

Minutes

Meeting Title:	Market Advisory Committee (MAC)
Date:	9 May 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	Australian Energy Market Operator (AEMO)	
Dean Sharafi	System Management	
Sara O'Connor	Economic Regulation Authority (ERA) Observer	
Will Bargmann	Synergy	
Margaret Pyrchla	Network Operator	
Jacinda Papps	Market Generators	From 12:55 PM
Shane Cremin	Market Generators	
Andrew Stevens	Market Generators	
Wendy Ng	Market Generators	
Patrick Peake	Market Customers	
Geoff Gaston	Market Customers	
Steve Gould	Market Customers	
Peter Huxtable	Contestable Customers	

Also in attendance	From	Comment
Jenny Laidlaw	RCP Support	Presenter, Minutes
Richard Cheng	RCP Support	Presenter
Aditi Varma	Public Utilities Office (PUO)	Presenter, from 12:45 PM
Kate Ryan	PUO	Presenter, to 2:25 PM

Stuart Featham	AEMO	Presenter, to 3:45 PM
Ashwin Raj	PUO	Observer, 1:05 – 2:25 PM
Steven Kruit	PUO	Observer, to 2:25 PM
Thomas Coates	PUO	Observer, from 1:00 PM
Dean Frost	Western Power	Observer
Douglas Thomson	Western Power	Observer, to 2:25 PM
Daniel Kurz	Bluewaters Power	Observer, from 12:45 PM
Ignatius Chin	Energy Market Consulting associates	Observer, to 2:25 PM
Greg Ruthven	AEMO	Observer
Clayton James	AEMO	Observer
Matthew Bowen	Jackson McDonald	Observer
Ben Williams	Synergy	Observer
Noel Schubert		Observer
Julian Fairhall	ERA	Observer, to 2:20 PM
Natalie Robins	ERA	Observer, to 2:20 PM
Laura Koziol	RCP Support	Observer
Sandra Ng Wing Lit	RCP Support	Observer

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1 Welcome

The Chair opened the meeting at 12:35 PM and welcomed members and observers to the 9 May 2018 MAC meeting.

2 Meeting Apologies/Attendance

The Chair noted the attendance as listed above.

3 Minutes from Previous Meeting

Draft minutes of the MAC meeting held on 14 March 2018 were circulated on 4 April 2018. The minutes were accepted as a true record of the meeting.

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	Action: RCP Support to publish the minutes of the 14 March 2018 MAC meeting on the Rule Change Panel's (Panel's) website as final.	RCP Support

4 Actions Arising

The closed action items were taken as read.

Action 19/2017: Mr Matthew Martin noted that the PUO was in the process of engaging external consultants to assist with the Minister's Wholesale Electricity Market (**WEM**) reform program (**WEM reform program**), and intended to use their services to address this action item. Mr Martin suggested that the action item be kept open, but updated to show it will be progressed as part of the WEM reform program rather than PUO 'business-as-usual'.

Action 31/2017: Ms Jenny Laidlaw noted that AEMO had provided an update to RCP Support on this action item. AEMO considered two options for ensuring that the late logging of a Forced Outage by a Generator would result in the appropriate recovery of any unwarranted constrained off compensation:

- 1) allow for the recalculation of Theoretical Energy Schedule values for settlement adjustments; or
- 2) allow AEMO to import a file into the settlement adjustment process to nullify the constraint payment.

AEMO preferred the first option as the second option created operational and system risks. AEMO estimated the first option would require about 1-2 months for a developer and 6-8 months of testing, plus some overheads.

Ms Laidlaw noted that she had discussed a potentially cheaper third option with the ERA's Compliance team. Under this option, if a Market Participant did not comply with its Dispatch Instruction, was not non-compliant under clause 7.10.1 of the Market Rules because it had logged a Forced Outage, but had logged that Forced Outage late, then the ERA would be able to include the relevant Facility and Trading Intervals in the file provided to AEMO under clause 7.10.8 of the Market Rules. This would cause the Out of Merit quantities for the Facility to be set to zero for the relevant Trading Intervals and prevent the payment of any constrained off compensation. Ms Laidlaw expected that this option would be recommended as it would not require any changes to AEMO's market systems.

