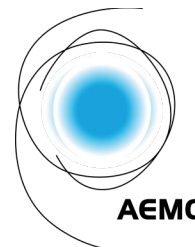


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Agenda:

- Acknowledgement of Country
- Introduction
- Competition protocols
- Agenda item #1: Briefing: consultation paper
 - Testing and modelling of priority access
 - Priority access
 - Congestion relief market
 - Key stakeholder issues
- Agenda item #2: Initial feedback and discussion
- Agenda item #3: 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.

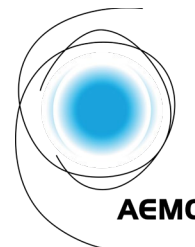
Agenda item #1: Briefing: consultation paper

- The project team noted that the Consultation Paper was published on 24 April 2024.

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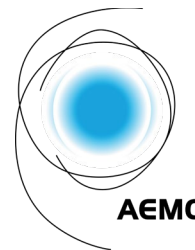


- It builds upon the work completed by the Energy Security Board (**ESB**), outlines options for reform, and seeks stakeholder feedback on:
 - problems and drivers for reform,
 - the hybrid model that is the current preferred option for access reform,
 - testing and modelling of transmission access reform,
 - key design options for priority access and the CRM,
 - key stakeholder concerns,
 - detailed design questions for priority access and the CRM.
 - Recognizing that the TWG members may not have had the opportunity to review the Consultation Paper in detail, the project team focused on providing members with a briefing on key topics in the Consultation Paper where feedback will be particularly useful in informing the AEMCs recommendations to Ministers in September 2024.
- **Testing and modelling of transmission access reform**
- The project team explained they are interested in stakeholder feedback on:
 - ESB cost-benefit analysis (2023), particularly where this would influence the progress or direction of this review
 - Results of the prototype testing of the hybrid model conducted in 2023, including any views on whether alternative implementation approaches could address the issues that arose in testing,
 - modelling impacts on investment decisions from the hybrid model (noting ACIL Allen will share their findings with the TWG in late May 2024).
- **Priority access**
- The project team noted that priority access would be implemented by adjusting bid price floors based on a participant's level of priority access.
 - The project team noted the Consultation Paper provides four options for allocating priority access, with the current preference being a market-based queue that allows older generators to be prioritised ahead of newer generators. Within this, grouping options are:
 - Option 1: Grouping by time-window, which was noted as the Commission's preferred option at this point in time.
 - Option 2: Grouping by time-window with REZ preferences.
 - Option 3: Two centrally determined tiers.
 - Option 4: Dynamic grouping (noting it was not developed to the level of detail as other options).

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- Some members were concerned that under option 3, the allocation of priority may be arbitrary, and that generators connecting outside a REZ could have a lower priority than REZ generators connecting after them.
- The project team agreed this could occur noting that under this option, a central decision maker would determine whether a generator is allocated priority or not.
- The project team briefly explained the detailed design choices for priority access that the AEMC is seeking feedback on, noting that the Commission's preferences stated in the consultation paper align with that of the ESB.
- A short discussion with members followed this part of the briefing and covered:
 - Harder/softer priority: the project team noted that grouping by time window is the preferred option at this stage, which is a 'softer' priority approach than alternatives due to technical feasibility constraints of implementing a 'hard' approach.
 - Uncertainty around wide reaching constraints: Members raised concerns that, they perceive there to be a lack of clarity about the impact of these constraints on lower priority participants and whether/how this impact would be addressed under the hybrid model.

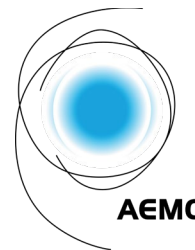
- **Congestion relief market (CRM) – two stage dispatch**

- The project team set out that the CRM is a voluntary market where generators, storage and load can trade congestion relief if they want to benefit individual participants and the entire system.
- The team explained the key features of the congestion relief market (**CRM**) including:
 - that it is voluntary and so participants can choose whether or not to participate by "opting-in"
 - the two dispatch runs within the CRM creating two regional reference prices (**RRP**) – the "access RRP" and "physical RRP"
 - the Commission's preference of using the access RRP for settlement given the physical RRP could deliver pricing inconsistencies for non-CRM participants.
- There was a short discussion between members and the project team about the two different RRP. The discussion covered:
 - Whether generators who do not opt-in to the CRM, will remain with a single RRP: The project team confirmed that if a generator does not opt-in, their access and physical RRP are the same and in essence, their physical dispatch is determined and settled the same as now.
 - That the access RRP may in *some* scenarios increase due to the effects of priority access and could add some complexity to settlement for CRM participants.

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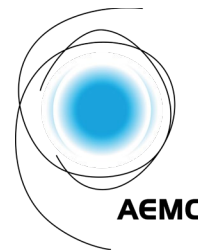


