

MINUTES – WA Electricity Consultative Forum (WAECF)

MEETING: WAECF 17
 DATE: Tuesday, 11 December 2018
 CONTACT: WAelectricityforum@aemo.com.au

ATTENDEES:

NAME	COMPANY
Martin Maticka	AEMO (Chair)
Naz Rowney	AEMO (Secretariat)
Cameron Parrotte	AEMO
Stuart Featham	AEMO
Mark Katsikandarakis	AEMO
Robin Parsons	AEMO
Kang Chew	AEMO
Charles Mnyanjagha	AEMO
Mike Hales	AEMO
Greg Ruthven	AEMO
Karen Brown	AEMO
Khadijah Hansia	AEMO
Lisa Laurie	AEMO
Rick Dolling	AEMO
Simon Middleton	AEMO
Brent Glover	AEMO
Luke Dowling	AEMO
Julius Susanto	AEMO
Matthew Fairclough	AEMO
Nina Mohseni	AEMO
Neil Ginbey	AEMO
Sarah Silbert	AGL
William Street	Alinta
Glen Thomsen	APA Group
Michael Puls	APA Group
Scott Davis	Australian Energy Council
Paul Arias	Bluewaters Power
Dimitri Lorenzo	Bluewaters Power
Steven Gould	Community Electricity
Bindi Shah	Collgar
Kae Choo	Ernst & Young
Adam McHugh	Ernst & Young
Sara O'Connor	ERA
Julian Fairhall	ERA
Wendy Ng	ERM Power
Hugh Webster	Infrastructure Capital
Chloe D'Souza	Jackson McDonald
Tim Robinson	PA Consulting Group
Elizabeth Aitken	Perth Energy
Patrick Peake	Perth Energy
Matthew Martin	Public Utilities Office
Aden Barker	Public Utilities Office

Kate Ryan	Public Utilities Office
Jenny Laidlaw	Rule Change Panel
Stephen Eliot	Rule Change Panel
Richard Cheng	Rule Change Panel
Susanna Floth	SkyFarming
Andrew Woodroffe	SkyFarming
Noel Shubert	-
Adam Stevens	South32
Murray Sullivan	South32
Oscar Carlberg	Synergy
Dominic Regnard	Synergy
Jason Froud	Synergy
Dean Frost	Western Power

1. Welcome

Martin Maticka (AEMO) opened the meeting at 1:00pm and welcomed attendees to WAECF No.17.

2. Previous meeting minutes

All actions from the previous WAECF (16 October 2018) had been completed. No further comments were raised, and the minutes were endorsed.

AEMO to publish the minutes from the previous meeting as final on the website (Action Item 2.1).

3. AR4 and AR5 Submission Update

Cameron Parrotte and Stuart Featham (AEMO) provided an overview of the ERA's determination on the 'supplementary' AR4 request submitted in July 2018. Cameron Parrotte (AEMO) noted that:

- The ERA had approved \$6.5m of the additional \$11.2m requested by AEMO.
- The ERA's Determination is on 'total' budget and that it does not approve how AEMO allocates funding to specific projects.
- Given that c. 40% of the original request was not approved, AEMO will be undertaking a review of how this may impact delivery of projects – however, given cost savings made to date in the Financial Year and the ability to utilise the 10% 'overspend' allowance in the rules, AEMO is confident that it will be able to deliver the key rule changes required by the market and AEMO's tech projects to support on ongoing operation of the system/market.
- AEMO respectfully disagrees the rationale and decisions made by the ERA in regard to elements of the submission that were not approved – AEMO will share further information on these views with stakeholders and would welcome further queries/feedback.
- AEMO had made some key learnings from the process that it will reflect in its AR5 submission – namely the provision of more detail to both the ERA and stakeholders to aid assessment and consultation.

