

MINUTES – WA Electricity Consultative Forum (WAECF)

MEETING: 9
 DATE: Tuesday, 22 August 2017
 CONTACT: WAelectricityforum@aemo.com.au

ATTENDEES:

NAME	COMPANY
Andrew Winter (Chair)	AEMO
Courtney Roberts (Secretariat)	AEMO
Greg Ruthven	AEMO
Katelyn Rigden	AEMO
Mark Katsikandarakis	AEMO
Jayesh Halai	AEMO
Paula Welke	AEMO
Shaun Pethick	AEMO
Mark Riley	AGL
Will Street	Alinta
Jacinda Papps	Alinta
Nick Govier	ATCO
Tim Rosser	Blair Fox
Adam Stephen	Bluewaters Power
Ignatius Chin	Bluewaters Power
Geoff Gaston	Change Energy
Elizabeth Walters	Economic Regulation Authority
Sara O'Connor	Economic Regulation Authority
Wendy Ng	ERM Power
Sam Pearce	Pacific Energy
Patrick Peake	Perth Energy
Laura Koziol	Rule Change Panel
Jenny Laidlaw	Rule Change Panel
Peter Kolf	Rule Change Panel
Neil Canby	Sunrise Energy Group
Ben Hammer	Synergy
Angelina Cox	Synergy
Geoff Down	Water Corporation
Michael Glossop	Woodside Energy

1. Welcome

Andrew Winter (AEMO) opened the meeting at 9:00am and welcomed attendees to the ninth WAECF. The agenda was confirmed and Andrew noted Matthew Martin (Public Utilities Office (PUO)) was an apology and no update would be provided from the PUO on market reform.

All actions from the previous meeting (27 June 2017) 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 1.1).

2. 2017 Energy Price Limits

Mark Katsikandarakis (AEMO) presented the changes made to the 2017 Energy Price Limits report based on feedback received from the Economic Regulation Authority (ERA). The ERA had noted the methodology had a tendency to underestimate the present value of operations and maintenance costs as it did not correctly account for the time value of money. AEMO has undertaken a review of the methodology and confirmed the issue.

To better reflect the time value of money of variable operations and maintenance costs, the updated proposal uses an annuity formula to calculate the average discounted cost.

Due to the change in values a two week stakeholder consultation period is underway with submissions on the revised changes to be sent to wa.operations@aemo.com.au by 5:00pm on 29 August 2017.

The revised Energy Price Limits are estimated to apply for October 2017, if approved by the ERA.

It was noted there has been an increase in balancing prices over the last 18 months, and there are suggestions this relates to start up costs. It was questioned whether this is double counting by allowing for higher Energy Price Limits and allowing cost recovery of start up costs through the Balancing Price.

It was noted the formula for calculating the Energy Price Limits in the WEM Rules requires that variable operations and maintenance includes start-up related costs and is based on the highest cost generating works in the SWIS; for the purposes of this review the Pinjar and Parkeston gas turbines. It was also noted the ERA will be conducting a review on the Energy Price Limits methodology in the next 12 months which will provide stakeholders with an opportunity to provide their views on how the price limit is determined.

3. WA Market Reform Program

AEMO update

Shaun Pethick and Paula Welke (AEMO) provided an update on the WA Market Reform Program (WAMRP) and the WA office move.

AEMO is awaiting policy direction from the Minister and until that time, excluding the RCM3 project, the WAMRP has ramped down. AEMO has commenced discussions with the PUO and Minister for AEMO to take a more active role in market design and rule drafting.

Stakeholders requested early and frequent consultation on any future market design work and rule development. It was noted stakeholder engagement through the WAECF and on certain issues such as the Generator Interim Access solution and prudential rule change, was valuable and highly regarded. Stakeholders noted there are different views from government on some issues such as the Reserve Capacity Auction.

AEMO's CEO, Audrey Zibelman, will be in Perth for the Energy in WA Conference. Given the short visit Ms Zibelman will not be meeting private industry this time.

