

## Minutes

<b>Meeting Title:</b>	Market Advisory Committee ( <b>MAC</b> )
<b>Date:</b>	17 November 2020
<b>Time:</b>	9:30 AM – 11:15 AM
<b>Location:</b>	Online via Microsoft Teams

<b>Attendees</b>	<b>Class</b>	<b>Comment</b>
Stephen Eliot	Chair	
Matthew Martin	Small-Use Consumer Representative	
Martin Maticka	Australian Energy Market Operator ( <b>AEMO</b> )	
Dean Sharafi	System Management	
Sara O'Connor	Economic Regulation Authority ( <b>ERA</b> ) Observer	
Kate Ryan	Minister's Appointee – Observer	
Andrew Everett	Synergy	
Jacinda Papps	Market Generators	
Wendy Ng	Market Generators	
Daniel Kurz	Market Generators	
Tom Frood	Market Generators	
Patrick Peake	Market Customers	
Geoff Gaston	Market Customers	
Timothy Edwards	Market Customers	
Peter Huxtable	Contestable Customers	
Zahra Jabiri	Network Operator	9:40 - 11:00 AM

<b>Also in Attendance</b>	<b>From</b>	<b>Comment</b>
Matt Shahnazari	ERA	Presenter
Jenny Laidlaw	RCP Support	Minutes
Adnan Hayat	RCP Support	Observer
Laura Koziol	RCP Support	Observer
Richard Cheng	ERA	Observer
Sandra Ng Wing Lit	ERA	Observer

<b>Also in Attendance</b>	<b>From</b>	<b>Comment</b>
Emma Forrest	ERA	Observer
Julian Fairhall	ERA	Observer
Adrian Theseira	ERA	Observer
Elizabeth Walters	ERA	Observer
Rajat Sarawat	ERA	Observer, from 9:35 AM
Jo-Anne Chan	Synergy	Observer
Chris Binstead	Synergy	Observer, to 10:40 AM
Dora Guzeleva	Energy Policy WA ( <b>EPWA</b> )	Observer
Jai Thomas	Energy Transformation Implementation Unit ( <b>ETIU</b> )	Observer, to 11:00 AM
Aditi Varma	ETIU	Observer, from 9:35 AM
Aden Barker	ETIU	Observer
Erin Stone	Point Global	Observer
Daniel Sutherland	Jackson McDonald	Observer, 10:25-10:45 AM
Edwin Ong	AEMO	Observer
Rebecca Petchey	AEMO	Observer
Grace Liu	AEMO	Observer
Oscar Carlberg	Alinta Energy	Observer
Kei Sukmadjaja	Western Power	Observer
Noel Schubert	Independent	Observer, from 10:00 AM
Dimitri Lorenzo	Bluewaters Energy	Observer, from 9:40 AM

<b>Apologies</b>	<b>From</b>	<b>Comment</b>
None		

Item	Subject	Action
1	<b>Welcome</b>	
	The Chair opened the meeting at 9:30 AM and welcomed members and observers to the 17 November 2020 MAC meeting.	
2	<b>Meeting Apologies/Attendance</b>	
	The Chair noted the attendance as listed above.	
3	<b>Minutes of Meeting 2020_10_20</b>	
	Draft minutes of the MAC meeting held on 20 October 2020 were circulated on 3 November 2020. The Chair noted that a revised draft showing some minor suggested corrections was distributed in the meeting papers.	
	The MAC accepted the revised minutes as a true and accurate record of the meeting.	
	<b>Action: RCP Support to publish the minutes of the 20 October 2020 MAC meeting on the Rule Change Panel's (Panel) website as final.</b>	<b>RCP Support</b>
4	<b>Action Items</b>	
	There were no outstanding action items.	
5	<b>RC_2019_03: Method used for the assignment of Certified Reserve Capacity to Intermittent Generators – Pre-Rule Change Proposal</b>	
	Dr Matt Shahnazari gave a presentation to the MAC on the ERA's Pre-Rule Change Proposal RC_2019_03. The Pre-Rule Change Proposal is available in the meeting papers and a copy of the ERA's presentation is available on the Panel's website.	
	Ms Laura Koziol made the following comments on the Pre-Rule Change Proposal:	
	<ul style="list-style-type: none"> <li>• After considering the explanation provided by the ERA in Appendix 3 of the Pre-Rule Change Proposal, RCP Support continued to hold concerns that the proposed Relevant Level Methodology (<b>RLM</b>) might not be consistent with the Planning Criterion. RCP Support also held some concerns about the proposed scaling of observed demand for use in the RLM. RCP Support intended to discuss these issues further with the ERA and to assess them when the Rule Change Proposal was submitted.</li> <li>• RCP Support also understood that ETIU was undertaking work relating to the reliability standard, and intended to</li> </ul>	

