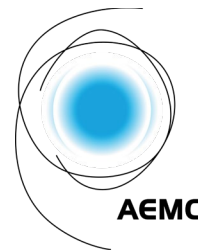


Meeting Notes:

Transmission Access Reform - Technical Working Group 3

Wednesday, 29 May 3:00pm – 5:00pm



Agenda:

- Acknowledgement of Country
- Introduction
- Agenda item #1: Co-optimisation
- Agenda item #2: Dynamic grouping
- Agenda item #3: Open discussion
- Agenda item #4: Survey
- Agenda item #5: Next steps

Acknowledgement of Country

- The AEMC project team (project team) acknowledged the traditional owners of the many lands from which the TWG was dialing in from and paid respects to elders past, present and emerging.

Introduction

- The project team welcomed the TWG members present, and observers (the TWG member list is published on the transmission access reform [project page](#)).

Competition protocols

- The project team noted the consent to use of personal information and competition protocols to which the project team and TWG must adhere to specifically:
 - Attendees at this forum must not enter into any discussion, activity or conduct that may infringe, on their part or on the part of other attendees, any applicable competition laws. For example, attendees must not discuss, communicate or exchange any commercially sensitive information, including information relating to prices, marketing and advertising strategy, costs and revenues, terms and conditions with third parties, terms of supply or access.
 - Participating in this forum is subject to you having read and understood the protocol including the Key Principles. Refer to meeting slide pack for more detail.

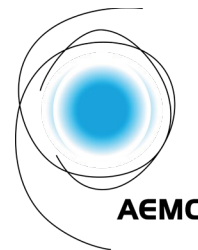
Objectives

- The project team explained that the objectives of the TWG are to:
 - provide more detailed information on co-optimisation and dynamic grouping, and
 - understand the views of stakeholders on important factors and the materiality of any issues for each option.

Meeting Notes:

Transmission Access Reform - Technical Working Group 3

Wednesday, 29 May 3:00pm – 5:00pm



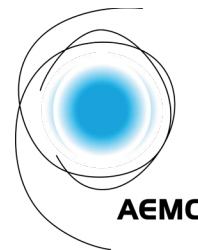
Agenda item #1: Co-optimisation

- The project team provided a summary of the implementation options being considered:
 - Two-stage approach uses two dispatches that produce two regional reference prices (**RRPs**), physical RRP and access RRP, with the access RRP being used for settlement. The access dispatch is the first dispatch run and determines access quantities for all market participants, accounting for priority access. A physical dispatch is then run and those who opt-in to the congestion relief market (**CRM**) can adjust their quantities from the access dispatch. If parties don't opt in then their quantities are not adjusted. The access RRP from access dispatch is the preferred RRP choice for settlement as it avoids potential issues with the physical RRP, such as pricing inconsistencies for non-CRM participants. The prototyping that was undertaken last year showed that in some circumstances the access RRP can potentially be inflated by the outcomes of priority access.
 - Co-optimisation is an alternative implementation option, where the access and physical dispatches could be combined and co-optimised in one dispatch run. Co-optimisation would produce one RRP, which could be determined by access and/or physical bids. The intention behind co-optimisation is to resolve issues with both choices of RRP in the two-stage dispatch.
- AEMO presented their concerns with co-optimisation, that:
 - it changes the RRP,
 - there could be a funding shortfall,
 - bid combinations can undermine priority access,
 - it is unproven and not rigorously tested, given it is a new market design option, and
 - is more costly to implement due to its complexity.
- The AEMC project team responded to AEMO's concerns, noting that the AEMC:
 - Considers that the CRM would remain voluntary for participants under co-optimisation, somewhat analogous to the FCAS, and that generators will not be dispatched at a price that is below their bid price
 - Does not consider there to be increased funding shortfalls in co-optimisation, although further investigation may be needed
 - Agrees with AEMO's concerns on bid combinations, but notes that there could be design choices that would mitigate this such as adjustments to the bid price floors
 - Agrees that co-optimisation has not been fully tested, and further testing would be needed if a decision was made to progress the model

Meeting Notes:

Transmission Access Reform - Technical Working Group 3

Wednesday, 29 May 3:00pm – 5:00pm



- Agrees that implementation costs may be higher but so to many be benefits and considers a detailed cost estimate would needed if a decision was made to progress the model.

