GOVERNMENT OF WESTERN AUSTRALIA

Department of Energy and Economic Diversification

Energy Policy WA

Market Advisory Committee (MAC) - Minutes

Date:	19 March 2026
Time:	1:30pm – 3:30pm
Location:	Microsoft Teams online

Attendees	Representing in MAC	Comment
Sally McMahon	Independent Chair	
Amy Tait	Australian Energy Market Operator (AEMO)	
Douglas Birse	AEMO	Proxy for Katie McKenzie
Rhiannon Bedola	Synergy	
Matthew Veryard	Network Operator	
Luke Skinner	Small-Use Consumer Representative	
Noel Schubert	Small-Use Consumer Representative	
Rajat Sarawat	Observer appointed by the Economic Regulation Authority (ERA)	
Dora Guzeleva	Observer appointed by the Minister	Proxy for Noel Ryan
Alister Alford	Market Participant	
Adam Stephen	Market Participant	
Paul Arias	Market Participant	
Jacinda Papps	Market Participant	Left 2:43pm
Jake Flynn	Market Participant	
Tom Frood	Market Participant	
Patrick Peake	Market Participant	
Graeme Ross	Contestable Customer	
Peter Huxtable	Contestable Customer	
Other attendees	**From**	**Comment**
Sue Paul	Robinson, Bowmaker and Paul (RPB)	Presenter for Item 5(c)
Richard Bowmaker	RBP	Presenter for Item 5(c)
Laura Koziol	EPWA	MAC Secretariat
Shelley Worthington	EPWA	MAC Secretariat
Apologies	**From**	**Comment**
Katie McKenzie	AEMO	

Lizzie O'Brien	APA	
Noel Ryan	Observer (Minister)	
Geoff Gaston	Market Participant	

1. WELCOME

The Chair opened the meeting with an Acknowledgement of Country.

The Chair noted that she had no conflicts to declare and reminded members that advice the MAC provides to the Coordinator of Energy does not necessarily represent the views of the Chair.

The Chair noted the Competition and Consumer Law obligations of the MAC members, inviting members to bring to her attention any issues should they arise.

2. MEETING APOLOGIES AND ATTENDANCE

The Chair noted the attendance as listed above.

3. MINUTES OF MEETING 2026_02_11

The 11 February 2026 meeting minutes were approved out of session and published on 18 March 2026.

4. ACTION ITEMS

The Paper was taken as read. The following was discussed regarding Action Item 1/2026.

- Ms Tait proposed that instead of updating the MAC at every meeting, AEMO should provide more substantive updates as follows:
  - Proposal 4 at the first MAC meeting in 2027; and
  - Proposal 5 at the MAC meeting in June 2026.
- Mr Schubert noted that regular updates had been suggested for Proposal 4 because the conclusion on whether there are valuable mandatory primary frequency responses available could be drawn in less than 12 months. Instead of waiting until 2027, Mr Schubert proposed that AEMO provides an update to the MAC in August 2026.
- Ms Tait agreed with Mr Schubert's proposal.

Action Item: AEMO to provide a preliminary update to the MAC on Proposal 4 of the Essential System Services (ESS) Framework Review at the 30 July 2026 MAC meeting and another update at the first MAC meeting in 2027 and Proposal 5 at the 18 June 2026 MAC meeting.

5. UPDATE ON WORKING GROUPS

(a) AEMO Procedure Change Working Group (APCWG)

Ms Tait advised that:

- there is an error in Table 2, the next meeting is on 26 March 2026, not in February;
- the Certification of Reserve Capacity Procedure and the Settlements Procedure will be discussed at the next APCWG meeting; and
- since the submission of the paper, two procedures had been finalised and published. The Low Reserve Conditions Procedure will commence on 20 March 2026, and the Relevant Level Method Procedure will commence on 1 April 2026.

(b) AEMO's Major Projects Working Group (MPWG)

Ms Tait noted that the next meeting of the MPWG would be near the end of April 2026.