Item	Subject	Action
	engage with ETIU to understand if that work would affect the Planning Criterion and the Rule Change Proposal.	
	<ul style="list-style-type: none"> <li>The Pre-Rule Change Proposal proposed to assess the different technology components of a hybrid facility (e.g. solar and wind) separately for the purposes of the RLM. RCP Support held a concern that this approach may not be appropriate, and that it might increase costs and administrative burden for the affected Market Participants because it might require them to install additional meters and acquire additional expert's reports.</li> </ul>	
	RCP Support intended to further consider the appropriateness of the proposed approach. RCP Support sought advice from MAC members about whether its concerns about increased cost and administrative burden were valid or whether this was not a material issue for Market Participants.	
	The following points were discussed:	
	<ul style="list-style-type: none"> <li>Dr Shahnazari noted that Ms Koziol had raised some concerns about different aspects of the proposed method but had not mentioned the reasoning behind those concerns. Dr Shahnazari requested that RCP Support provide him with this reasoning either in this discussion or through a separate vehicle, so that the ERA could assess RCP Support's concerns.</li> </ul>	
	The Chair considered that RCP Support provided its reasoning at the previous MAC meeting and questioned the value of repeating those comments given the limited time available for the meeting discussion. The Chair proposed to return to these issues at the end of the MAC discussion if time permitted, and if not to set up an additional meeting with the ERA.	
	<ul style="list-style-type: none"> <li>Dr Adnan Hayat noted that the principle of basing the RLM on peak demand periods that typically occur during summer may not give a true sense of what Intermittent Generators, and particularly solar facilities, can produce during most of the year.</li> </ul>	
	<ul style="list-style-type: none"> <li>Mr Timothy Edwards noted that he was able to provide direct feedback on the costs of obtaining independent experts' report for hybrid facilities, because Metro Power Company had recently completed a certification process involving the addition of storage to a small solar facility.</li> </ul>	
	Mr Edwards noted that for smaller-sized facilities the additional cost of a report for seven years instead of five was likely to be around \$1,000-\$2,000. The costs were	

Item	Subject	Action
	<p>likely to be much the same for a wind/solar hybrid facility regardless of whether the wind and solar components were treated separately or as a combined unit. Mr Edwards did not expect the additional costs would be material for facilities with capacities exceeding 10 MW.</p> <p>Mr Edwards also noted that costs would continue to be incurred until sufficient actual metering data became available for the facility.</p>	
	<ul style="list-style-type: none"> <li>• Mr Edwards considered the ERA's proposal was very good and should be progressed with a sense of urgency.</li> <li>• In response to Dr Hayat's comments, Mr Edwards suggested that the proposed inclusion of a provision for a Distributed Energy Resources (<b>DER</b>) adjustment in peak periods may address the issue raised by Dr Hayat.</li> <li>• Mrs Jacinda Papps considered the Rule Change Proposal should be submitted as soon as possible and that the technical details should be prosecuted during the rule change process. Mrs Papps expressed concern that the MAC seemed to be trying to pre-determine a rule change outcome ahead of the rule change process. Mr Daniel Kurz and Mr Edwards agreed with the Mrs Papps' position.</li> </ul>	
	<p>The Chair agreed that the Rule Change Proposal should be submitted as soon as possible, but suggested that early identification and discussion of issues would help the proposal to be processed more quickly.</p>	
	<ul style="list-style-type: none"> <li>• Mr Martin Maticka noted that that Dr Shahnazari and AEMO had spent a considerable amount of time working through AEMO's feedback on the Pre-Rule Change Proposal.</li> <li>• Mr Maticka questioned the relationship between a 4 hours in 10 years loss of load expectation and the Planning Criterion, and proposed to discuss the issue further with the ERA and RCP Support.</li> <li>• Mr Maticka noted that the output of some Intermittent Generators varied as the temperature increased, and considered that scaling observed demand without considering these temperature effects might overestimate the production of Intermittent Generators during high temperature periods.</li> <li>• Mr Maticka questioned whether the ERA had considered the impact of DER uptake on demand when conducting its sensitivity analyses.</li> <li>• Mr Maticka also sought the views of Dr Shahnazari and the MAC on the transparency of the proposed RLM compared</li> </ul>	