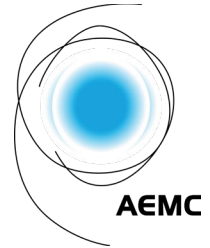
Members raised their questions about co-optimisation, related to:

- **Forward-looking analysis on the two-stage dispatch model:** Members were interested in understanding whether any forward-looking analysis would be completed on the two-stage dispatch model to determine the materiality of concerns that it may increase RRP in some situations.
 - The project team agreed that more investigation is needed, although there may be some difficulties in generating a forward-looking analysis.
- **AEMO's modelling and prioritisation:** AEMO explained that as priority access gets harder, RRP increases get larger. Bigger RRP increases will be unlikely if prioritisation is softer, but this needs to be balanced with other reform objectives.
- **Complexity of bidding strategy in two-stage dispatch:** Some members were of the view that bidding will occur differently in the two-stage dispatch than in the status quo today. The project team explained that despite the perceived complexities of having two RRP under the two-stage dispatch model, CRM participants can decide whether to get dispatched in access dispatch and/or the physical dispatch, depending on their positions.
- **Cost-benefit analysis for the co-optimised model:** The project team stated that a detailed cost-benefit analysis is not being completed between now and September 2024, but this goes to a broader discussion of whether co-optimisation needs to be worked up in more detail, if it has stakeholder support. If there was support we should at a minimum seek more detailed costing estimates from AEMO.
 - Some members voiced their concerns about the size of the benefits to 2050 and that small increases to the RRP could materially reduce the size of benefits from transmission access reform.
 - The project team noted that co-optimisation could help mitigate increases to the RRP and address this concern, and also reiterated that any recommendation put forward to Ministers would reflect consideration of both the benefits and costs.
- **Voluntariness of the CRM:** Some members understood that a co-optimised RRP gives the impression that it undermines voluntariness of the CRM. AEMO considers that participants with contracts would need to participate in the CRM under a co-optimisation implementation approach.
- **NEM price objectives impacting views on co-optimisation:** Some members appreciated that views on co-optimisation were a result of differing beliefs about the objective of price in the NEM.

Meeting Notes:

Transmission Access Reform - Technical Working Group 3

Wednesday, 29 May 3:00pm – 5:00pm



- The project team wants to understand whether this is workable, and how participants could factor it into their decision. The point of reform is to use existing assets more effectively.
- **Similarity between the status quo and CRM:** The project team explained that dispatch in the status quo does two things: deciding on the physical target and on access. The CRM proposes to separate out access and physical dispatch, creating two RRP in the two-stage dispatch. Given that today's RRP is based on both physical and access dispatch, the CRM is not too dissimilar to today's RRP.

Agenda item #2: Dynamic grouping

- The project team reminded members of the grouping options, being:
 - grouping by time-window (the current preference of the project team),
 - grouping by time-window with a REZ preference,
 - two centrally determined tiers, or
 - dynamic grouping, that enables some generators to offer their dispatch capacity at a lower or higher priority.
- The project team described the potential benefits of dynamic grouping: harder priority access that would be allocated on a chronological basis and an option to exclude wide-reaching constraints from priority access.
- The project team explained that the dynamic grouping algorithm would be a loop of multiple dispatches that progressively adds and determines the allocation of priority access to generators, in order of when they connected. The project team also went through an example of the dynamic grouping algorithm.
- AEMO explained that dynamic grouping would require a change in the cadence of dispatch time windows, although noting that timing within the algorithm is an open design question.