Action 33/2017: On hold until early 2019.

Action 2/2018: Ms Laidlaw noted AEMO's advice that the National Electricity Market (**NEM**) used a 'maximum capacity' value, which represented the highest possible output from the generator. Market Generators could include this level of capacity in their Dispatch Offers,

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	<p>and were responsible for ensuring that their Dispatch Offer quantities reflected their capabilities at any time. There was general agreement that the action item could now be closed.</p>	
	<p>Action 5/2018: To be addressed under agenda item 4(a).</p>	
	<p>Action 6/2018: The Chair advised that the ERA intended to provide an update on this action item at the 13 June 2018 MAC meeting.</p>	
4(a)	<p>Presentation – SWIS Operational Issues Resulting from New Connections (Action Item 5/2018)</p>	
	<p>Mr Dean Sharafi gave a presentation on some potential operational/market issues resulting from the connection of two new Intermittent Generators in the North Country. A copy of the presentation is available in the meeting papers on the Panel's website.</p>	
	<p>The following points were discussed.</p>	
	<ul style="list-style-type: none"> • In response to a question from Mr Ben Williams, Mr Sharafi clarified that the dynamic Spinning Reserve requirement was currently set to 70 percent of the current output of the Generator with the highest output level at the time. Mr Sharafi noted that following the connection of the new Generators the largest contingency could exceed 70 percent of any single Generator's output under certain conditions. The largest single contingency could exceed 700 MW under certain network outage conditions. • Mr Shane Cremin suggested that scenarios where the largest single contingency exceeded the output of a single Generator already existed in the WEM, citing a 440 MW contingency for Bluewaters 1 and 2 as an example. Ms Laidlaw suggested that, while such contingencies already occurred in the WEM, they were very rare. • In response to a question from Mr Andrew Stevens, Mr Sharafi confirmed that the problem was not caused by the intermittency of the new Generators, and would also apply to new Scheduled Generators connected at the same locations. • Mr Williams asked whether the scenarios described by Mr Sharafi would occur under 'system normal' network conditions. Mr Sharafi replied that the 70 percent level could be exceeded under system normal conditions but a network outage would need to occur for the largest single contingency to exceed 700 MW. • Dr Steve Gould asked how the Karara mine load would be affected by the contingencies under discussion. Mr Sharafi and Mr Greg Ruthven replied that this would depend on the specific contingency, with Karara losing supply in some but not all cases. • Ms Laidlaw noted that under a typical constrained network access regime, a Generator would not be compensated if the dispatch 	

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	<p>engine determined the most efficient option was to constrain the output of that Generator to reduce the overall Spinning Reserve requirement. Ms Laidlaw questioned why the new Generators could not be constrained down without compensation under their Network Control Service Contracts. Mr Sharafi replied that the Network Control Service Contracts only applied to constraints applied by the Generator Interim Access (GIA) tool, so constraints applied by System Management for 'non-network' reasons would still result in constrained off compensation.</p>	
	<ul style="list-style-type: none"> • Mr Williams suggested there were three values to be compared: the value of the cheaper energy produced by the Generators, the cost of additional network infrastructure to reduce the existing constraints and the cost of additional Spinning Reserve to address the contingency issue. There was some discussion about these options. Mr Sharafi considered that under the current market construct the relevant price signals were not being felt by the right parties. • Mr Williams suggested that Western Power is required under the Technical Rules to take into account the Spinning Reserve requirement specified in the Market Rules when making a connection decision. Mr Williams questioned whether the new Generators can connect if this increases the Spinning Reserve requirement beyond the level prescribed in the Market Rules. Mr Sharafi considered that the problem is not a GIA connection issue but a problem with the Market Rules. • There was some discussion about the need for additional Spinning Reserve, the rationale for setting the Spinning Reserve requirement at 70 percent of the largest Generator's output, and the role played by droop response and Upwards LFAS in managing contingencies. After some discussion, it was clarified that the Upwards LFAS enablement quantity forms part of the 70 percent Spinning Reserve enablement. • Mr Martin noted that the issue had been raised in the context of the WEM reform program and one of the program's first tasks was to look at the Ancillary Services framework. Mr Martin considered there is a general acknowledgement of the problem, and noted the PUO intends to work with AEMO to progress a solution. • Mr Patrick Peake suggested that it may be possible to increase the quantity of Spinning Reserve when necessary but charge the additional cost to the Generators that increased the requirement. Mr Noel Schubert and Mr Stevens proposed that a lower Spinning Reserve requirement should also be considered. • Mr Stevens noted that changes to allow more Market Participants to provide Spinning Reserve would help to reduce the costs of the service. Ms Laidlaw noted that even with reduced Spinning 	

