

Independent Market Operator

Market Advisory Committee

Minutes

Meeting No.	20
Location:	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Wednesday 10 June 2009
Time:	Commencing at 2.00pm until 4.00pm

Attendees		
Troy Forward	Independent Market Operator (IMO)	Proxy Chair (for Allan Dawson)
Jacinda Papps	IMO	Proxy for Troy Forward
Sharon Bergman	IMO	Minutes
Corey Dykstra	Alinta	Member
Stephen MacLean	Synergy	Member
Steve Gould	Landfill Gas & Power	Member
Andrew Everett	Verve Energy	Member
Peter Mattner	Western Power	Member
Chris Brown	Economic Regulation Authority (ERA)	Member (observer)
Alistair Butcher	System Management	Proxy for Ken Brown
Andrew Sutherland	Griffin Power	Proxy for Shane Cremin
Geoff Gaston	Perth Energy	Proxy for Ky Cao
Matthew Martin	Office of Energy	Proxy for Jason Banks
Also in attendance		
Fiona Edmonds	IMO	
Ken Phua	IMO	
Apologies		
Allan Dawson	IMO	Chair
Ken Brown	System Management	Member
Shane Cremin	Griffin Power	Member
Ky Cao	Perth Energy	Member
Jason Banks	Office of Energy	Member

Item	Subject	Action
1.	WELCOME The Chair opened the MAC meeting at 2:05pm and welcomed members to the 20 th meeting of the Market Advisory Committee	

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	(MAC).	
2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>The acting Chair (Troy Forward) gave apologies for Allan Dawson and introduced himself as Allan's proxy.</p> <p>The Chair welcomed Stephen MacLean, as the new MAC member from Synergy.</p> <p>Apologies were received from Shane Cremin from Griffin Energy, Ken Brown from System Management and Jason Banks from Office of Energy.</p> <p>The following proxies were noted:</p> <ul style="list-style-type: none"> • Jacinda Papps for Troy Forward; • Geoff Gaston for Ky Cao; • Matthew Martin for Jason Banks; • Alistair Butcher for Ken Brown; and • Andrew Sutherland for Shane Cremin. 	
3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The Minutes of MAC Meeting No. 19, held on 29 April 2009, were circulated prior to this meeting. The Chair invited comments. No comments were received.</p> <p>The minutes were accepted by MAC Members as a true and accurate record of the previous meeting.</p>	
4.	<p>ACTIONS ARISING</p> <p>All actions arising were either complete or on the meeting agenda.</p> <p>The IMO invited queries related to the actions arising. There were no comments from the MAC members on the actions arising.</p>	
5a.	<p>STATUS UPDATES: MARKET RULE CHANGES</p>	
	<p>(i) OVERVIEW</p> <p>The MAC considered the current overview of Market Rule changes, noting that there are 36 potential rule changes to be progressed at present.</p> <p>The IMO noted that the 14 minor and typographical errors identified in the internal IMO Market Rules walkthrough will proceed as one Rule Change Proposal around November 2009.</p>	

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	<p>This will be one of the four rule changes a year related to minor and typographical changes.</p> <p>The IMO noted that a new appendix has been added to the MAC papers showing the Proposed Rule Change Log. The IMO stated that this log will be included in the MAC papers every four to six months.</p> <p><i>Action:</i> MAC members to review the Proposed Rule Change Log (Appendix 2) and provide feedback to the IMO prior to the July MAC Meeting.</p>	Members
	<p>(ii) RESERVE CAPACITY PERFORMANCE MONITORING [PRC_2009_19]</p> <p>The IMO presented the Rule Change Proposal noting that the objectives of the proposal are to:</p> <ul style="list-style-type: none"> • correct the order of the steps in the information process for the assessment of the performance in the Reserve Capacity Mechanism; and • provide the IMO with sufficient time after receipt of outage information from System Management to carry out the assessment required under clause 4.27.2. <p>The proposal is to be submitted as a standard rule change.</p> <p>A MAC member queried whether the same outcome could be achieved by requiring Market Participants to submit outage information earlier. System Management commented that submission of outage information by Market Participants was originally within one Business Day. This was extended to 15 days to more accurately reflect whether it was a Forced Outage or Consequential Outage.</p> <p>The Rule Change Proposal, as drafted, was unanimously endorsed by the MAC.</p> <p><i>Action:</i> The IMO to formally submit RC_2009_19.</p>	IMO
	<p>(iii) OPPORTUNISTIC MAINTENANCE OUTAGE APPROVAL TIMEFRAME [RC_2009_20]</p> <p>System Management presented the Rule Change Proposal noting that the objective is to maximise the ability to obtain an approved day-ahead Opportunistic Maintenance. This proposal has been submitted as a standard rule change.</p> <p>System Management stated the proposal will provide greater scope for Opportunistic Maintenance by increasing the window in which outage information can be submitted from 4 to 24 hours. It is proposed that the window starts at 10am on the day prior to the Scheduling Day. This would align the window with the gate closure for the proposed Outage Plan. This will be</p>	