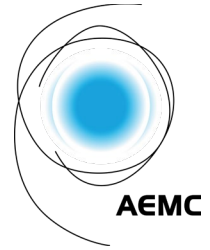
Members raised their questions about dynamic grouping, related to:

- **Complexity:** Some members noted their hesitation to dynamic grouping because of the computational complexity, and questioned why the project team's preference is instead grouping by time window.
 - The project team explained that the ESB previously worked through grouping by time-window in detail, finding it to be a simple option. Dynamic grouping was a newer option that offered an alternative, and resolution to concerns about wide-reaching constraints. However, work is needed to develop dynamic grouping more if it receives stakeholder support.
- **Tier allocation in dynamic grouping:** Some members questioned how the tiered approach under dynamic grouping would work in practice. The project team explained

Meeting Notes:

Transmission Access Reform - Technical Working Group 3

Wednesday, 29 May 3:00pm – 5:00pm



that existing generations would get the highest level of priority and new entrants might get priority depending on their location and when they connect. It could also be overlaid to other grouping options.

- **Dynamic grouping's similarity to a day-ahead market:** The project team explained that dynamic grouping would only determine the allocation of priority access, and would not determine the actual dispatch outcomes. Settlement would also be based on the dispatch run.
- **Market information:** Responding to members questions about whether the market would receive similar information that it does under the status quo, the project team confirmed this was a consideration for implementation. The initial position is that the reform will have the same amount of visibility for participants as is provided currently.
- **Interaction with improving security frameworks (ISF):** AEMO explained that there are two parts to the interaction with the ISF, the first about the scheduling of resources contracted by transmission network service providers (**TNSPs**) and the second about new innovations. The project team will investigate this further.
- **Investment certainty in the allocation of tiers:** Some members questioned whether a generator would have to wait for a space to become available in a higher priority tier, to move up, under the dynamic grouping option. This may be problematic for new investment certainty.
 - The project team explained it is still chronological and operates to incentivise investment in uncongested areas of the grid, where generators are not always constrained. They also noted that ACIL Allen is completing further modeling work to inform this.
- **Time period for tier allocation:** The project team explained that the period for tier allocation is not a settled topic.

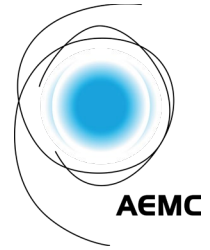
Wide-reaching constraints:

- The project team explained that wide-reaching constraints are spontaneous constraints that affect a large number of participants equally. The project team have heard concerns that priority access would shift congestion risk of these constraints onto low-priority generators, and currently they are interested in investigating the extent of their impact on priority access. The project team have also heard different feedback that suggests that if generators have priority access and those wide-reaching constraints bind then those generators would be protected.
- The project team noted that dynamic grouping could resolve the wide-reaching constraints issue by better sharing the pain amongst generators who would have access under market conditions without a wide-reaching constraint, similar to the status quo.

Meeting Notes:

Transmission Access Reform - Technical Working Group 3

Wednesday, 29 May 3:00pm – 5:00pm



- The project team explained that more investigation is needed on the type of constraints that impact priority access, and that difficulty arises in forecasting the impact of future constraints.

Agenda item #3: Open discussion

- **Ongoing feedback:** The project team confirmed that feedback is important to the entire review process. We look forward to stakeholder submissions that are due on 6 June 2024. We are also happy to chat informally at any time.
- **Stakeholder involvement in ACIL Allen modeling work:** The project team committed to sharing preliminary results of the ACIL Allen modeling with members, to hear their views on the results in June.

Agenda item #4: Survey

- Similar to the April TWG, members were guided through a Mentimeter survey, that provided real-time, anonymised responses to key questions.
- Broadly:
 - **Priority access:** Majority of the members were either unsure about their preferred priority access option or preferred the grouping by time-window option.
 - **CRM:** Most members were either undecided about their preferred CRM option or preferred the two-stage dispatch option.

Agenda item #5: Next steps

- The project team referred to the project plan and highlighted:
 - Submissions to the Consultation paper – **due 6 June 2024**
 - Ongoing discussion with AFMA regarding the impact of the reform options on the financial markets
 - Ongoing work with ACIL Allen for the modelling of priority access
 - The next TWG will be held at the end of June 2024.
- Although members will not be presented with the preliminary results from ACIL Allen's modeling before submissions to the consultation paper are due, they will be provided with opportunities to comment on the assumptions and share views on these as well as the results.