Item	Subject	Action
	<p>with that of the current RLM. Attendees did not provide a response to this request.</p> <ul style="list-style-type: none"> <li>• Ms Wendy Ng asked whether a change to the Planning Criterion would affect the proposed RLM. Dr Shahnazari replied that, while there would be an impact, the proposed method was very robust and any changes to the Planning Criterion could easily be incorporated.</li> </ul> <p>For example, if the Planning Criterion was in future to include a specific loss of load expectation (<b>LOLE</b>) target, e.g. 24 hours in 10 years, then the only change required would be to replace the proposed 4 hours in 10 years LOLE target in the RLM with a 24 hours in 10 years LOLE target.</p> <p>Alternatively, if a decision was made to remove part (a) of the Planning Criterion, then the only change would be that the capacity outage probability table would be used to calculate the expected unserved energy in the system rather than LOLE.</p> <p>The Chair asked whether the MAC continued to support the assignment of a High urgency rating to RC_2019_03.</p> <ul style="list-style-type: none"> <li>• Mrs Papps noted that Alinta considered the Rule Change Proposal should have a High urgency rating for four reasons: <ul style="list-style-type: none"> <li>○ the ERA's review showed the current method resulted in excessive errors, leading to Intermittent Generators' capacity being over and under-valued;</li> <li>○ the review showed increasing intermittent generation exacerbates these errors, so it was important that they were corrected before they became even worse and disrupted investment signals;</li> <li>○ if these errors were not corrected before the next Reserve Capacity Cycle, they would distort and could be 'baked into' the Network Access Quantity (<b>NAQ</b>) regime for years to come; and</li> <li>○ the previous basis for delay was the potential for interference with the NAQ reforms; however, it had become clear that there would not be any interference because the RLM would be an input in the NAQ model, as it was in the current Constrained Access Entitlement model.</li> </ul> </li> <li>• Mr Peter Huxtable, Mr Kurz, Mr Geoff Gaston, Mr Patrick Peake, Mr Edwards and Ms Zahra Jabiri all supported the assignment of a High urgency rating.</li> </ul>	

Item	Subject	Action
	<p>Dr Shahnazari confirmed that the ERA's governing body was scheduled to consider RC_2019_03 on 16 December 2020, and was likely to formally submit the Rule Change Proposal shortly afterwards.</p> <p>The Chair noted that even if the Rule Change Proposal was submitted in early December 2020 and there were no processing delays, the Final Rule Change Report would not be published until the end of April 2021. However, assuming the Panel agreed to the proposed High urgency rating, RCP Support would apply all the resources it could to complete the rule change process as soon as possible.</p> <p>The Chair advised that it was not intended to extend the first submission period for RC_2019_03 to account for the Christmas holiday period, due to the views expressed by stakeholders about the urgency of the Rule Change Proposal. However, stakeholders were free to seek an extension if they considered that one was necessary.</p> <p>Mr Peake asked whether the proposed amendments could be implemented by the Minister. Ms Kate Ryan replied that while the Minister had the necessary powers, EPWA was not prepared to take on this Rule Change Proposal because it did not have the internal bandwidth available to consider the proposed amendments in addition to its Energy Transformation Strategy (ETS) commitments. For this reason, the Rule Change Proposal would need to be progressed using the Standard Rule Change Process.</p>	<p><b>AEMO/RCP Support/ERA</b></p> <p><b>RCP Support</b></p>
	<p><b>Action: AEMO and RCP Support to meet with the ERA to further discuss their issues relating to the Planning Criterion and Pre-Rule Change Proposal RC_2019_03.</b></p>	
	<p><b>Action: RCP Support to meet with ETIU to discuss the potential impacts of the proposed ETS review of the reliability standard on Pre-Rule Change Proposal RC_2019_03.</b></p>	

**6 Rule Change Governance – Consultation on Changes to the WEM Rules and Regulations**

Ms Ryan gave a presentation on the Minister's proposed changes to the governance of the Western Australian energy sector. A copy of EPWA's presentation is available on the Panel's website.