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	<p>same for weekends and weekdays, and any matters are addressed by the Duty Engineer. This does not affect any other parts of the Market Rules such as on the day maintenance.</p> <p>System Management noted that information transfer on outages to the IMO occurs at 8am. Any related information lodged with System Management between 8am and 10am is not transferred through on that day. Moving the time from 10am to 8am will limit the amount of time System Management has to check and supply the information.</p> <p>A MAC member stated that it may be more beneficial to other participants to change the end time in the proposal to 8am. System Management suggested that 7am would be a better time to require all outage files to be sent in if an earlier time were to be considered. It was agreed that there is potential for further improvement of the proposed Amending Rules.</p> <p>The IMO questioned whether any IT system changes would be required. System Management considered that there would be IT systems changes required. System Management to provide an estimate of the system cost so the IMO can take this into account when assessing the Rule Change Proposal.</p> <p>It was agreed that proposal RC_2009_20 continue through the Standard Rule Change process. MAC members to formally submit any proposed changes to Amending Rules (particularly with regards to earlier opening of the window).</p> <p><i>Action:</i> System Management to provide cost estimate for IT changes related to RC_2009_20 to the IMO.</p> <p><i>Action:</i> MAC members to formally submit any changes to amending rules for RC_2009_20 on issues around 10am start.</p> <p><i>Action:</i> System Management and IMO, in discussion with Griffin and Alinta, to develop for the Draft Rule Change Report.</p>	<p>System Management</p> <p>Members</p> <p>System Management & IMO</p>
	<p>(iv) NEGATIVE MCAP AND ANCILLARY SERVICES [PRC_2009_21]</p> <p>Verve Energy presented the Rule Change Proposal, noting that if MCAP is negative, the proposal sets the floor price at zero. Currently when MCAP is negative, Verve Energy will have to pay for supplying Ancillary Services. Verve Energy does not have the ability to decide not to supply the service.</p> <p>The reasons presented for the change were to:</p> <ul style="list-style-type: none"> • ensure Verve Energy is not required to pay to supply Ancillary Services when MCAP is negative; and • better reflect the cost of provision of Ancillary Services by Verve Energy to the Wholesale Electricity Market. 	

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	<p>This proposal has been submitted as a standard rule change.</p> <p>Verve Energy noted that it had worked closely with the IMO in identifying options related to the issue and also with the drafting of the proposal.</p> <p>One MAC member queried whether:</p> <ul style="list-style-type: none"> • negative prices are reflective of the true value of Ancillary Services; and • whether there would be a double cost to Verve Energy which should be addressed. <p>Verve Energy noted that these issues are addressed in the Rule Change Proposal.</p> <p>One MAC Member noted that it was a well constructed proposal with a reasonable solution for Verve Energy and the market.</p> <p>The MAC unanimously endorsed the Rule Change Proposal.</p> <p><i>Action:</i> Verve Energy to formally submit RC_2009_21.</p>	Verve Energy
	<p>(v) TOLERANCES FOR COMPLIANCE REPORTING [PRC_2009_22]</p> <p>System Management presented the Rule Change Proposal noting that it intends to submit this as a standard rule change. The objective of the proposal is to introduce the ability to apply a tolerance range before System Management is required to report alleged breaches for deviations from the Resource Plan.</p> <p>System Management stated that under clause 2.13, there are obligations to monitor and report deviations from Resource Plans. System Management noted that it uses a reporting tolerance, which is published on its website. In the past this tolerance has been set at 10MW for one Trading Interval. If the deviation is within this tolerance, System Management monitor but take no action (i.e. do not report the deviation to the IMO). System Management consider that this Rule Change Proposal is consistent with current practice.</p> <p>System Management stated that this proposal will not affect anything else in the Market Rules, only System Management's obligation to report. Therefore Market Participants are still obligated to follow Resource Plans.</p> <p>System Management stated that currently only upward deviations are reported to the IMO. Downward deviations are not reported, provided the Market Participant lodges a Forced Outage submission.</p>	

