



CMM TECHNICAL WORKING GROUP

MEETING NOTE

Tuesday 1 March 2022 (2-4pm AEDT)

Chair: Neil Gibbs

Attendees: Marilyne Crestias (CEIG), Manas Choudhury (Edify), Shevy Moss Feiglin (AGL), Brian Spak (ECA), Marghanita Johnson (AAC), Con van Kemenade (Enel Green Power), Dev Tayal (Tesla), David Havyatt (NICE), Anthony Rossiter (Powerlink), Andrew Richards (EUAA), Robert Pane (Intergen), David Heard (ECA), Bill Jackson (Electranet), Sarah-Jane Derby (Origin), Laura Walsh (Ausnet), Gordon Leslie (Monash University), Martin Hemphill (RES), Amin Masoumzadeh (AGL), Tom Meares (ESB), James Hyatt (ESB), Jess Hunt (ESB), Kirsten Hall (ESB), Tom Livingstone (ESB), Arista Kontos (ESB), David Swift (ESB), Tom Gibson (OnLine Power).

Apologies:

		Key points/action items
Time	Topic	
2:00	Introductions	
2:05	Updated objectives and assessment criteria	<ul style="list-style-type: none">• The ESB provided updates on the objectives that had been made since the last technical working group.• Members of the working group noted:<ul style="list-style-type: none">○ That there may be some further wording improvements to ensure the objectives capture all relevant considerations, including system security.○ That it is important to be specific about what is meant by the term efficiency in the context of TAR. Efficiency should refer to impact on constraints and system costs on a forward-looking basis, rather than on particular generators.○ That conversations about the correct level of congestion can open a difficult can of worms.○ Noted the discussion has been focussed on the second mover being inefficient. Pointed to potential action to articulate the issue more accurately, as second movers aren't necessarily inefficient.○ Noted that the current arrangements have some desirable characteristics that should be preserved – in particular the incentive for projects to avoid locations where they contribute to constraints.



		<ul style="list-style-type: none">• The ESB also provided updates of the assessment criteria.• Members of the working group noted that it was a good step forward to include the costs and benefits to consumers.
2:20	Discussion of mural outputs	<ul style="list-style-type: none">• The discussion progressed towards pulling out the positive elements of the different proposals assessed in the public forum.• There was a request to compare the models to pure LMP, as opposed to just the CMM, giving that the CMM is already a compromise to some extent.• Members also noted:<ul style="list-style-type: none">○ Generators are concerned about future revenue, and any model that introduces significant additional complexity is not good for the business case for future investment.○ Models that provide dynamism and additional revenue streams are beneficial for storage, but may not be the best solution for the market as a whole.○ An efficient market maximises power flows in the operational timeframe.○ For the CMM, rebates should be able to apply outside REZ regions, given some jurisdictions don't have REZs.○ A view was provided that LMP is effective in protecting an existing generator where a new development would introduce constraints because investors would factor in the cost of congestion into their location decision. The intent of the reforms should not be to protect investors from risk, particularly if the risk is caused by generator location decisions.<ul style="list-style-type: none">▪ This view was challenged by noting that exposing generators to full nodal pricing with very limited means to hedge will hamper renewable energy investment.○ There appeared to be similarities between investment certainty and regulated outcomes.<ul style="list-style-type: none">▪ Other participants noted that certainty is about better market signals that work in the future NEM.○ That it may be good for the ESB to consider whether system security constraints were being considered as congestion in this context.• Members of the working group noted that there were positive features about the CRM, including:<ul style="list-style-type: none">○ It reduces the amount of spilt energy from cost effective generators.○ It is a market-based solution to relieve congestion.○ It is the only model that really rewards storage in operational timeframes.○ It isn't about creating more regulatory burden but creating better market signals.



		<ul style="list-style-type: none"> Members of the working group noted that providing certainty to generators around future costs are positive features of the Shell and CEIG locational fee models. Members noted some proposals have strengths, but rely on a deep connection charging approach which US has moved away from, and now the UK is looking to move away from, because they lead to underutilisation of scarce network capacity and excessive costs to new entrants. Members also noted the ESB's Post-2025 Market Design Options Paper included a hybrid mechanism (that could include CMM with locational fees plus other add-ons). They encouraged the investigation of hybrid solutions to harness the benefits of multiple types of mechanisms. Concerns were raised that over-securing the investors will result in underutilisation of the network and higher cost for consumers.
2:45	Selecting models for further work	<ul style="list-style-type: none"> The ESB presents the questions that should seek to be addressed when considering which models will be further considered. In relation to investment timeframes, members of the working group noted: <ul style="list-style-type: none"> Tradeable access rights would be a positive feature in investment timeframes. How should we account for the lumpiness of transmission investment? In relation to operational timeframes, members of the working group noted: <ul style="list-style-type: none"> A primary objective is incentivising appropriate behaviour by batteries in the network. AEMO is investigating the issues of clamping regarding Project Energy Connect. How do we help to manage the volatility and improve forecastability of wholesale energy prices? The issue of constraint coefficients affecting dispatch arrangements needs to be addressed. The models should ideally address some of the current complexities in bidding behaviour.
3:45	Confirming where we have landed	<ul style="list-style-type: none"> The working group considered that tie-breaker rules and the PIAC model did not warrant further consideration. Shaped MLFs noted to be potentially taken through as a separate rule change or as an allied development to the design.
3:55	Next steps	
4:00	Thanks and Close	