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	<p>Reserve costs it would be preferable to assess these costs against the potential energy cost savings to determine the most efficient dispatch option.</p>	
	<ul style="list-style-type: none"> • Mr Sharafi asked whether security constraints should be considered in the process for assigning Certified Reserve Capacity. No objections were raised to the inclusion of security constraints in this process. • Mr Geoff Gaston noted that a network augmentation project was underway and asked whether timelines for the project had been established. Mr Douglas Thomson replied that Western Power constructed the Mid West Energy Project (MWEP) Stage 1 Project with double circuit capability of 330 kV because it recognised a potential future need. Western Power is currently seeing substantial interest from new generator applicants (wind and solar) and is aware of the issues raised in AEMO's presentation. 	
	<p>Mr Thomson noted that in developing a future augmentation project to convert the second circuit to 330 kV based on future customer connections (beyond those connecting to MWEP Stage 1), Western Power would need to capture all the necessary net market benefits associated with these connections.</p>	
	<p>The augmentation to convert the second circuit to 330 kV requires a number of other works associated with some of the substations in Northern Terminal, Neerabup, Regans, Eneabba and Three Springs. Mr Thomson noted that Western Power is currently reviewing the works that are needed to facilitate the project, and in the next three months will have a project scope for what is needed to convert the second circuit to 330 kV operation.</p>	
	<p>There was some discussion about the likely net benefits of the suggested network augmentation, and whether the current constrained off compensation arrangements could be used to justify further network augmentation.</p>	
	<ul style="list-style-type: none"> • Mr Sharafi considered that a system planner role needs to be established to collectively look at all of these issues, and to determine a solution that creates the right incentives for the most efficient outcome (which may involve network augmentation and/or market-based solutions). • Mr Cremin considered that the North Country will likely provide an increasing proportion of generation in the SWIS over the next 10-20 years, while the level of generation from the Collie area will likely reduce; so there is a need for better pricing signals for Western Power to enable cheap energy from the North Country to reach consumers. • Mr Peake considered that the lack of locational capacity and energy prices is also a problem, as there is nothing to tell a 	

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	<p>developer to choose one location over another. Ms Laidlaw suggested that the risk of being constrained off without compensation would provide a clear signal to potential developers.</p>	

5 Update on AEMO's Market Procedures

Mr Sharafi noted the AEMO Procedure Change Working Group met in April 2018 and discussed changes to the:

- Power System Operation Procedure (**PSOP**): Commissioning and Testing;
- PSOP: Medium Term PASA; and
- PSOP: Short Term PASA.

Mr Sharafi advised that the next meeting is scheduled for June 2018 and is expected to cover the PSOP: Medium Term PASA and PSOP: Short Term PASA.

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

6 Network and Market Reform Program Update

Ms Kate Ryan gave an update on the work being undertaken by the PUO on the constrained network access reforms. Ms Ryan noted that the PUO was working through the feedback received from stakeholders and intended to publish a draft report that incorporates the PUO's thinking having reflected on the feedback. The draft report would give stakeholders another chance to provide input into the development of the reforms before the proposal is presented to Government for approval.

Ms Ryan noted the PUO understood from the feedback received that the case for constrained network access had not yet been clearly made, and was working to address this matter in the draft report. The PUO proposed to release the draft report in June 2018. By this time the results of the modelling exercise should be available, and the PUO would take the opportunity discuss the findings both generally and in one-on-one discussions with individual Market Participants.

Mr Martin, Ms Aditi Varma and Mr Stuart Featham then gave a presentation on the WEM reform program on behalf of the PUO and AEMO. A copy of the presentation is available on the Panel's website.

