

# Reform Delivery Committee

December 2022



# 1. Welcome

We acknowledge the Traditional Owners of country throughout Australia and recognise their continuing connection to land, waters and culture.

**We pay respect to their Elders past, present and emerging.**

# Agenda

#	Time	Topic	Presenter(s)
1	10:00-10:10am	<b>Welcome</b>	Violette Mouchaileh (AEMO)
2	10:10-10:20am	<b>Where we left off</b>	Violette Mouchaileh (AEMO)
3	10:20-10:25am	<b>Review of action items</b>	Peter Carruthers (AEMO)
4	10:25-10:45am	<b>Taking cost out for industry and consumers</b>	Lance Brooks (AEMO)
5	10:45-11:00am	<b>Setting an informed Go-Live date</b>	Trent Morrow (AEMO)
6	11:00-11:10am	<b>Change management update</b>	Lance Brooks (AEMO)
7	11:10-11:20am	<b>Stage gate status update</b>	Lance Brooks (AEMO)
8	11:20-11:25am	<b>Other business</b>	Violette Mouchaileh (AEMO)
9	11:25-11:30am	<b>Thanks and close</b>	Violette Mouchaileh (AEMO)

## 2. Where we left off

Check-in discussion with the Committee

# 3. Review of action items

# Action Items from prior meetings & workshops

Item #	Action	Responsibility	Due Date	Notes
7.1	AEMO and AEMC to outline a proposed process involving industry impact assessments that could assist when setting informed “Go Live” dates. AEMO to circulate to RDC members for comment.	AEMC, AEMO	December RDC meeting	Closed. Discussed under agenda item 4.
7.2	AEMO to propose addition of transitional obligations assessment to NEM2025 processes, which would evaluate a particular reform to determine if a transitional plan is required and to what extent.	AEMO	Next RDC meeting	In progress. Criteria to be established to reflect capability that must be in place prior to rule commencement to ensure effective operation of market / rule. To be considered as component of setting informed go live date (agenda item 4).
7.3	AEMO to add on the RDC forward plan a strategic discussion around the proposed integrated design approach.	AEMO	Next RDC meeting	In progress. Discussed under agenda item 4.
7.4	RDC members to review proposed changes to Terms of Reference and representation outlined in Appendix A of the RDC meeting #6 pack and provide feedback by 9 September	RDC & AEMO	9 September	Closed. ToR: RDC members are thanked for feedback – key update was to the scope of the RDC to incorporate NEM Reform. Representation: Metering industry briefed 18 Nov. Representative has been approached.
7.5	RDC members to provide feedback on NEM2025 Executive Forum and PCF ToR by 9 September.	RDC	9 September	Closed. No feedback received at this time. PCF ToRs finalised with the PCF members. EF ToRs to be reviewed with EF members at initial meeting in early 2023.

## 4. Taking cost out for industry and consumers

# Background and context

- The NEM2025 Program represents the most comprehensive reform package sought to be implemented since the NEM's inception in 1998. As a result, it needs careful planning and high levels of industry engagement to be successful.
- The NEM Reform Implementation Roadmap (Roadmap) establishes a basis upon which AEMO, and stakeholders may navigate the breadth of ESB reforms over the coming few years, de-risking delivery, and informing implementation timing.
- While challenging, the NEM2025 Program presents opportunities to not only implement the reforms in a timely and efficient manner but also to remove or avoid unnecessary or duplicative costs both in implementation and ongoing operations.
- Efforts to take costs out for industry and consumers have been proposed/reviewed/advanced on a number of occasions over the course of previous reforms – with mixed results.
- **A key function of the RDC in development of the Roadmap and in collaborating on the implementation of initiatives more broadly is to identify areas or opportunities to reduce overall cost to industry.**
- **Today's Objectives** – Open discussion to align expectations on what is possible, understand what are the characteristics of successful opportunities and what are some of the challenges we as an industry may face in pursuing such opportunities, identify actions AEMO and industry can take together as part of the NEM2025 Program