Ms Ryan sought feedback on the proposed changes to the MAC and rule change processes, in the context of the Coordinator being the approver of some Rule Change Proposals; as well as

Item	Subject	Action
	<p>feedback on the proposed changes to market reviews, noting that the general intent was to allocate market and technical matters to the Coordinator, and economic cost and price matters to the ERA.</p> <p>The following points were discussed:</p> <ul style="list-style-type: none"> <li> <p>Mrs Papps asked why Synergy was proposed to retain its special role on the MAC, suggesting that the reasons for this need had move on. Mrs Papps noted that if the reason related to Synergy's role for franchise customers, Alinta saw this as being adequately covered by the two proposed consumer representative roles.</p> <p>Ms Ryan replied that EPWA had not been considering changes to Synergy's special role on the MAC because it was not within the scope of the governance changes. Ms Ryan noted that the upcoming changes to Synergy's role in the market might have impacts on Synergy's regulatory regime more broadly. Ms Ryan considered that Synergy's position on the MAC related to its role in the market, as opposed to its role for franchise customers; and while the two roles were related, the position was not explicitly that of a customer representative.</p> <p>Mrs Papps noted that the ETS changes affected Synergy's broader role in the market, for example as the default supplier of Essential System Services. Mrs Papps considered the question fell within the scope of the proposed governance changes as the changes dealt with the composition of the MAC more broadly, and suggested that Synergy should have a role on the MAC as one of the six Market Participant representatives, rather than having a dedicated position.</p> <p>Ms Ryan replied that she saw the logic of Mrs Papps' comments, although this was not something that EPWA had considered.</p> </li> <li> <p>Mrs Papps questioned whether the proposed consumer representatives would be sourced from EPWA or external organisations. Ms Ryan replied that the positions were proposed to be Ministerial appointments and she would not want to suggest how the Minister may or may not make those appointments, except to say that EPWA's intent was to enable and empower more organisations across the sector to play roles of this type over time, through the work being done with consumer advocacy in the sector. While EPWA would like to see external parties on the MAC, it was</p> </li> </ul>	



Item	Subject	Action
	<p>uncertain whether this could happen from the start of the new governance arrangements.</p>	
	<ul style="list-style-type: none"> <li>• Mrs Papps asked whether external consumer representatives would be compensated for their participation in the MAC. Ms Ryan replied that some funding was available from the Government for consumer advocacy and that EPWA was looking at the compensation of external consumer representatives.</li> <li>• Mrs Papps asked why the governance changes proposed to move away from a balanced representation of generators and retailers on the MAC. Ms Dora Guzeleva noted that the proposed changes to clauses 2.3.5(a) and 2.3.5(d) were needed because the terms Market Generator and Market Customer were being removed from the Market Rules.</li> </ul>	
	<p>Mr Huxtable noted that the Coordinator would be required under clause 2.3.5A to use its reasonable endeavours to ensure equal representation of Market Generators and Market Customers on the MAC.</p>	
	<ul style="list-style-type: none"> <li>• In response to a question from Mrs Papps, Ms Ryan confirmed that the changes would not affect the appointment terms of the current MAC members, although EPWA intended to review the MAC Constitution and associated documents before 1 July 2021.</li> <li>• Mr Peake noted that the ERA had regularly noted that the dominance of Synergy limited competition and the efficiency of the market, and questioned whether the Coordinator would be offering ‘frank and fearless advice’ for Government to question its policies. Ms Ryan replied that EPWA already provided frank and fearless advice to the Government, noting that it was the role of the public sector to provide advice to the Government. EPWA needed to work within the policies of the day, but that did not mean that it could not provide advice that challenged the policies of the day.</li> <li>• Mr Dean Sharafi asked if EPWA had a definition of ‘consensus’. Ms Ryan replied that EPWA did not intend to define consensus and the term was intended to have its natural meaning. However, Ms Ryan noted that EPWA had provided explicitly in the rules for dissenting views to be captured and recorded, and that consensus did not necessarily mean one hundred percent agreement.</li> <li>• Mrs Papps acknowledged that governance arrangements for the Whole of System Plan (<b>WOSP</b>) were not within the scope of the presentation, but asked why the development</li> </ul>	