Stuart Featham (AEMO) provided clarification on the WEM Reform program and areas where AEMO is keen to respond to the ERA's rationale for not approving funds, noting that:

- The ERA's Determination states that AEMO's market reform activities have not substantially changed from when the ERA previously approved funding in July 2017 and the scope for former and current market reform projects are comparable to previous reform programs (e.g. the Electricity Market Review (EMR) under the previous government). AEMO respectfully disagrees with these statements on the basis that:
 - The original 'NER adoption' strategy under the EMR has now changed to a 'fit-for-purpose' reform of the Western Australian regulatory instruments. This is a significant change in scope and approach, which demands further effort from AEMO.
 - AEMO disagrees with this statement as current and new obligations and activities are significantly increased from 2017. The February 2017 submission requested funds to enable AEMO to provide subject matter expert support to the Public Utilities Office (PUO),

where the recent submission reflects that AEMO is now playing a joint role in market design and leading significant components of the WEM Reform projects (e.g. Power System Security and Reliability projects, Ancillary Services Review and Power System Operations Working Group management).

- The ERA raised challenges over the size of the AEMO Reform team and a view that AEMO had not adequately justified the additional resource requirements. AEMO clarified that:
 - It believes the AEMO's Reform Team is appropriately sized to deal with the significant scope of activities and obligations sets set out in the WEM Rules.
 - AEMO's proposed team consists of number of staff not allocated 100% (e.g. legal, stakeholder, SME).
 - A number of roles are filled by existing staff who will not be backfilled – as such the CAPEX required for these roles is not additional (with commensurate OPEX savings to be made).

Stuart Featham (AEMO) noted that AEMO aims to hold a specific AR5 stakeholder forum in mid to late January 2019 – WAECF members supported this proposal.

Aden Barker (PUO) supported comments made by Stuart Featham (AEMO) in regards of AR4. The PUO and AEMO have very distinct and complementary roles to play as part of the WEM reform program. AEMO's contribution is crucial to the success of the reform program; it must therefore be resourced to do the work. The PUO will work with AEMO as part of its AR5 submission.

Cameron Parrotte (AEMO) asked Sara O'Connor (ERA) if ERA had any additional comments. Sara O'Connor (ERA) responded with ERA used a 'propose and respond' model to assess AEMO's funding proposal and the requirements for approving funding are clearly set out in the market rules. Not all of AEMO's proposal contained sufficient detail for the ERA to confirm that the funding requirements had been met. However, information provided for the majority of projects was fine. The ERA did not approve additional funding where approved funding already existed but had not been used.

Elizabeth Aitken (Perth Energy) raised concerns with the PUO over delays to elements of the Reform Program and whether it was appropriate for Market Participants to be charged for market design activity.

4. Rule Change Update

Stephen Eliot (Rule Change Panel (RCP)) provided an update on upcoming rule changes which are available on the Economic Regulation Authority website.

RC_2013_15 - Outage Planning Phase 2 – Outage Process Refinements

- A Call for further submissions will be published today (11 December 2018).
- Submissions will be due 11 January 2019.

RC_2014_03 - Administrative improvements to outage process

- The Rule Change Panel held an industry workshop on 17 January 2018, but RCP are still awaiting feedback from AEMO.
- AEMO has indicated that that they can advise in February 2019 on when can assign resources to assess this proposal.

RC_2014_06 - Removal of Resource Plans and Dispatchable Loads

- The Final Rule Change Report was published on 29 October 2018.
- The Amending Rules impact protected provisions, so the rules changes needed Ministerial approval, and the Minister provided approval on 26 November 2018.
- The Amending Rules will commence on 1 July 2019.

RC_2014_07 - Omnibus Rule Change

- The Final Rule Change Report was published yesterday (10 December 2018).

- The Amending Rules impact protected provisions, so the rules changes need Ministerial approval. The Amending Rules were sent to the Minister yesterday, and the deadline for the Minister's decision is 10 January 2019.
- The Amending Rules will commence on 11 January 2019, with one clause commencing on 1 July 2019, after the Amending Rules for RC_2014_06.