An email, in addition to previous updates at the WAECF, was sent to stakeholders regarding the WA office relocation. CBD staff will be located at Central Park from 28 August, with System Management staff moving in a staged approach from September.

RCM3 progress update

Jayesh Halai (AEMO) provided an update on the RCM3 project including the functionality included in release 1, the functionality for upcoming releases and the impact to Market Participants. Standing data updates are required by 1 October and the Market Operations team will be in contact with affected Market Participants.

Stakeholders sought clarification on the standing data updates required. It was advised that there will be two different updates required:

- For Demand Service Providers (DSPs) in terms of price.
- For generators to update the temperature dependence curve.

It was noted that documentation relating to the new settlement system, similar to the current PCS, was important for Market Participants in order to undertake reconciliations and is required as soon as possible. AEMO noted this documentation is currently being scoped and will provide updates to Market Participants at the RCM forum.

The next RCM forum is scheduled for 14 September. AEMO will issue communication on the details of the next RCM3 forum (action item 3.1).

4. ERA Discussion Paper: 2016/17 WEM Report to Minister

Sara O'Connor (ERA) gave an overview of the process in developing the WEM report for the Minister and how the 2017 report differs from previous reports. Stakeholders were invited to provide their submissions on the 2016/17 WEM report by 1 September.

The governing body have requested the ERA to consider the changes that the industry will face in the future in addition to looking back over the review period.

Stakeholders raised the following points for consideration in the report:

- The underlying assumption the WEM is moving to an RCM auction which will impact the market significantly. This was always an assumption from the beginning of the EMR.
- The systems have been built around the legislation that is no longer being progressed.
- Change in the technology landscape and the impacts of batteries, solar, etc.

5. Finkel Report – Implications for WA

Cameron Parrotte (AEMO) presented on AEMO's view of the applicability of Finkel Review recommendations for the WEM specifically in the areas of increased security, a reliable and low emissions future, improved system planning, and stronger governance.

Stakeholders noted:

- There are potential inefficiencies in Transmission Network Service Providers (TNSPs) being responsible for procuring inertia in the NEM. A market mechanism could be implemented to address this. Cameron noted that TNSP procurement was intended to address inertia requirements in the short term until competitive market arrangements could be designed and implemented. Inertia is currently not an issue in the WEM however a market-based mechanism may need to be considered in the medium term.
- The current uncertainty about the potential adoption of the Clean Energy Target, and that the applicability to WA may depend upon the regulatory instrument through which it was adopted (e.g. via the National Electricity Law or standalone legislation).
- The RCM processes reduced the need for the WEM to implement a three-year notification requirement for generation retirements, and the generator reliability obligation. However, having sufficient generation to cover peak demand may need review in the near future. This is due to a reduction in over capacity, intermittent generation proportion of capacity is increasing such that its output at peak times becomes much more critical, and the present 'average at peak' methodology could result in capacity shortfalls.
- There are a number of governance bodies in the NEM. It's important there is clarity around the roles of these agencies to ensure no duplication of work.

6. Other Business

Katelyn Rigden (AEMO) provided an update on the certification process and noted AEMO are still accepting Certified Reserve Capacity applications for both the 2016 and 2017 Reserve Capacity Cycle's. Market Participants were reminded to submit their applications by 29 September for 2016, and 29 December for 2017.

The new contact details for the System Capacity team have been sent to stakeholders.

7. Future agenda items

No future agenda items were raised.

8. Next meeting

The next WAECF meeting is scheduled for 17 October 2017, which will be combined with the WA Generator Forum. Andrew Winter thanked stakeholders for their attendance and closed the meeting at 10.30am.

Action items raised at meeting - WA Electricity Stakeholder Consultation Forum

Item	Topic	Action required	Responsible	By
1.1	Welcome	AEMO to publish minutes from the previous meeting as final on the website.	AEMO	August 2017
3.1	WAMRP – RCM3 progress update	AEMO to issue communication to the RCM Forum with details of the next RCM3 forum scheduled on 14 September.	AEMO	August 2017