Item	Subject	Action
	<p>of the WOSP and the development of the Electricity Statement of Opportunities (<b>ESOO</b>) and Gas Statement of Opportunities (<b>GSOO</b>) were being treated differently given they were similar types of processes.</p> <p>Ms Ryan considered this was a good question and noted that EPWA intended to begin a second stage of work on governance in the new year.</p> <p>The current set of proposed governance changes was focussed on managing the ongoing evolution of the market after the wind up of the Energy Transformation Taskforce in 2021. The second stage would review broader governance aspects of the market, including matters that might impact on the Electricity Industry Act.</p> <p>This second stage would provide an opportunity to consider the WOSP, ESOO and GSOO processes (which did have some overlap) and the roles of EPWA and the AEMO in those processes.</p> <p>Ms Guzeleva added that the ESOO needed to be conducted on an annual basis because it provided input to the Reserve Capacity Mechanism, which operated on an annual basis. EPWA had not considered it appropriate for the WOSP to be conducted annually.</p>	
	<ul style="list-style-type: none"> <li>• Mr Huxtable asked whether there was a definition of 'independent' for the MAC Chair, or whether this was up to the Minister. Ms Guzeleva noted that the independence requirements for the independent Chair were explicitly specified in proposed clause 2.3.8A.</li> <li>• Mr Sharafi noted that the transfer of responsibilities could require some IT system changes, albeit small in nature. Ms Ryan replied that EPWA had commenced discussions with AEMO on the implementation of the changes and specifically around the impacts on market fees, and would work through the relevant issues with Mr Sharafi and AEMO.</li> <li>• Mr Peake considered that it was very good to capture the experience and knowledge built up through the ETS and to recognise that the reform process will continue long term.</li> <li>• Mr Sharafi asked whether a level of resourcing would be required from AEMO to support the Coordinator with technical reviews. Ms Guzeleva replied that EPWA had added the provision of support for the relevant reviews to the list of AEMO's functions, so that AEMO would be able to recover its costs for these activities.</li> </ul>	

Item	Subject	Action
	<ul style="list-style-type: none"> <li>Mr Kurz thanked Ms Ryan for the overview and noted that overall (ahead of submissions) he saw the proposals as positive.</li> <li>Mr Peake asked whether customers would pick up the full cost of the proposed expansion or whether the Government take on some of the additional cost. Ms Ryan agreed with the Chair that no changes were intended to the funding arrangements, except that EPWA would charge the fees instead of the Rule Change Panel.</li> </ul> <p>Ms Ryan added that the intent of the proposed changes was to consolidate expertise working on market development and rule changes in the one organisation, and by doing so achieve some efficiencies. At present, and for the foreseeable future, the intent was to use mostly Government funded resources for Government-led rule changes, which for the short to medium term would cover matters like the implementation of the DER roadmap actions and the integration of DER into the WEM.</p> <p>However, EPWA hoped to build some efficiencies through economies of scale and scope over time, which should ease pressure on market fees.</p> <p>The Chair noted that the deadline for submissions on the proposed governance changes was 11 December 2020.</p>	

---

**10 General Business**

**Minutes of 20 July 2020 MAC workshop for RC\_2019\_01**

The Chair noted that minutes of the MAC workshop held on 20 July 2020 for Rule Change Proposal: The Relevant Demand calculation (RC\_2019\_01) were circulated to attendees for review. Attendees had provided no comments on the minutes, which would be published on the Panel's website later that afternoon.

**Next meeting**

The Chair noted that he was likely to cancel the next scheduled MAC meeting on 1 December 2020, as the agenda currently contained no substantive items. The Chair asked MAC members to let him know if they considered the 1 December 2020 meeting should proceed. Mrs Papps and Mr Kurz supported cancelling the meeting if no substantive agenda items were identified.

**The meeting closed at 11:15 AM**