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Public Utilities Office
Department of Finance
469 Wellington Street
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via email to: electricitymarketreview@finance.wa.gov.au

Dear Sir/Madam

PROPOSED DESIGN OF A RELIABILITY ADVISORY COMMITTEE IN WESTERN AUSTRALIA

Synergy welcomes the opportunity to provide comment to the electricity market review (**EMR**) steering committee and program office regarding the position paper on the Proposed Design of a Reliability Advisory Committee (**RAC**) in Western Australia dated 3 February 2016 (**the position paper**).

As outlined in the position paper, the National Electricity Market approach to system performance and reliability matters is inconsistent with the capacity oriented wholesale electricity market structure in the South West Interconnected System (**SWIS**). To address these inconsistencies Synergy supports the reasoning within the position paper that a bespoke arrangement for determining reliability matters will be required for Western Australia.

Synergy also notes the concerns expressed by other jurisdictions about expanding the role of the Australian Energy Market Commission Reliability Panel to administer Western Australia's bespoke arrangement.

Synergy is broadly supportive of the proposed design criteria and the delegation of authority for reliability matters to the Economic Regulation Authority (**ERA**). Further work is required on the detail of the proposed design and delineation of roles and responsibilities.

Within the context of the above, this paper sets out Synergy's position and observations in relation to feedback requested by the program office on its proposed design.

Design criteria

The design criteria proposed in the position paper are reasonable and appropriate. Synergy, particularly supports the minimalistic ('light-touch') regulatory approach advocated in the position paper. Synergy agrees this approach will provide the benefits of simplicity and ease of implementation.

Proposed design

The proposed design governing the role of the ERA and the RAC should include checks and balances to enhance governance and ensure transparency. The design should codify the right for participants to request a merits review of certain decisions made by the ERA, for example, individual planning criterion and maximum reserve capacity price determinations. Furthermore, an obligation should be placed on the ERA to undertake an initial public consultation process when formulating the governance framework to apply to the RAC as well as periodic public consultations on the RAC's terms of reference and committee charter.

The combination of these measures will provide important safeguards for market participants and enable ongoing constructive engagement in the work and continuous improvement of the RAC.

Accountability & Oversight

Synergy notes the ERA has an existing obligation under the section 26 of the *Economic Regulation Authority Act 2003* to consider certain matters, as listed in the position paper, when performing its functions.

In addition to those functions, the ERA should also be required to have regard to the wholesale market objectives, as outlined in section 122 of the *Electricity Industry Act 2004*, when undertaking its proposed reliability functions.

Furthermore, any processes and methodologies the ERA is required to follow when making reliability determinations should be contained within the market rules (or if appropriate, the market procedures). Any amendments to methodologies or processes recommended by the ERA should be subject to normal market rule or procedure change processes. Requiring the ERA to follow normal market rule or procedure change processes will provide market participants certainty and clarity on governance structures supporting applicable methodologies.

Proposed composition of the reliability advisory committee

Synergy is supportive of the proposal for the ERA to appoint RAC members and the self-nomination process.

The position paper advocates that RAC members should remain independent and free of real or perceived conflicts of interest. It is unclear to Synergy how the program office intends to apply this rule in a local context. If the ERA applies the proposed criteria, in the strictest sense, it risks excluding some of the industry's best experts, particularly when RAC members are drawn from market participants. Further consideration is required on how ERA will be required to apply this criteria.

In selecting committee members, the ERA should also have regard to:

- a nominee's knowledge and experience in respect of the performance of the electricity system and the system operator;
- a nominee's knowledge and experience in respect of reliability of supply issues; and
- a nominee's knowledge of the economic and other impacts on participants from the system operator's decisions and actions in relation to the electricity system and reliability of supply.

Synergy believes the membership composition of the RAC should be more prescriptive than proposed in the position paper and align with requirements of the national framework. The National Electricity Rules (NER) sets out the requirements for membership of its reliability panel and specifies it should include:

- a person representing generators;
- a person representing market customers;
- a person representing transmission network service providers;
- a person representing distribution network service providers; and
- a person representing the interests of end use customers for electricity.

Similar class categories should be adopted for the proposed RAC in a manner appropriate for Western Australia. For example, it would be unnecessary to have a person representing distribution networks and another person representing transmission networks while Western Power remains an integrated network provider.

Synergy strongly supports the appointment of an independent committee chair. The chair should also be independent of the ERA. The appointment of an effective independent chair will be critical to the success of the RAC. The EMR may also want to consider introducing maximum (perhaps staggered) terms for the chair and committee members.

Governance framework applying to the reliability advisory committee

Further work on the governance framework applying to the RAC is required and should be considered in detail when the ERA undertakes its consultation process as advocated earlier.

Synergy suggests the EMR and ERA consider drawing on the framework supporting New Zealand's Security and Reliability Council (NZSRC). The RAC would benefit from adopting the some of NZSRC's framework governing the functions and roles of the chair and committee.

Aspects of the NZSRC model that are particularly desirable include the chair being empowered to facilitate discussions between members in a manner that will stimulate robust debate on issues and encourage effective contribution from members. Furthermore, the chair is obliged to ensure that discussions are relevant and effective while at the same time ensuring that genuine disagreements and conflicts are aired and, if possible, resolved.

With regard to the operation of the RAC, the business and activities of the committee must be as transparent as practicable. This can be enhanced and supported by various measures including the participation of observers during committee meetings. Additional transparency measures including obligations to publish papers and minutes of meetings are also contemplated under the NZSRC model.

The process the RAC will use to make decisions on its advice to the ERA also requires consideration. In delivering its advice to the ERA it would be preferable if the opinion of the RAC was formed on a consensual basis. In circumstances in which a consensus is not possible, the RAC's advice to the ERA must reflect the views raised by all members.

Finally, after the ERA receives advice from the RAC and makes its determinations it should be required to outline how it has used the advice and explain any deviations.

Funding

Synergy has no objections to the proposed funding model contained in the position paper.

Please contact Mr Jason Froud, manager policy, in the first instance if you require further information regarding Synergy's positions regarding any of these matters.

Yours faithfully

**WILL BARGMANN
GENERAL MANAGER CORPORATE SERVICES**