# Experience has taught us

- Large initiatives are difficult and have a high failure rate
- Smaller incremental initiatives with clear value, aligned with the specific reforms have a higher success rate
- Those initiatives that target processes/tasks out of which a participant would not derive a comparative advantage have better chance of success
- Industry appetite exists in principle, but getting industry-wide alignment and buy-in is challenging
- Deliverability – especially for significant initiatives – is challenging
- AEMO in many cases need to deliver first against our obligations before taking on new tasks / initiatives
- An opt-in process with participant co-design has led to higher engagement with industry
- Timing is critical - Industry is in early mobilisation phase on NEM2025 and may not be ready to engage meaningfully yet on explicit initiatives

*Are there additional lessons to consider ?*

# Measures in place around NEM2025

## Measures in place

- NEM2025 already has initiatives on the table that target ‘industry cost reduction’
  - These are set out in Stage Gate 3 – in particular Industry Data Exchange, Identity and Access Management, Portal Consolidation
  - Sound logical narrative, but significant cost and industry support not necessarily confirmed
  - As part of the Stage Gating process, AEMO has agreed to develop a proposal, undertake a ‘cost/benefit’ and consult with industry
  - Currently in a planning phase
- Further, a process for Retail through the ICF/ERCF mechanisms already exists and is successfully used for small improvements.

*What additional opportunities should be pursued at this time?*

## Additional measures that could be taken?

- “Opportunities workshop” with industry
  - Similar to 5MS process
  - Extend this process to seek/promote “Quick Win” ideas, and subject proposals to a consultation and screening process
  - Reforms that only require incremental implementation changes are more likely to be associated with incremental “Quick Wins”
- Extensive review of the NEM2025 initiatives
  - Determine whether duplicative industry/AEMO processing occurs, and therefore whether opportunities exist for removal of duplication
  - Relies on industry input to identify opportunity
  - Larger scale reforms will benefit from closer scrutiny to assess for duplicative processes
- Seek to move to a collaborative or even participant-driven design approach

*What additional measures should be taken to identify those opportunities?*

# Previous and proposed initiatives

The following table identifies some of the proposed initiatives previously pursued or considered for context only

Initiative	Process and outcome
5MS – Settlements Reconciliation	<ul style="list-style-type: none"> <li>• Settlements reconciliation workshop conducted to identify potential opportunities</li> <li>• Several initiatives short-listed and implemented successfully</li> </ul>
5MS – Bidding interfaces	<ul style="list-style-type: none"> <li>• Participant identified initiative, but no industry support or value delivered</li> <li>• Not progressed</li> </ul>
5MS – Aggregation of 5/30 data across a number of datasets	<ul style="list-style-type: none"> <li>• Opportunity has been “floated”, but has not been pursued</li> <li>• Likely that the moment has passed</li> </ul>
MDM As A Service	<ul style="list-style-type: none"> <li>• An extension of “Meter Data Central”, where AEMO would extend the eMDM to manage a single source of industry metering data, with aggregation to add value so that metering data is ‘billing ready’</li> <li>• Industry supportive of the concept, although with reservations expressed on timing and deliverability</li> <li>• Initial release was scoped down due to 5MS/TCS deliverability challenges, and ultimately dropped as value not delivered</li> <li>• Significant effort by the team, but remaining challenges to overcome for AEMO in terms of deliverability, timing, commercial certainty, legal/contracting structure, risk allocation</li> </ul>
Central Counter-Party Clearing	<ul style="list-style-type: none"> <li>• Common platform for all market and contractual clearing, to deliver industry-wide prudential benefits</li> <li>• Value not there at the time, significant proportion of market internally hedged</li> </ul>