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	<p>System Management contends that this proposal builds in a discretionary tolerance. If every small breach was reported, it would take too many resources (both System Management and IMO) and would not be in the interest of the Market. System Management stated that to ensure equity between Market Participants the tolerance range used is published. System Management does not intend to include the setting of this tolerance in a Market Procedure.</p> <p>One MAC member was concerned that the Rule Change Proposal goes beyond what System Management currently do and would give System Management too broad a power. This discretion was concerning, and the MAC member would be more comfortable with some defined boundaries and criteria. With the Amending Rules as proposed, any Market Participant reading them would have no certainty and it would not be possible to ensure equity across all Market Participants.</p> <p>The IMO noted that there is currently a mechanism under clause 2.18.1 in the Market Rules allowing for the application of a Market Rule to be disputed.</p> <p>System Management responded that there would be transparency because the values would be published and Market Participants would be able to request reconsideration.</p> <p>One MAC member noted that if Forced Outages are not entered Market Participants will still have to make Capacity Cost Refunds. In particular, entering an ex-post Forced Outage is purely for compliance purposes and not for settlement. System Management responded that this was a market design issue and outside the scope of this Rule Change Proposal.</p> <p>It was noted by a MAC member that having to submit a Forced Outage adds to a generator's business processes. System Management replied that this information is needed by System Management for planning of the Projected Assessment of System Adequacy and also for Power System Security.</p> <p>It was agreed that System Management is in the best position to monitor deviations, and the MAC was not in support of removing the System Management reporting requirement. It was noted that System Management can still choose to report under the proposed Amending Rules.</p> <p>A MAC member stated that the 3% tolerance for settlement purposes was already built into the Market Rules. It was questioned whether the inclusion of an additional tolerance should be in line with this already well accepted tolerance.</p> <p>System Management stated that:</p> <ul style="list-style-type: none"> • currently for real time monitoring, a tolerance of 30MW is used; 	

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	<ul style="list-style-type: none"> • currently for ex-post monitoring, a tolerance of 10MW is used; and • the tolerance of 3% used by the IMO for settlements is too small for System Management’s purposes. <p>The MAC was concerned with the lack of certainty and clarity around the limitations of System Management powers and how it applies to Market Participants. In particular, it was noted that power where the level of governance is unclear is problematic.</p> <p>There was a general concern with the proposed Amending Rule stating “the Tolerance Range for a Facility must not exceed 50% of the Reserve Capacity for that facility”. A member suggested that the tolerance in the Amending Rules could be the lesser of either 10MW or 50% of the Reserve Capacity for the Facility.</p> <p>It was agreed by the MAC that a pragmatic and appropriate solution needs to be determined. Members agreed that discretion may be appropriate but that this needs to be a well governed process with specific in-built assurance devices to ensure Market Participants are treated equitably.</p> <p><i>Action:</i> System Management to:</p> <ul style="list-style-type: none"> • discuss drafting alternatives with the IMO; • review PRC_2009_22 in light of the concerns expressed by MAC members before entering the rule change process; and • bring changes back to the July MAC meeting for discussion. 	<p>System Management</p>
	<p>(vi) SYSTEM MANAGEMENT REVIEW PERIOD BUDGET COVERAGE AMENDMENT [PRC_2009_23]</p> <p>ERA presented this Rule Change Proposal, which is related to clause 2.23 of the Market Rules. The clause states that Ancillary Services are paid out of the System Management budget, which is not the case. It also states that System Management has to prepare a budget for Ancillary Services. The proposal will move related information out of clause 2.23 into clause 3.13 and clean up associated clauses.</p> <p>Consultations with the IMO and System Management had taken place on the task of producing the values required by ERA to make a determination. The IMO stated there would be costs involved in taking on this extra task and that a consultant would probably be used to carry out the work.</p> <p>System Management support the intention of the ERA but think that System Management is better placed to supply the ERA</p>	

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	<p>with the Cost_LRD component.</p> <p>The IMO also stated that there are timing issues with getting this proposal through in time for the upcoming Review Period. The proposal needs to proceed through the rule change process and will also require an extra 20 Business days for Ministerial approval as it changes some Protected Provisions.</p> <p>The IMO and ERA agreed to carry out a joint consultancy for this year to get the review of Margin_Peak and Margin_Off-peak completed for this Review Period.</p> <p><i>Action:</i> The ERA to review PRC_2009_23 in conjunction with the IMO and System Management for drafting and Cost_LRD components. ERA to formally submit RC_2009_23 before the July MAC Meeting.</p>	ERA
5b.	STATUS UPDATES – WORKING GROUP OVERVIEW AND CURRENT MEMBERSHIP	
	<p>The MAC noted the Working Group overview and agreed with the proposed amendments to the membership within the terms of references for the following Working Groups:</p> <ul style="list-style-type: none"> • IMO Procedure Change and Development Working Group; • System Management Power System Operating Procedures Working Group; and • Renewable Energy Generation Working Group. <p>The IMO also noted that the Office of Energy may take over the Secretariat role for the Renewable Energy Generation Working Group in future.</p>	
5c.	STATUS UPDATES – PROCEDURE CHANGES	
	<p>The MAC noted the overview of recent and upcoming IMO and System Management Procedure Change Proposals.</p>	
6a.	<p style="text-align: center;">CONCEPT PAPER: OVERVIEW</p> <p>The MAC noted the Concept Paper overview.</p>	
6b.	<p style="text-align: center;">RESULTS FROM MAC CONSTITUTION CONSULTATION [CP_2009_03]</p> <p>The IMO presented the outcomes from the consultation on the MAC constitution and operating practices Concept Paper.</p> <p>The IMO noted the following points relating to its proposed amendments to improve the review process and operating practices:</p>	

