

# Benchmark Reserve Capacity Price Working Group Terms of Reference

28 July 2020

## 1. Background

Clause 4.16.3 of the Market Rules requires the Economic Regulation Authority (**ERA**) to develop a Market Procedure documenting the methodology that AEMO must use and the process that AEMO must follow in determining the Benchmark Reserve Capacity Price (**BRCP**).

Clause 4.16.9 of the Market Rules requires the ERA to review the Market Procedure referred to in clause 4.16.3 at least once every five year period, and to either submit a Rule Change Proposal or initiate a Procedure Change Process, as the case may be, to implement any recommended changes from the review.

Clause 2.26.3 of the Market Rules requires the ERA to also undertake a review of the methodology for setting the BRCP and the Energy Price Limits (**EPLs**) no later than the fifth anniversary of the first Reserve Capacity Cycle, and every five years thereafter.

The ERA had intended to undertake its reviews under clauses 4.16.9 and 2.26.3 concurrently, but due to substantial overlap of these reviews with the WA Government's Energy Transformation Strategy, the ERA has decided to postpone the methodology review under clause 2.26.3 until after the completion of Energy Transformation Strategy reforms and to continue the review of the Market Procedure under clause 4.16.9. The ERA published a notice indicating this decision on its website on 18 May 2020.<sup>1</sup>

The Market Advisory Committee (**MAC**) has established the BRCP Working Group in accordance with clause 2.3.17 of the Market Rules and section 9 of the MAC Constitution to advise the ERA on its review of the Market Procedure under clause 4.16.19 of the Market Rules.

## 2. Scope of Work

The BRCP Working Group has been established to assist the ERA with its:

- (1) review of the calculation method for the weighted average cost of capital (**WACC**) included in the BRCP and the underlying variables in the WACC; and
- (2) assessment of cost items to be included in the calculation of the BRCP and the estimation method for these cost items.

For the purposes of item (2), the intent is to develop a framework to identify cost items and to assess the suitability of the current Market Procedure against the framework.

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<sup>1</sup> <https://www.erawa.com.au/cproot/21240/2/NOTICE---Suspension-of-BRCPEPL-method-reviews.pdf>.

### 3. Membership

The BRCP Working Group has a Chair appointed by the ERA. The ERA may replace the Chair at any time and must promptly advise the MAC Chair.

The BRCP Working Group has no permanent members apart from the Chair. Instead, the Minister for Energy, the ERA, the Rule Change Panel and each Rule Participant may:

- nominate a representative to attend a BRCP Working Group meeting by advising the BRCP Working Group Secretariat in advance of that meeting, which may be a standing nomination that applies until the BRCP Working Group Secretariat is advised to the contrary;
- with the permission of the BRCP Working Group Chair (which will not be unreasonably withheld), send additional representatives to a BRCP Working Group meeting; and
- register to receive information relating to the activities of the BRCP Working Group, including notification of upcoming meetings, meeting papers and documents distributed out-of-session, by providing an email address for such correspondence to the BRCP Working Group Chair.

Other stakeholders may attend BRCP Working Group meetings or register to receive information relating to the activities of the BRCP Working Group following approval of the BRCP Working Group Chair.

### 4. Responsibilities of Meeting Attendees

A person attending a BRCP Working Group meeting is expected to:

- have suitable knowledge and experience to engage in and contribute to discussions relevant to the specific meeting;
- prepare for the meeting, including by reading any meeting papers distributed before the meeting;
- participate as a general industry representative rather than representing their company's interests; and
- carry out actions (e.g. impact assessment) if and as agreed.

### 5. Administration

The ERA will provide secretariat support for the BRCP Working Group.

The ERA will work with the RCP Support to ensure contact details for the BRCP Working Group are maintained on the Rule Change Panel's website.

The BRCP Working Group Chair will convene the BRCP Working Group upon request from the ERA or the MAC Chair.

The ERA will prepare and distribute all meeting correspondence to the BRCP Working Group via email. The ERA will provide the following documentation by email to its BRCP Working Group stakeholder list in respect of a BRCP Working Group meeting:

- notice of meeting and agenda at least 10 Business Days prior to the meeting;
- relevant meeting papers at least 5 Business Days prior to the meeting; and
- draft minutes no more than 5 Business Days following the meeting.

Except for draft minutes (which will only be emailed to attendees for comment), meeting documentation will be published on the Rule Change Panel’s website as soon as practicable after issuance to the BRCP Working Group stakeholder list.

Attendees will be expected to:

- advise the BRCP Working Group Secretariat of their intent to attend a BRCP Working Group meeting at least 5 Business Days prior to the meeting; and
- provide any feedback or endorsement to the draft minutes no more than 5 Business Days following distribution of the draft minutes.

Meeting minutes are to record meeting attendance, main points of discussion, agreed recommendations and action items.

## 6. Reporting Arrangements

The BRCP Working Group Chair must provide a report to the MAC on the BRCP Working Group’s activities at each MAC meeting. The reports must include, at a minimum:

- details of the most recent BRCP Working Group meeting, including the date of the meeting and a list of the issues or proposals considered;
- the date of the next meeting and the issues or proposals to be considered (if known); and
- an indicative forward agenda.

## 7. Contact Details

Rule Participants and other stakeholders may contact the BRCP Working Group Secretariat at [support@rcpwa.com.au](mailto:support@rcpwa.com.au). Documentation and information related to the BRCP Working Group will be published on the Rule Change Panel’s website at <https://www.erawa.com.au/rule-change-panel-brcp-working-group>.

## 8. Projected Timeline

Step	Date
(1) First meeting (initiation)	Mid-August 2020
(2) Second meeting to discuss a draft Procedure Change Proposal	Early October 2020
(3) Publish the Procedure Change Proposal for public consultation	Late November 2020
(4) Review stakeholder submissions	Early January 2021
(5) Third meeting to discuss stakeholder feedback	Mid-January 2021
(6) ERA decision on Procedure Change Proposal	February 2021