## 5. Setting an informed Go-Live date

# Setting an informed ‘go live’ date

## ***What’s the issue?***

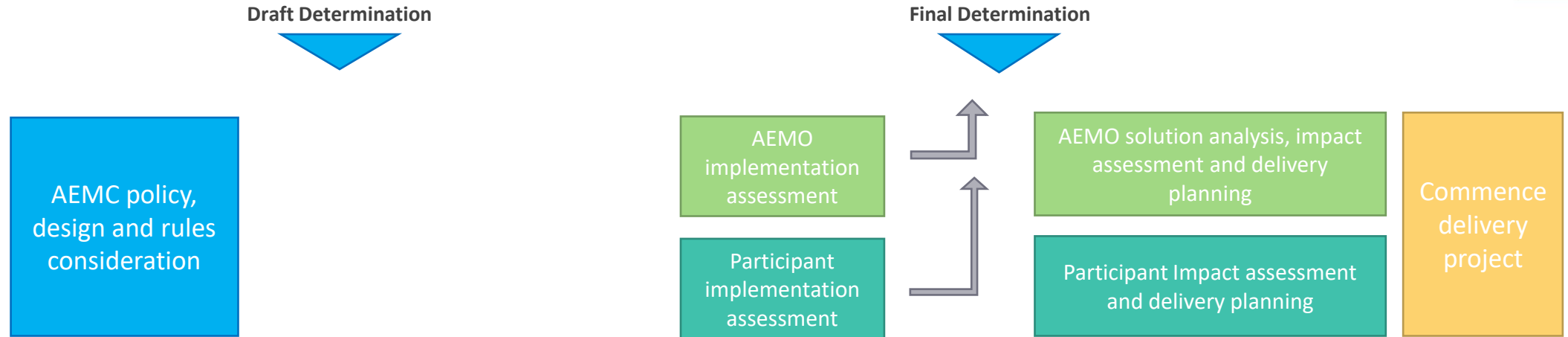
- A key objective of the NEM2025 Implementation Roadmap process is to help inform Rule go-live dates, that take account of:
  - Reasonable implementation timeframes, to ensure effective delivery of the reforms and the associated consumer benefit
  - Opportunities for bundling, sequencing and prioritisation to deliver efficient outcomes
- A variety of ideas in relation to setting Rules go-live dates have been raised in conversations, with a trade-off between flexibility, certainty and timelines often a key factor
- This session is to explore the issue and options more carefully

## ***Feedback on key requirements***

- Ways of working may need to adapt.
- Impact assessment requested by participants to help inform implementation timeframe assessments:
  - Technology: AEMO Market systems, data model, schema definition
  - Procedures: Extent and timing of Procedure impact assessment
- Opportunities for bundling of initiatives.
- Deliverability: scheduling the work in conjunction with the other work already in flight.

*The purpose of the discussion today is to outline and seek your feedback on an alternative process for setting an informed ‘go-live’ date*

# Current process for setting 'go live' date



## Pre Draft Determination

- Depending on initiative, the AEMC may undertake high-level design or technical analysis work.

## Post Draft Determination

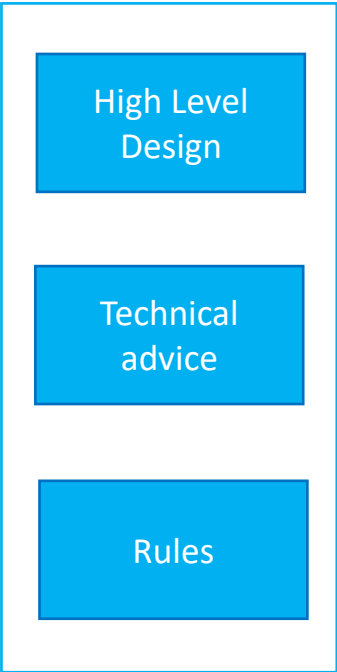
- AEMO and participants prepare a high-level estimate of cost and timeline for input into AEMC Final Determination
- In general, this estimate has limitations:
  - arrangements only permit very high level analysis.
  - not informed by solution design and architecture.
  - initiative focussed rather than considering program and in-flight projects.

