

MINUTES

MEETING: Reform Delivery Committee – Meeting 3
 DATE: Thursday, 31 March 2022
 TIME: 3.00pm to 5.00pm (AEDT)
 LOCATION: By MS Teams

ATTENDEES:

NAME	COMPANY	REPRESENTING
Violette Mouchaileh (Chair)	Australian Energy Market Operator (AEMO)	AEMO
Tony Chappel	AEMO	AEMO
Michael Bradley	Australian Energy Market Commission (AEMC)	AEMC
Mark Feather	Australian Energy Regulator (AER)	AER
Jo Witters	Energy Security Board (ESB)	ESB
Fergus Stuart	Origin Energy	Australian Energy Council (AEC)
Annemie Kotze	Stanwell Corporation	AEC
Michael Bell	Red Energy/Lumo Energy	AEC
Stefanie Monaco	Red Energy/Lumo Energy	AEC
Zainab Dirani	TransGrid	Energy Networks Australia (ENA)
Greg Hannan	CitiPower/Powercor/United Energy	ENA
Declan Kelly	Flow Power	Energy Efficiency Council (EEC)
Brian Spak	Energy Consumers Australia (ECA)	ECA
Craig Chambers	Engevity	Clean Energy Council (CEC)

APOLOGIES:

NAME	COMPANY	REPRESENTING
Suzanne Falvi	ESB	ESB
Rob Amphlett Lewis	Ausgrid	ENA
Andrew Richards	Energy Users Association Australia (EUAA)	EUAA
Craig Memery	Public Interest Advocacy Centre (PIAC)	PIAC

GUESTS:

NAME	COMPANY	REPRESENTING
Verity Watson	ENA	ENA
Kate Reid	AEMO	AEMO
Peter Carruthers	AEMO	AEMO
Trent Morrow	AEMO	AEMO
Paddy Costigan	AEMO	AEMO
Phil Hayes	AEMO	AEMO
Ulrika Lindholm	AEMO	AEMO
Matt Armitage	Ernst & Young (EY)	EY
Fredy Mejia	EY	EY

Welcome

Ms Mouchaileh, AEMO's Executive General Manager Reform Delivery, gave an acknowledgement of country and welcomed the members and guests to the meeting.

Ms Mouchaileh outlined the meeting's agenda.

1. Review of Action Items from previous meeting

Mr Carruthers reviewed the Action Items from Meeting 2 and Round 2 workshops [Refer to slide 6 of the accompanying slide pack]. Additional commentary as follows:

Item 2.8. Participant Impact Assessment. The Committee confirmed the importance of incorporating the impact assessment in the materials prepared for release to broader industry and other stakeholders. A revised due date of two weeks out from this meeting was proposed by Mr Hannan as sufficient time for Committee members to workshop the industry assessment with their stakeholders. Mr Carruthers offered that AEMO staff can be made available to support Committee members' stakeholder engagement efforts.

Items 2.14w-16w were noted by Mr Carruthers as ongoing items in the forward plan for the Committee. Individual action items closed.

Action: In progress items were brought forward to be addressed at the next meeting.

2. NEM 2025 Roadmap Pathways

Mr Morrow thanked the Committee for feedback provided as part of Round 2 workshops on the roadmap pathways and recapped on comments and inputs received [Refer to slide 8 of the accompanying slide pack].

Mr Carruthers provided an overview of proposed changes to the NEM2025 Implementation Roadmap as a result of the Committee's feedback [Refer to slide 9 of the accompanying slide pack]. Additional commentary as follows:

Ms Monaco enquired what changes had been made to Integrating Energy Storage Systems (IESS) implementation schedule to minimise impact to stakeholders over the 2022/23 summer period. An action was taken by AEMO to provide additional details to this.

Ms Kotze enquired to the benefits to industry of a phased approach to the Operational Security Mechanism (OSM). Mr Morrow shared that the benefit of the phased approach is the ability to start delivering value to the market sooner with an initial simpler model in stage one, followed by a more sophisticated model in stage two. Overall, impact to industry from OSM is expected to be low and only to participants with NMAS contracts (and a reduction in directions).

Ms Mouchaileh commented that this approach was proposed in line with the fundamental principles for the roadmap development work, which is to look for opportunities to drive value to industry sooner and mature the market.

In regard to a top down review of the roadmap, Mr Carruthers shared that AEMO had identified further opportunities for efficiencies through bundling reform initiatives that impact the same applications and functional areas and conduct an early bundled design, followed by integrated delivery, rollout and testing approach to capture efficiencies. The opportunity in particular is for initiatives to be delivered in 2025 e.g. Operational Security Mechanism,

Ramping and Operating Reserve, Short Term PASA and Primary Frequency response to a lesser degree as well as the Capacity Mechanism pending policy outcomes.

Committee members expressed support for the bundled early design approach, noting that early design gave industry more opportunity to conduct impact assessments and that bundling could provide desired economies of scale to system and procedure changes.

Mr Stuart enquired about efficiency opportunities for Phase 1 initiatives. Mr Carruthers outlined initial opportunities for bundling and packaging that being are explored for inflight initiatives such as FFR, IESS and Flexible Trading Arrangements model 2 under the constraints of the rule decisions that have been made.

The Committee further discussed extending the top-down assessment with a consumer opportunity cost lens, and to overlay the roadmap with broader industry reforms as part of the consultation process.