(c) Capability Class 2 Technologies Review Working Group (CC2TRWG)

Ms Guzeleva noted that:

- at its last meeting, the MAC supported retaining the linear derating method for Electric Storage Resources (ESR);
- the MAC discussed three options for Demand Side Programmes (DSPs) availability obligation intervals, and that today's presentation includes variants of these three options reflecting MAC and CC2TRWG feedback; and
- future-state analysis findings will be presented at a future MAC meeting.

Ms Paul presented the three variants (Slides 6 to 11).

Variant 1 (Slides 8 and 9)

Ms Guzeleva noted that under Variant 1 (detailed in appendix 2 of the Slides) an aggregator would be allowed to associate different loads to the morning window and to the evening window.

- Mr Schubert considered that residential storage can be available in the morning, if aggregators incentivise overnight charging.

Ms Guzeleva clarified that Variant 1 does not prevent the same loads to be associated for the morning and evening window.

- Mr Ross considered that the split of the availability obligation into two windows might help DSP aggregators to associate Behind-the-Meter storage. He added that the impact on DSPs consisting of only one large single load should also be considered.
- Mr Huxtable advised that industrial loads need time to ramp down when dispatched and time to ramp up when resuming operation. Consequently, those Associated Loads would likely have to be offline from 6:00am till midnight if they are dispatched for the morning window, as the period between the two windows is insufficient to resume operation given ramping limitations.

Ms Guzeleva explained that

- AEMO had procured supplementary capacity (SC) because DSPs are not available past 8:00pm, splitting the availability obligation into two windows would minimise the need for SC procurement;
- under the proposal a single load can be nominated for both the morning and evening window; and
- modelling indicates that DSPs would not be dispatched in the middle of the day.

- Mr Alford acknowledged the need for aligning DSP obligations with system needs. However, he noted that aggregation is only allowed behand a single Transmission Node Identifier (TNI) and this is a greater barrier that will likely prevent DSP aggregation.
- Mr Huxtable suggested to allow DSPs to only certify for the evening window and reflect this through reduced capacity payments.

Ms Guzeleva explained that Non-Intermittent Generating Systems available for less than 14 hours per day have their Capacity Credits derated accordingly. This mechanism cannot

be applied to DSPs because there are no means of verifying the capacity level they are applying for in the certification process. As a result, the only way to reflect reduced availability for DSPs is through reduced payments.

- Mrs Bedola asked, if analysis showed that the morning window is also a period of system stress and the ESR Obligation Intervals (ESROIs) are intended to cover those periods, why was the option to align the availability obligations of DSPs with the ESROIs dismissed.

Ms Guzeleva answered that there are important differences between DSPs and ESR, in particular:

  - the ESR Obligation Duration (ESROD) recently increased from four to six hours and is expected to increase further. Meanwhile, DSPs have a 12-hour availability obligation, and the aim is not to erode their reliability contribution; and
  - DSPs can only be dispatched for 23.5 hours a year currently while ESR, like most other technology, has no annual dispatch limit.

- Mr Schubert suggested to consider different windows depending on the season.

Ms Guzeleva responded that:

  - capacity is required throughout the year because of Planned and Forced Outages; and
  - as DSPs currently can only be dispatched for 23.5 hours a year, it is likely that they reach this limit during the summer period unless it is a mild summer.

- Mr Ross acknowledged that aggregators would have to assess in their business case that a DSP can potentially be dispatched for up to 12 hours at a time but only for a total of around 23 hours per year. He noted that clearer forecasts from AEMO about when DSPs are likely to be dispatched would materially help participants plan around these periods and assess the associated risks.

Variant 3 (Slide 11)

- Mr Alford advised that static availability obligation windows would be preferrable for aggregators as they usually contract loads over multiple years and customers prefer simplicity.

In response to a question from Mrs Bedola, Ms Guzeleva clarified that the proposed creation of the mid-peak DSP Obligation Interval was suggested because, if Variant 3 was implemented, it was preferred to keep it aligned with the ESROI.

