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MARKET ADVISORY COMMITTEE REVIEW: EXPOSURE DRAFT OF ESM AMENDING RULES

Alinta Energy appreciates the opportunity to provide feedback on the Exposure Draft of the Electricity System and Market (ESM) Amending Rules to implement the outcomes of stage 1 of the Review of the Market Advisory Committee (MAC).

Alinta Energy makes the following recommendations:

- 1. Given its administrative nature, the requirement for the MAC to be a non-voting committee should be removed from the ESM Rules.**
- 2. If the requirement for the MAC to be a non-voting committee is retained within the ESM Rules, it should remain as a separate clause.**
- 3. To ensure the MAC remains efficient, effective and focused in its advisory role, its membership should be capped at a maximum of 15 members at any one time, with flexibility to adjust the composition as needed to incorporate specialised expertise aligned with the evolving demands of the energy transition.**
- 4. Review and update the MAC Constitution to align with the amended purpose and the State Electricity Objective (SEO).**

1. Given its administrative nature, the requirement for the MAC to be a non-voting committee should be removed from the ESM Rules.

It is recommended that the clause in the ESM Rules specifying the MAC as non-voting be removed as it places unnecessary limitations on how the Committee's input may be perceived and integrated. While the Committee's role is advisory, embedding its voting status in the ESM Rules may unintentionally signal a lack of value or relevance in its contributions. Removing this clause would allow for a more flexible and inclusive governance approach, where the Committee's procedures, including how it provides advice to the Coordinator and other prescribed authorities, can be adapted over time to suit its evolving purpose and membership.

Such procedural matters are more appropriately addressed in the Committee's constitution, which can be updated more readily to reflect the Committee's operational context at any point in time. The MAC's constitution already adequately establishes it as non-voting and builds further on the administrative aspects of how it fulfills its purpose. This shift would enable the ESM Rules to set out the MAC's purpose in supporting the Coordinator, leaving the constitution to set out the operational governance arrangements in a more agile and context-appropriate manner.

We recommend that ESM Rule clause 2.3.1 be amended as follows:

2.3.1. The Market Advisory Committee is a ~~is a non-voting~~ committee of industry representatives convened by the Coordinator ~~to advise the Coordinator regarding matters concerning, and the Coordinator's plans for, the evolution, and development and operation of the South West Interconnected System, the Wholesale Electricity Market and these ESM Rules, and to:~~

- (a) to advise the Coordinator regarding Rule Change Proposals;
- (b) to advise AEMO, the Economic Regulation Authority, the Coordinator and Network Operators regarding Procedure Change Proposals;
- (c) to advise the Coordinator, AEMO and the Economic Regulation Authority on the development of Rule Change Proposals ~~where when~~ requested by the Coordinator, AEMO or the Economic Regulation Authority in accordance with clauses 2.5.1A or 2.5.1B or 2.5.1C; ~~and~~
- ~~(d) to advise the Coordinator regarding matters concerning, and the Coordinator's plans for, the evolution and development of the Wholesale Electricity Market and these ESM Rules; and~~
- ~~(e)~~(d) ~~to~~ provide assistance to the Coordinator in its monitoring role under clauses 2.16.13A and 2.16.13B.

2. If the requirement for the MAC to be a non-voting committee is retained within the ESM Rules, it should remain as a separate clause.

If it is determined that the voting status of the MAC must be addressed within the ESM Rules rather than its governance framework, it is recommended that this requirement be retained as a separate clause. This will keep the voting status of the MAC separate to its purpose, maintaining clarity between the Committee's strategic function of providing advice, and its procedural characteristics. Combining these elements risks conflating purpose with process, compromising the clarity and precision of the Rule's structure, making it harder for stakeholders to distinguish between the Committee's strategic intent and its operational mechanics.

A separate clause also ensures that any future amendments to the MAC's voting status can be made without inadvertently affecting the articulation of its purpose. This separation supports better rule maintenance and reinforces the principle of clear, modular drafting. While the preference remains for the voting status to be dealt with in the MAC's constitution, if it must be included in the ESM Rules, a standalone clause offers a more transparent and adaptable approach.