RC_2014_09 - Managing Market Information

- A call for further submissions will be published for this proposal in mid-January 2019.

RC_2017_02 - Implementation of a 30-Minute Balancing Gate Closure

- The Rule Change Panel is awaiting feedback from AEMO on the technical feasibility of implementing a shorter gate closure and can then determine its path forward for this proposal.

RC_2018_05 - ERA Access to market information and SRMC investigation process

- This Rule Change Proposal has been published and submissions have been received. The RCP Support is seeking follow-up meetings to discuss some of the submissions, with the aim to develop a Draft Rule Change Report in February 2019.

RC_2018_06 - Full Runway Allocation of Spinning Reserve Costs

- The PUO submitted this Rule Change Proposal, which was published on 29 November 2018.
- Submissions on the proposal are due 30 January 2018.

RC_2018_07 - Removal of constrained off compensation for Network Outages

- The PUO is developing a Rule Change Proposal that will be submitted in the near future.
- Public consultation is expected to commence in December 2018, and finish in late January or early February 2019.

Regarding the Market Advisory Committee (MAC):

- The Rule Change Panel has commenced a review of the MAC Constitution in November 2018.
 - Submissions were due yesterday (10 December 2018), and the Panel is now considering amendments to the MAC Constitution.
- The annual MAC composition review is underway.
 - Seven positions on the MAC are open:
 - 3 Market Generator positions;
 - 3 Market Customer positions; and
 - 1 Contestable Customer position
 - Nominations are due by 31 December 2018.
- Information on all Rule Change Proposals and on the MAC composition review are available on the website.

5. Wholesale Electricity Market and Network Reform Program Update

Aden Barker (PUO) noted the following:

- The RCM Pricing final report has been approved by the Minister of Energy. Publication on the website will follow.
- The initial Market Design Proposals paper will be split in two – one paper focusing on the scope and process of the WEM reform program (with clear guidance regarding timing of future consultation processes) and one containing foundational market design proposals, for consultation. Most of

these proposals were previously subject to public consultation as part of the previous government's Electricity Market Review.

- Q1 2019 consultation papers on Ancillary Service definitions and procurement will be discussed at the Market Design and Operation Working Group (MDOWG) which will be convened in early February and meet regularly thereafter.
- Q2 2019 a consultation paper will be released on energy scheduling and dispatch. This will also be subject to consultation through MDOWG.
- Q3 2019 A quantitative analysis for the overarching reform package will be conducted in support of rule change proposals.
- The PUO and the Minister will be making data requests of AEMO in relations of characteristic of individual market generators to support its quantitative analysis of the reform package and various components, including ancillary services.
- PUO held a workshop with AEMO and Western Power, in relation to Power System Security and Reliability standards, and approach to their reform. Changes to PSSR standards relate to other work being carried-out by AEMO and the PUO on ancillary services. This will feed into the consultation mid year.

Elizabeth Aitken (Perth Energy) asked in regards of publication of modelling and submissions for the constrained access reforms. Kate Ryan (PUO) took the question on notice (Action Item 5.1).

6. WEM – Back up LFAS

Brent Glover (AEMO) provided a brief presentation on back up Load Following Ancillary Services (LFAS). The increasing penetration of rooftop PV generation has substantially changed the load profile over the last few years. This, together with other increasing intermittent generation, has increased the vulnerability of the power system to volatility, especially driven by environmental factors.

The presentation shared the operational experience of a particular day (18th October) where significant non forecasted volatility in both wind generation and changing output in generation from rooftop PV generation, resulted in intra interval variations in excess of 150 MW. The required amount of LFAS (72 MW) was no longer adequate. In real time, the AEMO controller determined that additional Backup LFAS was required to ensure system security for a number of hours. This Backup LFAS was enabled until the volatility reduced and could be managed with the required LFAS. The presentation highlighted one of the challenges associated with the changing nature of the power system as well as the requirements for additional situational awareness in real time to ensure appropriate decisions can be made.