Ms Guzeleva advised that, based on the MAC's feedback, the option to allow DSPs to be only available during one of the availability obligation windows at reduced capacity payments, would be investigated further. However, she cautioned that this option is likely not simple as it would affect Reserve Capacity refunds and Reserve Capacity Security.

- Mr Alford expressed support for prioritising simplicity noting that the regime for DSPs is already complex.

Mr Bowmaker presented the technical analysis - Slides 13 to 17.

In response to a question from Mr Schubert regarding Slide 15, Ms Guzeleva explained that 5:30pm is when the grandfathered 4-hour ESROIs currently commence.

In response to a question from Mrs Bedola, Ms Guzeleva clarified that the length of the system stress events (SSE) is based on the period specified in AEMO's declaration, and it does not imply that ESR must discharge at the start of the SSE event.

In response to questions from Mrs Bedola, Mr Bowmaker clarified that:

- the analysis considered the actual prices leading up to the SSEs to see if that influenced ESR behaviour;
- as shown on Slide 16, the data suggests that ESRs are responding to SSEs; and
- AEMO needs to consider if actual SSEs require future ESROIs changes as outlined on Slide 17.

- Mrs Bedola:
  - acknowledged that there are situations when AEMO requires a minimum charge for ESR but that this should be addressed through AEMO directing the ESR;
  - expressed concerns that an additional refund mechanism was considered, because she considered that ESR are already responding to address SSEs and Synergy offers its ESRs as it does not want to withhold capacity; and
  - noted that the offer construction guidelines must allow ESRs accredited for providing Frequency Co-optimised Essential System Services (FCESS) to charge and not offer FCESS.

Ms Guzeleva responded that the policy implications would be discussed by the Working Group at its next meeting and the purpose of this presentation was to provide MAC with an overview of the analysis and implications.

The Chair summarised that the MAC discussion of the technical analysis was providing feedback on what should be discussed at the next Working Group meeting and encouraged members to add any considerations.

- Mr Peake noted the importance of the future-state analysis and that, with coal exiting and the renewable capacity growing, SSEs will likely be different going forward.
- Mr Frood supported Mr Peake's comment.
- In response to a question from Mr Arias, Mr Birse explained that:
  - AEMO uses the seven-day horizon to identify potential SSEs and take necessary actions, such as adjusting outages;
  - forecasting SSEs is challenging because conditions can change significantly on the day, for example, due to cloud cover or the timing of wind generation;
  - due to these challenges, moving the ESROIs ahead of time carries a high level of system risk; and
  - historically, Lack of Reserve (LOR) declarations were made in the morning, but AEMO now issues day-ahead forecasts of potential LOR events to give ESRs sufficient time to charge.
- Mr Flynn suggested that, if the time of the ESROIs changed, associated penalties should also be considered.

The Chair thanked members for their contributions and advised that another update will be provided at the 7 May 2026 MAC meeting.

6. RESERVE CAPACITY PRICES PAID TO EXISTING AND COMMITTED GENERATORS

Mr Schubert provided his views ahead of the discussion:

- the Wholesale Electricity Market (WEM) needs more low emissions and firming generation capacity;
- creating unacceptable uncertainty for investors in new capacity and energy sources should be avoided;
- existing generators should remain in the market, provided they're needed and efficient;
- the Reserve Capacity Mechanism (RCM), the Benchmark Reserve Capacity Price (BRCP) and the Reserve Capacity Price curve are important to ensure the system has enough capacity; and
- the large quantity of ESR that has recently entered the WEM has provided the following benefits:
  - significant reductions in Frequency Co-Optimised Essential System Service (FCESS) costs;
  - allowing more renewable energy into the market by raising minimum demand;
  - reduced instances of economic withholding of renewable output due to excessive negative prices; and
  - reduced variability of energy prices and starting to reduce average energy prices.

Mr Schubert explained that when he wrote his initial paper for the 11 February MAC meeting, the ERA had recently published a draft BRCP determination of $491,000 for the 2028–29 Capacity Year, on top of the increase to $360,000 in the previous year. Since then, the ERA has published its final determination of $488,500, which is only 0.7% lower than the draft determination, reinforcing Mr Schubert's original concerns about windfall gains for generators.