- That the co-optimisation of the access and physical dispatches could potentially be perceived to reduce the voluntary nature of the CRM. Members noted that it could increase the likelihood of opting-in to ensure their physical access is not degraded by CRM participants.
- **CRM – alternative implementation approach - co-optimisation**
 - The project team introduced an implementation option that is discussed in the consultation paper - co-optimisation - that is an alternative to the two-stage approach, which could potentially alleviate the RRP issues outlined above. The key features of the alternative, co-optimised approach were noted including:
 - that the access and physical dispatches are solved via a single co-optimised dispatch run. This is similar to the co-optimisation of energy and FCAS.
 - only one RRP would be produced, based on the marginal cost of physical generation (originating from either access or physical dispatch)
 - this could provide pricing consistency for non-CRM participants and not be increased due to priority access.
 - that a co-optimised CRM would affect how the RRP would be set, as both dispatches would take each other into account.
 - The project team noted AEMOs concerns with the co-optimised approach, including that it would be more costly and complex to implement in NEMDE.
 - A short discussion between TWG members and the project team followed this and covered:
 - whether a cost benefit analysis would be completed for this, given AEMO's implementation concerns and the potential impact on contracts. The project team emphasized that stakeholder feedback was required to understanding the materiality of the problem first. A decision would then be made about whether further work, such as a cost benefit analysis would be valuable
 - whether physical dispatch could impact access dispatch, meaning a lower priority generator can potentially be dispatched before a higher priority generator. AEMO explained that when generators bid into the CRM, they might construct a combination of access and physical bids to generate a more competitive bid than generators who do not opt-in to the CRM.
 - concerns that under a co-optimised approach (where both the access and physical dispatches take each other into account) the choice of whether or not to opt-in to the CRM would be less voluntary.
 - There was some further discussion where some members asked questions about, and raised concerns with the hybrid model, and access reform more generally, including:
 - concerns from some members that reforms to transmission access in general will reduce investment incentives, particularly for solar.

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- whether modelling for the co-optimised approach had been run in conjunction with intervention pricing, to see the impact on overall price setting. Some members considered this to be important in informing whether the hybrid model can be progressed.
 - whether the level of participation assumed in the cost benefit analysis would be accurate if an alternative implementation approach was progressed.
- The project team acknowledged that further work is needed, and underway and that stakeholder feedback to the consultation paper will be important in informing the next stage of the project.
- The project team encouraged members to provide views on both the two-stage and co-optimised approach to implementing the CRM in their submissions.

- **CRM – detailed design choices**

- Outlining the detailed design choices for the CRM, the project team noted the ESB's design preference have been maintained including:
 - CRM participation for scheduled and semi-scheduled participants only and corresponding registered dispatch unit identifier (DUIDs).
 - No rounding of coefficients.
 - No new bidding regulations, with the AER to monitor behavior post-implementation.
 - Settlement at the RRP.
 - Settlement residue allocation remaining the same as today for inter-regional settlement residues, CRM residues to be determined and allocated to consumers either via TNSPs or retailers.
 - Treatment of MNSPs remaining equivalent to a generator-load paid.
 - CRM bidding to allow quantity limits on CRMP exposure, but not buy-sell spreads.
 - A single set of FCAS bids used in both access and physical dispatch, with only opt in for CRM FCAS.
- The project team outlined one design question that has not been part of previous consultation processes; whether access and physical dispatch should be tethered. The initial preference is to tether the two dispatches.

- **Key stakeholder issues**

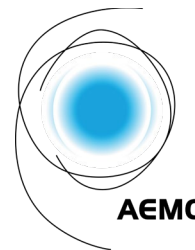
- The project team outlined three key stakeholder issues, the Commission's initial responses covered in the paper. Feedback was encouraged on the issues, being:

Could wide reaching constraints in priority access create unacceptable risk for participants?

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- The project team explained that generators affected by wide reaching constraints are often assigned the same co-efficient in the constraints, effectively 'sharing the pain'.
- Priority access could see the risks of wide-reaching constraints impacting the last generator in the priority queue. Here, excluding the constraints from priority access may be something only possible under the dynamic grouping approach.
- The project team emphasized an interest in stakeholders feedback about whether priority access would create an unmanageable level of risk in situations where wide reaching constraints are imposed on all generators.

Impact of the hybrid model on power purchase agreements (PPAs).

- Stakeholders have expressed concerns that the implementation of the hybrid model could result in the reopening and renegotiation of PPAs.
- The project team acknowledged these concerns, and set out our understanding that the question of reopening PPAs will come down to the specific terms of the PPA, and the views of the parties to the PPA.
- The project team suggested that two aspects of the reform might reduce the risks of reopening PPAs. These being:
 - The intention that generators can opt-into the CRM (and if they choose not to, there would not be a difference in prices that either party to the contract are exposed to).
 - Many PPAs are due to expire around the time the reform would likely be implemented, meaning the existing PPAs may not have to be reopened.
- The project team was also aware that some TWG members are concerned that behavioural clauses commonly found in some PPAs (i.e. 'maximize generation' clauses'), may in the CRM produce unintended outcomes for some generators.
- The project team also noted that many of these contracts have 'reasonable endeavours' obligations linked to the maximize generation clauses. Here, participation in the CRM would not necessarily guarantee an increase in sent out generation.
- The consultation paper sets out some initial views that the project team welcomed feedback on.

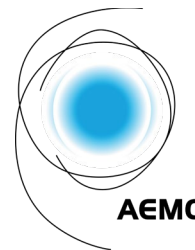
How will the hybrid model impact the financial market?

- The project team explained that they are aware of some concerns that relate to how the hybrid model could reduce the importance of the regional reference price as a price signal (that may increase the costs of contracting and potentially

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reduce liquidity in contract markets), seeing participants essentially trading volume risk for price risk.

- Feedback was welcomed on the new elements of the CRM that are set out in the consultation paper.

Agenda Item #2: Initial feedback and discussion

- TWG members were guided through a Mentimeter survey, that provided real time, anonymized responses to key questions.
- Broadly, the response from TWG members reflected the concerns they had previously raised about the models. Members noted that it was challenging to provide meaningful feedback at this early stage of the process – particularly on the two new design options (co-optimisation and dynamic groups) in comparison to the well-known options.
- The survey was useful to ignite further thinking and dialogue for both the project team and members.
- Members suggested the same survey questions could be completed after reviewing the consultation paper in detail.

Agenda Item #3: Next steps

- **The project team referred to the project plan and highlighted:**
 - Submissions to the Consultation paper – due 6 June 2024.
 - Next TWG meeting – scheduled for 29 May 2024.