Cremin noted however that if Bluewaters could develop a convincing case for its proposal then this may result in the Rule Change Panel revising its preliminary urgency rating.

Mr Chin asked if Bluewaters would have an opportunity to demonstrate the benefits of its Spinning Reserve cost allocation proposal before the Rule Change Panel assigns its preliminary urgency ratings. Mr Stevens suggested that Bluewaters give a presentation to the MAC on the case for the proposal. The Chair supported Mr Stevens' suggestion.

- There was some discussion about the potential costs and benefits of Bluewaters' Spinning Reserve cost allocation proposal and the alternative 'full runway' proposal.
- Mr Martin noted that the PUO considered the full runway methodology was a quick win that can be implemented relatively quickly and easily for the benefit of participants. The PUO was therefore doing some work to develop a concept paper or Pre-Rule Change Proposal for presentation to the MAC in the near future.
- Ms Laidlaw noted that RCP Support proposed to schedule preliminary discussions of the seven broader review topics identified by the MAC in the order shown in Table 3.1 of the agenda item paper. Ms Laidlaw sought the views of the MAC on the proposed order.
- Mr Martin asked about the first proposed discussion ("review of agency roles and responsibilities") in light of the views expressed in the Final Rule Change Report for RC_2017_05 (AEMO Role in Market Development) regarding the difficulty of defining the boundaries of AEMO's market development role in the WEM.

Ms Laidlaw clarified that the review topic encompassed two types of issues. The first type were lower level questions such as who should be responsible for maintaining the list of

	<p>document retention requirements (described in clause 10.1.1 of the Market Rules), who should be responsible for the Benchmark Reserve Capacity Price Market Procedure, etc.</p> <p>The second type of issue relates to broader questions of responsibility for market development. Ms Laidlaw noted that the Final Rule Change Report for RC_2017_05 reflected the Rule Change Panel's views, and the proposed MAC discussion was not intended to develop a definition of AEMO's market development role.</p> <ul style="list-style-type: none"> • There was some discussion about the order in which discussions on the treatment of storage facilities in the market, behind-the-meter issues and the basis of allocation of Market Fees should be scheduled. Following this discussion there was general agreement to schedule the preliminary discussions in the order in which they are listed in Table 3.1 of the agenda item paper. 	
<p>10</p>	<p>General Business</p> <p><u>2018 MAC Composition Review</u></p> <p>The Chair noted that the evaluation panel for the 2018 MAC composition review had completed its work. The evaluation panel's recommendations would be considered by the Rule Change Panel at its meeting on 22 February 2018. The Rule Change Panel's decision was expected to be published shortly after that meeting.</p> <p><u>Presentation – Efficiency in the Margin Values and Spinning Reserve Procurement Processes (Action Item 41/2017)</u></p> <p>Mr Matthew Fairclough gave a presentation on the work done by AEMO to investigate whether rule changes were needed to improve efficiency in the Spinning Reserve procurement process by allowing Market Generators to offer additional Spinning Reserve in response to a draft margin values determination. A copy of the presentation is available on the Rule Change Panel's website.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> • In response to a question from Ms Laidlaw, Mr Fairclough clarified that the "draft margin value determination" was the margin values submission made to the ERA by AEMO. • Mr Chin asked whether the ERA was permitted under the Market Rules to retrospectively adjust the margin values at the completion of the Spinning Reserve procurement process. Mr Sharafi replied that the margin values for a Financial Year cannot be amended once they are approved by the ERA. • Mr Stevens suggested that most thermal generators were already complying with the requirements for Spinning Reserve. Mr Fairclough replied that the requirements for the provision of Spinning Reserve exceeded the governor response requirements in the Technical Rules; further, it was possible that a generator could be compliant with the Technical Rules but unable to provide the service. Ms Laidlaw noted that to provide Spinning Reserve, a generating unit needed to sustain its 	

	<p>governor response for longer than was required under the Technical Rules.</p> <ul style="list-style-type: none"> • Mr Fairclough noted that if AEMO contracts too much non-Synergy Spinning Reserve then this can cause the total cost of Spinning Reserve to increase. Mr Chin considered that this was evidence of the importance of conducting sensitivity analyses around the quantity of contracted Spinning Reserve. • There was some discussion about how a generating unit contracting to provide Spinning Reserve at some fraction of Synergy's administered price could increase the overall annual cost of Spinning Reserve to Market Generators. • It was noted that AEMO would give the same presentation at its next WA Electricity Consultative Forum/Generator Forum on 20 February 2018. There was general agreement to continue the discussion of AEMO's suggested approach at that forum. <p><u>Abolition of the Independent Market Operator (IMO)</u></p> <p>Mr Martin noted that the PUO was working on changes the Regulations and Market Rules with regard to the abolition of the IMO. While the proposed amending rules were fairly straightforward, the PUO intended to circulate a draft to the MAC for out of session consultation very shortly.</p>	
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The meeting closed at 4:00 PM.