Noting the work being done by the WEM Investment Certainty (WIC) Review and the Capability Class Two Technologies (CC2T) Review, Mr Schubert proposed that windfall gains of generators be investigated as part of or in parallel with this.

Mr Schubert also clarified that his main concern was non-transitional capacity getting windfall gains at the expense of consumers and endangering business viability. However, as part of the MAC's email exchange on this item, the option to extend the transitional pricing arrangements has also been mentioned.

In reference to the table on page 79 of the MAC papers, Mr Schubert raised concerns that from the current 2025-26 capacity year, with its floating RCP of $251,420/MW, to the 2027-28 capacity year, with its $360,700/MW floating RCP, the total quantity of capacity credits assigned has gone up only 35% (from 4,717 to 6,375) and yet the estimated total annual cost has doubled from $776m to $1,558m, and, in the 2027-28 Capacity Year, over 2,000MW of Capacity Credits will be paid at the floating Reserve Capacity Price.

There will be more non-transitional capacity in 2028-29, and the $488,500 BRCP, just announced, is very likely to cause windfall gains in that capacity year for non-transitional capacity, other than fixed-price capacity.

Mr Schubert shared the below spreadsheet with data provided by AEMO that was not included in the papers and stated that:

- around 76% of the Capacity Credits that are paid at the floating Reserve Capacity Price for the 2027–28 Capacity Year are mostly 4-hour batteries with a significant proportion rolling off Non-Co-optimised Essential System Services contracts;
- the floating Reserve Capacity Price of $360,000 per MW for the 2027–28 Capacity Year is probably reasonable, as the BRCP is for a four-hour battery; and

- during the 2028–29 Capacity Year, with a BRCP of $488,500, the same four-hour batteries will be paid a Reserve Capacity Price for a six-hour battery. This looks like a significant windfall gain.

2027-28 Capacity Year capacity credit assignments - from AEMO by email on 18 March 2026

Fuel Type	Transitional	Floating	Fixed	Grand Total (MW)
Battery		1,567.00		1,567.00
Biomass	10	35.7		45.7
Coal	856			856
Distillate	102	25		127
DSP		240		240
Gas	2,865.70	85	176	3,126.70
Hybrid	0.7	42.3	91.2	134.2
Hydro		1.5		1.5
Solar	9.5			9.5
Wind	204.8	62.7		267.5
Grand Total	**4,048.70**	**2,059.20**	**267.2**	**6,375.10**

- Mr Skinner strongly agreed with Mr Schubert's concern regarding windfall profits at the expense of consumers. He also noted that:
  - windfall profits in the WEM are not limited to the RCM; and
  - there should be a maximum profit that can be made for providing Essential System Services and energy to consumers.
- Mr Skinner raised concerns about the ERA's 2026 determination of the BRCP:
  - The 2026 BRCP set by the ERA is so high that, even with an overcapacity of 15% for the 2028-29 Capacity Year, the market would still be paying more for Reserve Capacity than for the 2027-28 Capacity Year, in which there was a capacity shortfall, because of the scale of the increase from one year to the next.
  - All four submissions on the ERA's draft determination questioned the way the ERA set the BRCP but were ignored, without any real explanation provided in the final determination.
  - When the Benchmark Technology was changed to ESR, the ERA changed the approach used to determine the BRCP, from the lowest cost reference technology to an average cost of different ESRs, which are installed at different times and with different specifications.
  - The price of batteries is currently reducing so rapidly that the newest and best technology available is likely to be much cheaper than the average costs of previous projects.
- Mr Arias considered that:
  - the floating Reserve Capacity Price was designed to reflect the costs of the marginal capacity provider to get the most efficient outcomes by reflecting the current value of additional capacity; and.

  - if there is a decision to investigate the way that capacity is valued, and the concept of windfall gain, then it should be discussed through the WIC Review.