The following points were discussed.

- Mr Peake considered that at some stage the Reserve Capacity Mechanism should be expanded to cover the provision of ancillary services such as inertia, fast-start capability and Spinning Reserve. Mr Williams suggested that higher real-time prices could also provide an incentive for the provision of these services.

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	<ul style="list-style-type: none"> <li data-bbox="300 271 1214 488">• Mr Peake considered that a decision will need to be made within the next 3-5 years on how to ensure the output of behind-the-meter solar installations does not threaten power system security. Ms Ryan noted that the PUO is working on a model of the future generation mix for the SWIS that will incorporate forecasts of the growth of behind-the-meter solar. <li data-bbox="300 510 1214 763">• Dr Gould asked why Western Power was not represented on the WEM Reform Co-ordination Committee (Committee). Mr Martin replied that the Committee's work would largely involve AEMO, the PUO and the Rule Change Panel with regard to actual rule changes. However, the PUO expected Western Power would be an important source of input to the reform program and would be part of any stakeholder forum or reference group. <li data-bbox="300 786 1214 1115">• Ms Varma and Mr Martin sought the views of MAC members on the proposed MAC Working Group arrangements. Ms Wendy Ng asked how any policy matters that are identified by the Working Groups will be dealt with, given that the Committee will not deal with policy matters. Mr Martin replied that the PUO will make the call on what is provided to the Minister for endorsement. Ms Ryan noted that, while the Committee is likely to have discussions on policy matters, it will not make decisions or recommendations on policy matters. <li data-bbox="300 1137 1214 1279">• Ms Laidlaw asked if any more detail is available regarding the contents of the three proposed delivery tranches. Mr Featham confirmed that more detail had been developed and offered to provide the MAC with further information. <li data-bbox="300 1301 1214 1592">• Ms Ng noted that Synergy will be significantly affected by the proposed changes and asked how it would participate in the reform process. Ms Varma replied that facility bidding is a core part of the WEM reform program and the PUO is working with Synergy on how to achieve this outcome, taking into account the significant lead time and implementation costs involved. Mr Martin added that the PUO will also work closely with Synergy on other aspects of the reform program. <li data-bbox="300 1615 1214 1977">• Mr Featham noted that the current plan will require a lot of activity in the first two years, and sought the views of MAC members on what regulatory changes need to be completed before the start of the 2020 Reserve Capacity Cycle. Ms Ng asked whether the regulatory changes included changes to connection agreements and Electricity Transfer Access Contracts (ETACs). Ms Margaret Pyrchla replied that the Technical Rules and ETACs will need to be amended. Ms Ng suggested that the planning process should take into account AEMO's documentation requirements for the 2020 Reserve Capacity Cycle certification process. 	

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	<ul style="list-style-type: none"> • There was some discussion about requirements for the 2020 Reserve Capacity Cycle, what reforms could be progressed earlier as ‘quick wins’, and the option to defer implementation of some non-critical changes. • Mr Cremin asked for an update on how the WEM reform program will be funded. Mr Martin advised that the Government will pay for the work done by the PUO, while the market will pay for the work done by AEMO. The PUO will have responsibility for the actual legal drafting process and the work it undertakes. The PUO is developing a rule change to allow for cost recovery under the Allowable Revenue process for any work undertaken by AEMO. • Mr Cremin suggested that either the PUO (as part of the rule change to allow AEMO to recover its WEM reform program costs) or the ERA provide Market Participants with a comparison of the Market Fees paid to the Independent Market Operator (IMO) vs those paid to AEMO. There was some discussion about the means of recovering market development costs and the value provided to Market Participants in return for Market Fees. 	
	<p>Action: The PUO and AEMO to circulate draft terms of reference for the proposed MAC Working Groups to support the WEM reform work program to the MAC for review and approval.</p>	<p>PUO/ AEMO</p>
	<p>Action: The PUO and AEMO to provide further detail to the MAC on the contents of each of the three tranches listed in the WEM reform work program plan.</p>	<p>PUO/ AEMO</p>
	<p>Action: The PUO to circulate a draft of the rule change to allow AEMO to recover its WEM reform work program costs for stakeholder review and comment.</p>	<p>PUO</p>

7 Overview of Rule Change Proposals

The MAC noted the overview of Rule Change Proposals.