If the requirement for the MAC to be non-voting is retained within the ESM Rules, we recommend that ESM Rule clause 2.3.1A is retained without amendment and a new ESM Rule clause is created to obligate the MAC to provide advice that is consistent with the State Electricity Objective (SEO).

3. To ensure the MAC remains efficient, effective and focused in its advisory role, its membership should be capped at a maximum of 15 members at any one time, with flexibility to adjust the composition as needed to incorporate specialised expertise aligned with the evolving demands of the energy transition.

As outlined in our previous submission, we support the intent to broaden representation within the Market Participant category of the MAC. However, we remain concerned that increasing the overall membership to a maximum of 20 may compromise the Committee's efficiency and effectiveness. The proposed membership of up to 20 may compromise the committee's functionality as larger groups tend to experience fragmented discussions, reduced individual engagement, and slower progress due to the complexity of managing diverse viewpoints. The risk of disengagement increases when members feel their contributions are diluted in a crowded forum, and the administrative overhead grows significantly. While inclusivity is important, it must be balanced with the need for a streamlined and responsive advisory body.

Capping the MAC membership at a maximum of 15 members is recommended to ensure the committee remains efficient, focused, and effective in its advisory role. A group of this size allows for meaningful engagement from all participants, facilitates streamlined discussions, and supports timely decision-making processes. It also simplifies coordination and reduces administrative burden, making it easier to maintain consistent participation and manage logistics. With 15 members, the committee can still achieve broad representation across key industry sectors while fostering a collaborative and productive environment.

In addition, to ensure the MAC remains responsive to the evolving needs of the energy transition, it is important to retain the flexibility in its membership structure. As the energy landscape shifts, introducing new technologies, regulatory frameworks, and market dynamics, the makeup of the Committee must be able to adapt by bringing in relevant skills and expertise relevant at the time. This may involve rotating or co-opting members with specialised knowledge in emerging areas such as hydrogen, battery storage, or digital energy systems. A flexible membership model enables the Coordinator to adapt the Committee membership structure to remain future-focused, ensuring that its advice continues to be informed, relevant, and aligned with current industry challenges and opportunities.

We therefore recommend that the drafting of ESM Rule clause 2.3.5 be amended as follows:

2.3.5. Subject to clause 2.3.13, the Market Advisory Committee **membership must not exceed 15 members at any one time, and be comprised of:**

- (a) ~~at least six eight~~ and not more than ~~eight ten~~ members representing Market Participants, or prospective Market Participants~~excluding Synergy~~;
- (b) ~~at least one member and~~ not more than two representing Contestable Customers;
- (c) ~~at least one and~~ not more than two members representing Network Operators, of whom one must represent Western Power;
- (d) [Blank]
- (e) at least two independent members ~~ominated by the Minister~~ to represent small-use consumers;
- (f) [Blank]
- (g) **not more than** two members representing AEMO;
- (h) one member representing Synergy, **in its role as the only supplier of electricity to non-contestable customers**; and
- (i) an independent Chair, to be appointed by the Minister under clause 2.3.8A.

4. Review and update the MAC Constitution to align with the amended purpose and the State Electricity Objective (SEO).

Given the proposed changes to the MAC's purpose and the introduction of specific obligations relating to the SEO, a review of the MAC's Constitution is necessary to ensure the Committee's governance arrangements remain fit for purpose. The last review concluded in 2022, and since then, the scope and expectations of the MAC have evolved. The Constitution should be reviewed and updated to ensure the Committee's governance framework and its supporting advisory processes are consistent with the ESM Rules and the advisory needs of the Coordinator, and other specified Authorities.

Importantly, the governance framework should clearly set out how the MAC is expected to manage the tension between the separate limbs of the SEO (such as affordability, reliability, and the environment) so that its advice to the Coordinator, and other Authorities, is balanced, transparent, and consistent with the Objective. Ensuring that the Constitution aligns with the requirements of the ESM Rules and supports more robust transparent decision-making will provide clarity for MAC members when navigating complex trade-offs and issues.

Thank you for your consideration of Alinta Energy's submission. Should you require further information or wish to discuss any aspect of our submission please do not hesitate to contact me at Jean.Mileto@alintaenergy.com.au.

Yours sincerely

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