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	<ul style="list-style-type: none"> • The ERA and Office of Energy will remain as observer members but there needs to be some definition around the observer member role; • There was some concern from System Management and Western Power about the requirements around compulsory membership and the IMO requesting CVs for compulsory members. The IMO stated that these requirements will ensure that the MAC is well rounded by allowing the skills and experience of compulsory class members to be taken into account when making discretionary class membership decisions. It was agreed that the CV requirement would be around one page and the IMO will outline what is required when requesting nominations; • A MAC member questioned if CVs would be required for proxies (which may need to be appointed at late notice). The IMO noted that this would not be the case. The IMO noted that: <ul style="list-style-type: none"> ○ with agreement with the Chairperson, compulsory class members will be able to send appropriate proxies with similar skills and experience to represent the entity at meetings; and ○ discretionary class members will not be able to send a proxy by right as they will have been chosen for their personal skills, qualities and qualifications. They will however be able to recommend an appropriate proxy (from any organisation which belongs to the same class as the appointee) who must have similar skills and experience. Permission for attendance by proxies will be at the Chairperson's discretion. • It was noted that one submitter suggested that Rule Participants should have full access to both information and the IMO and have their concerns properly addressed. <p>The IMO noted the importance of access to information for all key stakeholders and agreed that exclusion from the MAC should not be a detriment.</p> <p>In order to better facilitate transparency of the MAC decision making and allow external parties an opportunity to provide feedback on relevant issues, the IMO proposes to note on the IMO webpage that anyone can contact the MAC chair or secretariat to have an issued raised at a MAC meeting. Additionally the Chair has the discretion to invite them along to any MAC meeting to present the issue.</p>	IMO

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	<p>The MAC showed broad support following the consultation on the concept paper and confirmed that there were no further issues that need addressing as part of this review. The MAC unanimously supported the IMO's recommendations.</p> <p><i>Action:</i> IMO to progress the MAC constitution and Operating Practices recommendations by:</p> <ul style="list-style-type: none"> • implementing changes to MAC Constitution (for consultation); • developing required Rule Change and Procedure Change Proposals to implement the recommendations; • amending each Working Group's terms of reference, as required; and • preparing guidelines for appointment of MAC members. <p>The IMO noted that there needs to be public submissions when developing and amending the MAC Constitution – clause 2.3.4.</p>	
7.	<p>MARKET RULES EVOLUTION UPDATE PLAN UPDATE</p> <p>The IMO presented the Market Rules Evolution Plan, including:</p> <ul style="list-style-type: none"> • the current Market Administration work programme Calendar; • the status of Market development reviews currently underway (as Appendix 1 of the report); • the list of issues to be prioritised as part of the future Market Development Reviews; • proposed criteria for ranking the issues; and • the sample ballot form. <p>The following points were discussed:</p> <ul style="list-style-type: none"> • Synergy noted that it would like to include some additional issues to the Market Rules Evolution Plan; <p><i>Action:</i> Synergy will provide the IMO with any issues related to the Market Rules Evolution Plan.</p> <ul style="list-style-type: none"> • A MAC member commented that it would be desirable for the MAC to have a vision of where the Market is heading. The IMO stated that the IMO Market Rules Evolution Plan dovetails with the OoE's proposed long term Industry Road Map which should lay out the strategy for the future development of the market. The IMO is working with the Office of Energy on the proposed road map. 	<p style="text-align: center;">Synergy</p>

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8.	OTHER MATTERS The IMO stated that the Rule Change proposal, RC_2009_11: "Changing the window of entry into the Reserve Capacity Market" commencement date will move to the 2010 Capacity Year. This was decided as there will not be enough time to go through the Rule Change Process and complete the associated IT changes by the 2009 deadline. The MAC endorsed this decision.	
9.	NEXT MEETING Scheduled for 8 July 2009.	
CLOSED The Chair declared the meeting closed at 4:20pm.		