8(a) MAC Market Rules Issues List – Roles in the Market

Mr Richard Cheng facilitated a discussion of issues relating to roles and responsibilities in the Market Rules. The issues were provided by MAC members and observers in response to a request by RCP Support at the previous MAC meeting. The list of issues provided by MAC members and observers is available in the meeting paper for this agenda item.

Issue 1: Responsibility for setting document retention requirements (clauses 10.1.1 and 10.1.2) and confidentiality statuses (clauses 10.2.1 and 10.2.3)

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	<p>Mr Maticka noted that AEMO believes accountability for these functions should be transferred from AEMO to the ERA. Ms Sara O'Connor considered that the ERA would need to review the options further before reaching an official position on the proposed change; but the ERA would need additional resources to take on any additional functions under the Market Rules.</p> <p>Mr Maticka asked whether MAC members are comfortable that AEMO currently holds accountability for these functions. Ms Laidlaw noted that the document retention list has not been updated since market start. Mr Maticka agreed that management of the document retention list is not a major issue, but that confidentiality was a high-profile topic during the tenure of the IMO and it might now be worthy of a broader discussion. Ms Laidlaw noted that a low-urgency legacy Rule Change Proposal concerning confidentiality management (RC_2014_09: Managing Market Information) is currently open.</p> <p>Ms Varma noted that the PUO intended to consider the confidentiality requirements for any new information created by the WEM reform program. However, Ms Varma confirmed that a full review of the WEM confidentiality framework is not within the scope of the WEM reform program.</p> <p>Mr Maticka suggested that responsibility for management of confidentiality statuses might be considered as part of RC_2014_09. After some discussion it was agreed to include the two suggestions in the list of potential Rule Change Proposals, but to delay further MAC discussion until the ERA had determined its position.</p> <p><u>Process for the Remaining Issues</u></p> <p>The Chair noted it would not be possible to consider all the listed issues before the end of the meeting. Mr Martin offered to review the list and provide an update at the 13 June 2018 MAC meeting on which issues were being addressed as part of the WEM reform program. The Chair agreed and noted the MAC could then consider the remaining issues on the list.</p>	PUO
	<p>Action: The PUO to advise which of the issues listed in the meeting paper for agenda item 8(a) of the 9 May 2018 MAC meeting are to be addressed as part of the Minister's WEM market reform program.</p>	

8(b) MAC Market Rules Issues List – Treatment of Storage in the Wholesale Electricity Market

The Chair noted that treatment of storage in the WEM is the second broader review issue scheduled for preliminary discussion by the MAC. The Chair advised that the agenda item paper was developed by RCP Support with no input from the PUO. The goal of the paper

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	<p>and discussion is firstly to confirm there is an issue that needs to be reviewed, and secondly to consider what this review would look like.</p> <p>The Chair asked Ms Laidlaw to lead the discussion. Ms Laidlaw stressed that the discussion was intended to be preliminary and was not meant to resolve all the matters raised in the discussion paper.</p> <p>The following points were discussed.</p> <ul style="list-style-type: none"> • The MAC agreed that storage could, as part or all of a Registered Facility, help to address several of the current and developing problems in the WEM. • Mr Cremin raised a problem with the large-scale generation certificate (LGC) market, in that the charging and discharging of a storage device can lead to double counting of LGCs. Mr Matthew Bowen suggested that the relevant characteristics of storage included not just that they both import and export material quantities of energy, but also that the energy they export is the same energy they import. • The MAC discussed the services that might be provided by a stand-alone storage facility beyond those listed in the discussion paper. Mr Sharafi noted that storage could also provide inertia, system strength and droop response; and that in a recent EirGrid trial, batteries were found to be more effective in providing grid stability services than conventional generators. • Mr Bowen noted a recent Australian Energy Market Commission publication that contains a pie chart showing 14 different services batteries can provide across the network. Mr Bowen offered to send details of the publication to RCP Support. • Ms Laidlaw asked whether storage facilities might be capable of providing a black start service in the WEM. Mr Sharafi replied that a battery would need to be very large to provide such a service. Mr Cremin noted that batteries are already used to provide 'black start' services to a generator. • Mr Schubert suggested it may be simpler to create a new 'bi-directional' facility category, which would encompass not only storage but also loads served by behind-the-fence generators, e.g. the current Intermittent Loads. There was some discussion about the relative benefits of registering a storage unit as a single facility or as a pair of facilities (e.g. a Scheduled Generator and a Scheduled Load). • Mr Stevens noted that the current requirement for certified Scheduled Generators to hold sufficient fuel for 14 hours' operation may not suit a battery. Ms Ng suggested that the 14-hour requirement could be reduced, for example to 3-4 hours. Ms Laidlaw considered that one of the biggest questions to be 	