Mr Morrow outlined how AEMO recommended to proceed with the roadmap and sought endorsement from the committee on the recommendation and direction of travel [Refer to slide 10 of the accompanying slide pack]. Additional commentary as follows:

Mr Hannan enquired to the flexibility in AEMO's indicated direction of travel. Ms Mouchaileh clarified that AEMO has indicated a direction to get more meaningful feedback from industry and that the final selection will be influenced by outcomes from consultations and a thorough business case process.

Mr Stuart enquired as to the governance process that AEMO foresaw for changes to the roadmap. Responding to this, Ms Mouchaileh noted that change processes for future updates would need to be established by the Committee to ensure that the roadmap reflects the implementation as it progresses and that the Committee would have an active role in managing the future scope of the roadmap.

Mr Carruthers added that the next round of changes to the roadmap are likely arise from contingencies discussed during the roadmap development, AEMO's future state architecture, changes to policy and rules as well as the potential for integrated design of bundles of initiatives.

Ms Monaco enquired how the business case to assess the pathways was to be conducted. Mr Carruthers indicated that the approach would be to perform a whole of life cycle cost analysis of both pathways, adding that a qualitative approach will be taken to assess savings from strategic initiatives in the strategic/pragmatic pathway as well as participant impacts due to limited visibility of individual market participants savings and costs.

The Committee thereafter discussed the importance of stating the assumptions built into the roadmap for e.g. life expectancy of systems and future technology when releasing the roadmap to broader industry.

Adding to the discussion around how to release the roadmap to broader industry, Mr Stuart suggested using expected percentage uplift to fees for each pathway as an approach to communicating the findings from the business case comparison.

The Committee then discussed the extent to which the current fee projections includes the cost of implementing the ESB reform portfolio. Mr Chappel noted that the AEMO is currently consulting on future fees through its [Financial Consultation Committee \(FCC\)](#), and that relevant records can be shared with the Committee.

Ms Mouchaileh summarised the discussion, noting that it indicated that the Committee endorses AEMO's release of the roadmap pathways and agrees to the direction of travel, subject to a detailed business case assessment.

Action: AEMO to review how to further minimise stakeholder impact around industry testing and release milestones, for IESS and OSM in particular.

Action: AEMO, AEMC and the ESB to explore the viability from a policy and rules point of view of an integrated approach to reform initiatives in phase 2 and 3.

Action: AEMO to consult on the NEM2025 roadmap through AEMO's [Regulatory Roadmap Forum](#) along with an update of the core regulatory roadmap to allow overlay for stakeholders.

Action: AEMO to discuss with AEMO Services ENA's enquiry regarding interactions with reform implementation requirements from the NSW Roadmap.

Action: AEMO to draft and seek Committee feedback on key messages to support the roadmap release and which Committee members can utilise in comms to their respective constituencies.

Action: AEMO to confirm internally the approach to date on recovery of capital cost of ESB reform and circulate relevant Financial Consultation Committee records.

3. ESB Stakeholder Groups

Ms Witters outlined the stakeholder groups that are involved in the work that the ESB are either leading or working with [Refer to slide 13-14 of the accompanying slide pack].

4. Plan for Q2

Mr Carruthers outlined the proposed plan for roadmap publication and Q2 RDC activities as per slide 16 of the accompanying slide pack.

Mr Stuart enquired whether the Participant Impact Assessment exercise is meant to be done as a collective or as individual businesses. Mr Carruthers clarified that it is to be done as a collective, proposing that Committee members in the same stakeholder group e.g. Retailers, develop a view jointly as well as with their constituencies. It's intended as indicative to assist counter parts in the broader industry with identifying what may be the most important to their business.

5. Other business

Ms Mouchaileh noted that the Committee would return to the agenda item on NEM2025 industry engagement approach and structure at the next Committee meeting.

No other business was raised by the Committee.

6. Next Steps

Ms Mouchaileh outlined the next steps and thanked members for their representation and attendance at the meeting.

Action items

Item #	Action	Responsibility	Due Date
3.1	Continuation of 2.6. Further exploration of opportunities and constraints with alternative roadmap formats.	AEMO	Next committee meeting
3.2	Continuation of 2.8. Participant Impact Assessment.	Committee members	14 April
3.3	Continuation and expansion of 2.11w. Consider flexibility in timing of rule implementation and viability from a policy and rules point of view of an integrated approach to reform initiatives in phase 2 and 3.	AEMO, AEMC, ESB	End of April
3.4	Continuation of 2.12w. Investigate scalability requirements needed to deliver solutions	AEMO	Next committee meeting
3.5	Continuation and expansion of 2.13w. To review how to further minimise stakeholder impact around industry testing and release milestones, for IESS and OSM in particular.	AEMO	Next committee meeting
3.6	AEMO to consult on the NEM2025 roadmap through the Regulatory Roadmap Forum alongside an update of the core regulatory roadmap to allow overlay for stakeholders.	AEMO	April-May
3.7	AEMO to discuss with AEMO Services ENA's enquiry regarding Roadmap interactions with reform implementation requirements from the NSW Roadmap.	AEMO	Next committee meeting
3.8	AEMO to draft and seek Committee feedback on key messages to support the roadmap release and which Committee members can utilise when engaging respective constituencies.	AEMO	End of April
3.9	AEMO to confirm internally the approach to date on recovery of capital cost of ESB reform and circulate relevant Financial Consultation Committee records.	AEMO	Next committee meeting