## Post Final Determination

- AEMO undertakes detailed assessment and planning
  - solution design and architecture
  - prepares business case for funding
- Depending on complexity of project, initiation of project can take 3 to 6 months.
- AEMO engages with industry to outline its initial planning
- Participants commence delivery project at various stages

# Alternative process for setting an informed ‘go-live’ date

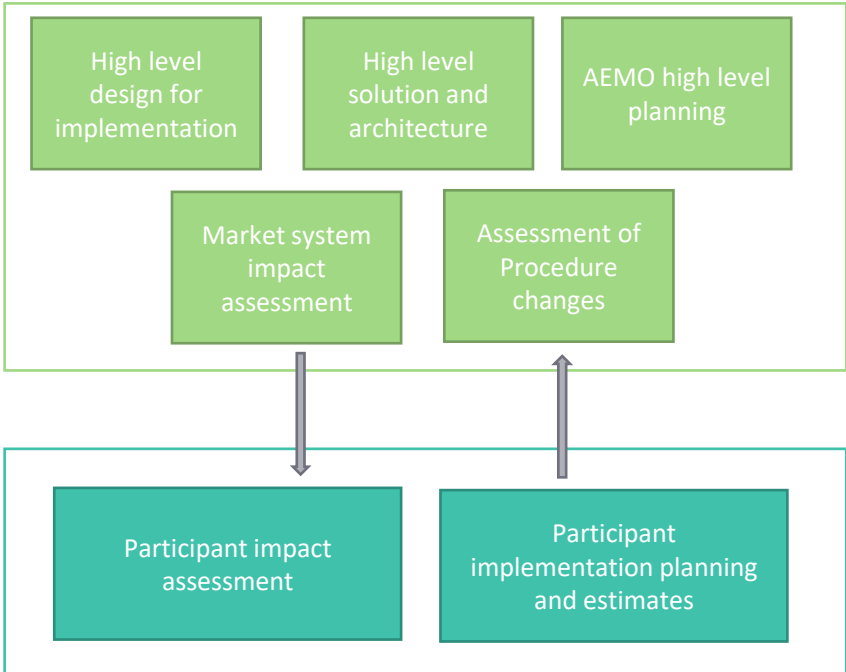
## AEMC Policy and Rule Development



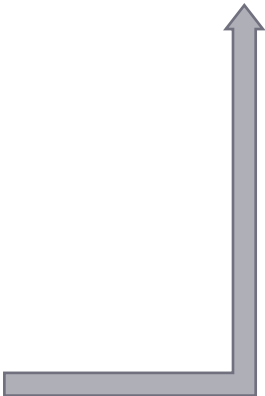
Draft Determination



## AEMO and Participant Implementation Planning



Final Determination



# Requirements for setting an informed 'go-live' date (1/2)

- AEMO and Participants need to have the necessary information to perform an impact assessment.
- AEMO will need to prepare a high-level design for implementation, solution and architecture, as well complete a Procedure change assessment.
- Participants will need to prepare forward impact assessment and planning estimates.
- The amount of effort, and time allowed, will need to be balanced and reflect:
  - The complexity of the reform project
  - That the Draft Determination may change
  - Consideration as to whether the proposal is mandatory, as well as the number or range of participants that will need to make changes to facilitate the reform go-live.
- Ideally, the implementation timeline integrates the key implementation activities by AEMO and Participants.
- Potential to utilise arrangements being put in place for the NEM2025 Program to support engagement and analysis.

*Are there additional requirements or inputs necessary for setting an informed 'go-live' date?*

# Requirements for setting an informed 'go-live' date (2/2)

- Setting an informed 'go-live' date is likely to require:
  - Preparation for the assessment prior to the Draft Determination:
    - The RDC could consider the level of complexity and provide guidance on the assessment process and timeline.
    - AEMO planning for preparation of Implementation Design, Solution and Architecture, Procedure change analysis.
    - Plan for engagement between AEMC, AEMO and Participants.
  - Process will need to allow sufficient time for analysis and input to be completed.
    - Process will need to be cognisant of AEMC statutory timelines and plan appropriately
  - Consideration of program of work – inflight and future activities
  - AEMC, AEMO and Participants will need to engage to:
    - Understand the proposal / design.
    - Develop high-level design and solutions for implementation.
    - Assess impacts to systems, Procedures and processes.
    - Prepare high-level plan for implementation, ideally this will incorporate key dependencies between AEMO and participants (like Procedures, Technical Specifications).