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	<p>resolved was how long and how frequently a storage facility would need to be able to run to earn Capacity Credits.</p>	
	<ul style="list-style-type: none"> <li data-bbox="300 360 1219 539">• Mr Gaston suggested that there was also a need to look at the aggregation of facilities such as residential Loads. Ms Laidlaw replied that this would be considered in the next scheduled preliminary discussion, which would cover behind-the-meter issues. <li data-bbox="300 562 1219 707">• Mr Stevens suggested that changes should be made to the Market Rules as soon as possible to allow storage facilities to connect to the SWIS and provide at least some services, such as energy arbitrage and maybe LFAS. <li data-bbox="300 730 1219 842">• There was some discussion about what information System Management would require regarding a storage facility, e.g. its state of charge and technical capabilities. <li data-bbox="300 864 1219 1043">• Dr Gould considered that the impact of storage on the Notional Wholesale Meter will need to be considered, as storage could be used to increase or decrease the Notional Wholesale Meter's consumption during the peak Trading Intervals that determine Individual Reserve Capacity Requirements. <li data-bbox="300 1066 1219 1200">• In response to a question from Ms Ng, Ms Varma confirmed that the PUO is not currently considering a change to 5-minute settlement. There was some discussion about the rationale for the recent change to 5-minute settlement in the NEM. <li data-bbox="300 1223 1219 1368">• Mrs Jacinda Papps noted that Alinta has installed a battery in its Newman power station. The battery is designed to provide both of the 'hybrid' functions listed in the discussion paper (i.e. to support the gas plant and facilitate future renewable generation). <li data-bbox="300 1391 1219 1603">• Mr Cremin considered that changes to the Market Rules are needed well before 2022 to address the issues created by the growth of behind-the-meter generation. There was some discussion about what minimal changes could be made to allow storage to connect to the SWIS and provide critical benefits before 2022. <li data-bbox="300 1626 1219 1738">• The MAC agreed that support for storage should be implemented in the WEM as soon as possible, and in a staged manner if necessary. <li data-bbox="300 1760 1219 1968">• Ms Laidlaw asked if the MAC agreed that development of support for storage should be considered as part of the WEM reform program. Ms Varma replied that support for storage was already within the scope of the WEM reform program. Mr Sharafi suggested that the WEM needed storage well before 2022. Mr Martin replied that the PUO intended to work with AEMO to 	