7. Margin Values and Cost_LR Proposals to ERA

Kang Chew and Charles Mnyanjagha (AEMO) provided a detailed summary on Margin Values and Cost_LR Proposals to ERA. AEMO has proposed Margin Values parameters for the 2019/20 financial year to be 17.32% for Peak Trading Intervals and 12.92% for Off-Peak Trading Intervals.

The Margin Values were modelled by Ernst & Young (EY) using a new methodology for Spinning Reserve (SR) availability cost derived from ERA's 2018 Determination Paper. Margin Values proposed are lower this year and the key drivers were:

- Lower annual availability costs were modelled during peak and off-peak periods, whilst the Spinning Reserve provided in the respective periods were higher. This resulted in lower Margin Values.
- Changes in the methodology for estimating availability cost by using each Generators' supply cost curves to calculate the opportunity cost. This methodology excludes Non-SR costs which were included in the previous methodology.
- AEMO has proposed Load Rejection Reserve (L) parameters for 2019/20, 2020/21 and 2021/22 financial years to be of \$4.738M, \$4.344M and \$1.087M respectively.
- AEMO has proposed System Restart (R) parameters for 2019/20, 2020/21 and 2021/22 financial years of \$3.326M, \$3.292M and \$3.374M respectively.

- LRRS cost drivers are:
 - An increase in renewable generation decreasing generation from Load Rejection Reserve Service (LRRS) capable facilities.
 - Interaction with LFAS market where IPPs cleared for LFAS Downwards do not provide LRRS.
 - The decrease in cost in 2021/22 is due high availability of Synergy units providing LRRS and hence decrease in dispatch of expensive units to provide the service.
- System Restart costs are based on existing contracts and adjusted by CPI forward estimates.
- Next steps relating to Margin Values include EY to undertake sensitivity analysis on the model and AEMO to consider the benefits and cost implications of procuring Spinning Reserve from non-Synergy facilities.

Jenny Laidlaw (Rule Change Panel) queried the information provided in the meeting papers, this was taken on notice. (Action Item 7.1)

Dominic Regnard (Synergy) had several queries regarding the model:

- How does the model treats the usage of LFAS dually providing SR and the dispatch of Synergy's facilitates to meet the remaining SR Requirements?
- How does the model meet the SR requirement for an interval when Synergy only clears for a portion of 72MW LFAS?
- The modelled Average Off-peak Spinning Reserve Requirement 236.4MW is higher than market observed values, why is this?

These were taken on notice (Action Item 7.1.2)

8. Quarterly Energy Dynamics (QED) Report

Agenda Item was not presented due to timing.

9. Other Business

• Malaga Data Migration

Karen Brown (AEMO) provided an update on the Malaga Data Centre move. The project is currently focusing on building a proof of concept in Norwest, this is an environment, which mirrors the application structure currently in the Malaga Data Centre and when it is built, will be tested thoroughly internally and with the help of participants. To date, the infrastructure part of this milestone has been completed, and the application build stage is now in process.

At this point in time, it is thought that the proof of concept will be open for participant testing in late January or February 2019. After a robust testing period, any required remediation work will be undertaken. Possible go live dates for Norwest will then be discussed with the business, taking into account work in pipeline and any major releases or other work occurring across the relevant platforms.

The project is currently aiming to transition the targeted production systems across to Norwest in late March/April in 2019m a final date will be determined following close consultation with the business.

Following this transition, a systematic move of the relevant development, test and other non-critical systems will continue between March and June 2019.