- Mr Flynn stated that he supported lower costs in the WEM as long as generators are profitable. He supported Mr Schubert's proposal, in theory, but noted that:
  - Both new and existing facilities have capital expenditure. An unintended consequence of extending the transitional pricing regime could be that Transitional Facilities leave the market because they cannot recover the investment needed to maintain the facility. This has the potential to increase the Reserve Capacity Price.
  - He supported further assessment.
- Mr Ross supported Mr Schubert's points and considered that energy prices would not be dropping in the relevant period. This issue must be explored further, because customers cannot live with huge increases in a fixed cost while the energy prices do not drop as quickly as intended.
- Mr Huxtable raised concerns about the costs for customers, noting that:
  - the costs for Reserve Capacity tend to be passed on to consumers, instead of being hedged by the retailers, and effectively doubling the price of capacity will be damaging to industry;
  - several RCM reviews have been conducted in the past and every time the RCM is reviewed, the market design stays fundamentally the same, focusing on stimulating new entry, not the retirement of existing capacity; and
  - investigating windfall gains would be best done through the WIC Review.
- Mr Huxtable noted that the Water Corporation had several forecasts conducted for various activities and none of those forecasts came anywhere near the ERA's determination of the BRCP. He questioned how the ERA had come to such a high BRCP.

The Chair clarified that there's one issue with looking back at windfall gains analysis and another looking forward at the BRCP. Mr Schubert was less concerned with the underlying intent of the BRCP approach and process but had some concerns with the outcomes from that review, which were emphasised by Mr Skinner.

- Mr Sarawat acknowledged the substantial increase in the BRCP, and noted that:
  - the ERA must make decisions based on the Rules and Regulations in place and he believed that the ERA did a rigorous job in applying them;
  - the main driver for the increase in the BRCP was the change in the battery capacity requirement from four to six hours;
  - the ERA had not made its determination lightly; and
  - the ERA had considered the submissions made on the draft determination, had numerous meetings and discussions, and had tried to explain these considerations in its final determination.
- Mr Sarawat offered to arrange one-on-one meetings with stakeholders to outline how the ERA had reached its final determination.

The Chair considered that it was best if MAC members would discuss their concerns that submissions were ignored with Rajat outside of the meeting.

- Mr Peake noted that the introduction of renewable generation has completely changed the paradigm of base load, mid-merit and peak. He proposed that the RCM should either be left as it is, and stakeholders accept that prices will increase, or the whole process and the range of problems with the mechanism need a fundamental assessment.
- Mr Frood stated that the current system doesn't give sufficient investment certainty for new facilities. He considered that the Reserve Capacity Price should be based on the investment capex at the time it is needed and profits should come from energy.
- Ms Guzeleva noted that it was part of the scope of the WIC Review to investigate how it can be ensured that renewable generation can be profitable. This should lead to lower energy prices.

The Chair summarised that the MAC had mixed views regarding windfall profits, and that further assessment is needed. With no shared view among members, the Chair considered that the MAC should think about how to assess, monitor and manage windfall profits over time, while accounting for implications to future investment.

Action: The Chair will discuss the paper with Mr Schubert and EPWA offline regarding next steps for this issue.

7. WEM OPERATION EFFECTIVENESS REVIEW – PROGRESS UPDATE

The paper was taken as read.

- Mr Peake considered that the paper suggested areas which the ERA should be looking into and whether government should be involved in this. He supported the ERA having as much freedom as possible to choose where to set their own priorities.

Ms Guzeleva clarified that the intent of the paper was not to propose how the ERA sets its priorities but to provide examples of how other regulators in different markets set and publish their priorities.

Action: MAC members to provide any questions or concerns about Agenda Item 7, Attachment 1 to EPWA.

8. MARKET DEVELOPMENT FORWARD WORK PROGRAM

The paper was taken as read.

9. OVERVIEW OF RULE CHANGE PROPOSALS

The paper was taken as read.

10. GENERAL BUSINESS

The meeting closed at 3:30pm.

The next meeting is scheduled for 7 May 2026.