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	<p>bring forward any changes that could be made and provide benefits before 2022.</p> <ul style="list-style-type: none"> • Mr Sharafi considered that it may already be economically viable for storage to provide some services in the WEM. • Ms Laidlaw asked whether the PUO or AEMO was investigating interim solutions to support storage in the WEM. Mr Martin noted that the PUO is considering battery storage as part of its proposed scope of work on ancillary services. The PUO intends to seek feedback from the MAC on the proposed scope of the ancillary services work and the proposed treatment of energy storage. Ms Varma added that the PUO is working closely with AEMO on these proposals. • Ms Laidlaw recommended that if anyone has a proposal on how to facilitate storage in the interim period before 2022, they should bring it to the attention of either the PUO or the MAC. • The MAC agreed that candidate issue 28 for the MAC Market Rules Issues List (Issues List) should be placed on hold pending the outcomes of the WEM reform program. 	
	<p>Action: MAC members and observers to provide any additional points they consider should be included in the lists in sections 3, 4 and 5 of the 9 May 2018 MAC discussion paper “Treatment of Storage Facilities in the Wholesale Electricity Market” by 5:00 PM on Thursday 31 May 2018.</p>	All
	<p>Action: RCP Support to provide an updated version of the lists in sections 3, 4 and 5 of the 9 May 2018 MAC discussion paper “Treatment of Storage Facilities in the Wholesale Electricity Market” to the PUO, after updating the lists to reflect any additional points raised by MAC members and observers.</p>	RCP Support
8(c)	<p>MAC Market Rules Issues List – Update on Potential Rule Change Proposals</p>	
	<p>The Chair noted that RCP Support is developing a proposal on how to manage the Issues List, and will present the proposal for discussion at the 13 June 2018 MAC meeting. The proposal includes dividing the issues into three categories:</p> <ul style="list-style-type: none"> • potential Rule Change Proposals; • broader issues that require further review before any specific changes to the Market Rules or other regulatory instruments are progressed; and • issues on hold pending some external activity or event, such as the WEM reform program. 	

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	<p>The Chair noted that the paper for this agenda item included the Panel's preliminary urgency ratings for the seven potential Rule Change Proposals previously identified by the MAC. The Chair sought the views of MAC members on whether three of those issues should be retained as potential Rule Change Proposals in the Issues List.</p>	
	<p><u>Issue 14/36: Capacity Refund Arrangements</u></p>	
	<p>Mr Daniel Kurz noted that Bluewaters was happy for issue 14/36 to be parked until more data becomes available on the impact of the new dynamic capacity refund arrangements on Market Participants. The MAC agreed to place the issue on hold for 12 months to allow time for historical data on dynamic refund rates to accumulate.</p>	
	<p><u>Issue 18: Spinning Reserve procurement model</u></p>	
	<p>The Chair noted the Panel's suggestion that issue 18 be removed from the Issues List, and re-inserted if Bluewaters' discussions with AEMO and the ERA determine there is a requirement for a specific Rule Change Proposal.</p>	
	<p>There was some discussion about the current Spinning Reserve procurement process and potential improvements to that process for the 2019-20 Financial Year. There was general agreement that no specific potential Rule Change Proposal had been identified.</p>	
	<p>The MAC agreed to Ms Varma's suggestion to place the issue on hold pending the outcomes of the WEM reform program's ancillary services review.</p>	
	<p><u>Issue 20/38: Spinning Reserve Cost Allocation Model</u></p>	
	<p>The Chair noted the PUO's previous advice that it intended to develop a Rule Change Proposal to implement a full runway cost allocation model for Spinning Reserve (listed as 'issue 20/38 alt' in the meeting papers).</p>	
	<p>Mr Martin noted that the PUO had done some work on the issue and could bring that work back to the MAC, but wanted to make clear that it is working on a broader market reform program rather than just piecemeal issues. Mr Stevens considered that if the change could be implemented relatively quickly and easily, then it should not be delayed until the main reform implementation in 2022.</p>	
	<p>Ms Laidlaw noted that most respondents supported implementation of the full runway model (issue 20/38 alt) over the adjustment to block sizes proposed by Bluewaters in issue 20/38. Mr Stevens suggested that both options be removed from the Issues List if no party intended to develop a Rule Change Proposal. Ms Laidlaw noted that the options could remain listed as potential Rule Change Proposals even if there were no current volunteers for their development.</p>	
	<p>Mr Kurz indicated that Bluewaters had decided not to develop a Rule Change Proposal for the adjusted block option due to the PUO's</p>	

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	<p>advice that it intended to develop a proposal for the full runway option. There was some discussion about the likely net benefits of progressing either of the options before the main market changes in 2022.</p> <p>The MAC agreed to the Chair's recommendation to retain both options on the list of potential Rule Change Proposals.</p>	
9	General Business	
	<p><u>Relevant Level Methodology Review</u></p> <p>Ms O'Connor asked MAC members and observers to contact her if they wished to join the stakeholder working group that was recently established by the ERA to support its review of the Relevant Level Methodology.</p>	

The meeting closed at 4:00 PM.