*Are there additional issues or challenges associated with the alternative process?*

## 6. Change management update

# Change Management Update

- Last Update: 27/10 ahead of the (postponed) RDC Collaborative Workshop
- Further updates in bold

Initiative	Update	Proposed Action
Integrating Energy Storage	IESS project team are working closely with AEMC to address IESS rule implementation matters. This will likely involve a rule change proposal from AEMO late this year. Additionally, the rule change proposal will include a request to include an obligation for integrated resource providers and bidirectional units to comply with primary frequency response requirements.	No action. If required, amendments to Roadmap to reflect the outcomes of the work between the AEMC and AEMO are to be made once known.
Portal Consolidation	Likely change required to Stage Gate timing. AEMO is currently in the planning phase regarding this initiative.	Timing of proposed Stage Gate to be updated in the Roadmap following completion of planning phase.
Consolidated Master Data Repository (CoMaStR) Phase 2	As above	As above
Identity and access management	As above	As above
Industry Data Exchange	As above	As above
<b>Flexible trading arrangements model 2</b>	<b>AEMC have published its proposed schedule including: Consultation Paper 8 December; Directions Paper (if required) May 2023; Draft Determination August 2023; Final Determination November 2023</b>	<b>Amendment to the Roadmap to reflect updated timelines.</b>
Scheduled Lite	Change required to reflect timing of proposed rule change consultation. A rule change request has not been submitted at this time.	AEMO is engaging with market bodies and the ESB ahead of submitting rule change request. Amendment to the Roadmap to reflect the outcomes of this engagement once known.
Operating Reserves Market	Change required to reflect proposed timing of a final rule determination from December 2023 to September 2023 as notified by the AEMC.	No material issues identified with change in timing of final determination. Anticipated 'go-live' date to remain as is. Roadmap to be updated prior to next publication.

# 7. Stage gate status update

# Stage Gate Update

Stage Gate	Initiative	Description	Anticipated timing	Update
1	Immediate Reforms	Mandatory Initiatives for 2022 Rules Determinations IESS, FFR, MT-PASA, PFR, OSM, Dispatch Tactile Uplift	Q3 2022	Stage Gate 1 AEMO approved for implementation (09/22). OSM - Planning funding approved only
2	Capacity Mechanism and Congestion Management Mechanism	Stage Gate 2A: Capacity Mechanism Stage Gate 2B: Congestion Management Mechanism	Subject to policy makers' timing	No update. Capacity Mechanism – Awaiting government direction Congestion Management Mechanism – ESB consulting on alternative models, AEMO undertaking order of magnitude assessment
3	AEMO Strategic	Stage Gate 3A: Identity & Data bundle: IDAM, IDX (noting pre-existing participant consultation should be leveraged), CoMASTR and Portal Consolidation Stage Gate 3B: Dispatch Bundle (including dispatch, constraints and bids/offers target state) Stage Gate 3C: FRC target state	Q1 2023 Q3 2022 Q1 2023	Stage Gate 3A – To be delayed. AEMO currently in planning phase for respective initiatives. Roadmap and timing of stage gate to be updated once completed Stage Gate 3B – Extended delay following inclusion of dispatch tactical uplift as part of Stage Gate 1 Stage Gate 3C – To be delayed. AEMO currently in planning phase for respective initiatives. Roadmap and timing of stage gate to be updated once completed
4	DER Flexible Demand and Marketplace (Project 3, Work Package 3)	Stage Gate 4: Turn-up services, DOEs, DER Data Hub & Registry services, Distribution/local network services and potentially DER Operational Tools	Mid 2023	No update. Policy / design work continues to progress via ESB and industry trials

# Stage Gate Update

Stage Gate	Initiative	Description	Anticipated timing	Update
5	Next Reforms	Mandatory initiatives for 2023 Rules Determinations FTA2, Scheduled Lite & SCADA Lite, OR	Indicative mid/late 2023, subject to Rules timing	No update
6	Data Strategy	Data Services, Bill Transparency, Electric Vehicles, Network Visibility	Indicative Mid 2023 (subject to policy development)	No update

## 8. Other business

# 9. Thanks and close

See you again in the new year:

- 8 February 2023: RDC collaborative workshop
- 21 February 2023: RDC meeting



For more information visit

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