• Reduction of Prudential Exposure (RoPE) update

Mike Hales (AEMO) provided a brief overview of current progress of the Reduction of Prudential Exposure (RoPE) project. AEMO has established the RoPE project that will deliver the system and Market Procedure changes in two subsequent phases:

- Phase 1 (July 2018 – May 2019) will implement the changes required by rule change RC_2017_06, including amendments to IRCR, Capacity Credit Allocations and associated Settlement and Prudential Processes.
- Phase 2 (May – December 2019) will deliver a change to the Prudential Requirements Market Procedure that will deliver a more accurate Outstanding Amount based on daily estimated settlements and changes to the Credit Limit methodology.
- Phase 1 of the RoPE project is progressing on time and on schedule. AEMO has conducted working groups with participants to discuss various aspects of the project and continue to provide additional information as the project evolves.
- In its AR4 determination, the ERA recommended AEMO provide further information to indicate that market participants were aware of the estimated costs and supported the implementation of Phase 2. AEMO presented the stakeholder engagement that has been undertaken so far and included further information in relation to the drivers, solution, costs and benefits associated with Phase 2. AEMO reaffirmed the outcome from the working group in October 2017, where AEMO received general support from market participants to the proposed changes under Phase 2.
- AEMO intends to implement both Phase 1 and 2 of the RoPE project in accordance with current timelines. AEMO will seek the required funding for the remainder of Phase 2 in the Allowable Revenue 5 submission to the ERA.

10. Next meeting

Due to time constraints Martin Maticka (AEMO) was unable to present on the 2018 highlights. The first WAECF meeting for 2019 is scheduled for 26 February 2019. The meeting was closed at 3.01pm.

Action items raised at meeting – WA Electricity Consultation Forum

Item	Topic	Action required	Responsible	By
2.1	Previous meeting minutes	AEMO to publish the minutes from the previous WAECF as final on the website.	AEMO	Completed
5.1	Constrained access reforms	<p>Publication of modelling and submissions.</p> <p>Response:</p> <ul style="list-style-type: none"> The EY Report – Modelling the impacts on constrained network access has already been published and is available at http://www.treasury.wa.gov.au/Public-Utilities-Office/Industry-reform/Constrained-Network-Access-Reform/ Submissions – we are currently updating the Public Utilities Office website, and these should be available next week (if not a bit sooner). 	PUO	Completed
7.1	Margin Values and Cost_LR Proposals to ERA	<p>Information provided in the meeting pack regarding the topic by Jenny Laidlaw (Rule Change Panel).</p> <p>Response:</p> <p>The matter discussed in the supporting material for the minutes was an event on 31/10/2018. As per Dispatch Advisory 18278, due to shortfall in Ancillary Services (Load Rejection Reserve Service), System Management will dispatch facilities Out of Merit in order to correct the shortfall and maintain Power System Security and Power System Reliability.</p>	AEMO	Completed

7.1.2	Margin Values and Cost_LR Proposals to ERA	<p>How does the model treats the usage of LFAS dually providing SR and the dispatch of Synergy's facilitates to meet the remaining SR Requirements?</p> <p>Response: The model treats LFAS up as being already compensated for in the market, and does not attribute any SR availability cost to the capacity providing LFAS and SR dually.</p> <p>How does the model meet the SR requirement for an interval when Synergy only clears for a portion of 72MW LFAS?</p> <p>Response: To meet the SR Requirement the model will account for any LFAS Up dually provide SR cleared by Synergy (72 MW or less) , then account for any SR from IPP contacted facilities, then any remaining SR shortfall is met by Synergy facilities on a least cost basis by the optimisation algorithm.</p> <p>The modelled Average Off-peak Spinning Reserve Requirement 236.4MW is higher than market observed values, why is this?</p> <p>Response: The dispatch model was benchmarked against historical bidding behaviour and performed well. For the modelling of spinning reserve we required the provision of heat rate and cost data (e.g. fuel prices) from market participants. The model outputs are a function of the input data we received. In some cases AEMO did not receive any data from a participant, in which case data from the previous draft assumptions report was used. As a result one of the larger capacity generators was modelled at a high output during Off-Peak periods. For the next Margin Values review AEMO will look to further improve on validation of modelling outputs in the final modelling exercise.</p>	AEMO	Completed
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