

Independent Market Operator
Market Advisory Committee

Minutes

Meeting No.	23
Location:	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Wednesday 14 October 2009
Time:	Commencing at 2:00pm until 4:00pm

Attendees		
Troy Forward	Independent Market Operator (IMO)	Acting Chair
Jacinda Papps	IMO	Proxy for Troy Forward
Geoff Gaston	Perth Energy	Member
Steve Gould	Landfill Gas & Power(LGP)	Member
Alistair Butcher	System Management	Proxy for Ken Brown
Steve MacLean	Synergy	Member
Wendy Ng	Verve Energy	Member
Corey Dykstra	Alinta	Member
Shane Cremin	Griffin Power	Member
Chris Brown	Economic Regulation Authority (ERA)	Member
Matthew Martin	Office Of Energy (OoE)	Proxy for Anne Hill
Peter Huxtable	Water Corporation	Member
Also in attendance		
Fiona Edmonds	IMO	Minutes
Keith Wignall	IMO	
Ken Phua	IMO	
Apologies		
Allan Dawson	IMO	Chair
Anne Hill	OoE	Member
Peter Mattner	Western Power	Member
Ken Brown	System Management	Member

Item	Subject	Action
1.	WELCOME The Chair opened the meeting at 2:00pm and welcomed members to the 23 rd meeting of the Market Advisory Committee	

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	(MAC).	
2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>Apologies were received from:</p> <ul style="list-style-type: none"> • Allan Dawson (IMO); • Peter Mattner (Western Power); • Anne Hill (OoE); • Jason Banks (OoE); and • Ken Brown (System Management). 	
3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The Minutes of MAC Meeting No. 22, held on 9 September 2009, were circulated prior to this meeting. The Chair invited comments. No comments were noted for the minutes.</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>The actions arising were either complete or on the meeting agenda. The following exceptions were noted:</p> <ul style="list-style-type: none"> ○ Item 80: The IMO noted that it is currently awaiting a meeting with the ERA to discuss RC_2009_25 (Allowing Offers in STEM below SRMC) further. ○ Item 89: The IMO noted that it has undertaken a review of the transitional Market Rules and has identified: <ul style="list-style-type: none"> ○ 24 simple removals from the rules; and ○ 40 amendments / re-writes to the rules. <p>The IMO noted that the number of re-writes may constitute a substantial amount of work and will be prioritised by the IMO in light of other items on the rule change register. The MAC agreed with the IMO that this was a low priority item.</p> ○ Item 93: The IMO noted that it has met with Synergy to discuss the development of the concept paper to allow Market Customers to make bilateral submissions. Synergy is currently developing the concept paper and will continue to work with the IMO during the process. 	

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	<ul style="list-style-type: none"> ○ Item 94: The IMO noted that it had previously asked the MAC to provide any comments on the Market Development budget. No comments from MAC members were received. ○ Item 95: Synergy noted that Trevor Harvey from Synergy will provide the IMO with a response on whether it would be appropriate for Synergy to submit the work it had previously undertaken relating to the scope of Work Package Three (Renewable Energy Generation Works Programme) to the IMO. It was agreed to retain this action item as incomplete. 	
5a.	<p>(i) OVERVIEW</p> <p>The IMO noted a reduction in the number of Rule Change Proposals it has out for consultation at any one time.</p> <p>The OoE asked whether the five rule changes awaiting commencement include any that are dependent on Ministerial approval. The IMO replied that they do not.</p>	
	<p>(ii) TOLERANCES FOR COMPLIANCE REPORTING [PRC_2009_22]</p> <p>System Management noted that the Pre-Rule Change Discussion Paper: Tolerances for Compliance Reporting (PRC_2009_22) had previously been presented to the MAC. In particular the MAC had previously noted concern with the lack of certainty and clarity regarding System Management's powers.</p> <p>At the request of System Management, the IMO noted the discussion from the 10 June 2009 MAC meeting minutes on this Pre-Rule Change Discussion paper.</p> <p>System Management noted that the further changes made to the proposal, following the June MAC meeting, relate to building a governance mechanism around the discretion for System Management to apply tolerance ranges to its reporting requirements.</p> <p>The IMO asked System Management to confirm that it is also developing a procedure for setting the tolerance ranges. This is because the IMO will be responsible for reviewing the tolerances set by System Management and so greater clarification of the process and determinants will make this review easier to undertake. System Management agreed to consider this further.</p> <p><i>Action Point: System Management to consider a Market Procedure to supplement the tolerances for compliance reporting Rule Change Proposal.</i></p>	<p style="text-align: center;">System Management</p>

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	<p>Synergy stated that a procedure containing these details would be an appropriate step and that building in the review mechanism is also appropriate. Synergy noted that the transparency aspects of the Rule Change Proposal should be there to protect System Management as well as Market Participants.</p> <p>The IMO noted that, as currently proposed, it might be difficult to make a decision on System Management's assessment. In response, System Management noted that a participant would provide the IMO with all the information necessary, as it would be in its interest to do so. The IMO noted that there might be additional costs associated with reviewing this decision. System Management suggested that the IMO might need to create a Market Procedure on the information it would require.</p> <p><i>Action Point: The IMO to assess the potential costs associated with the additional requirements proposed in the tolerances for compliance reporting Rule Change Proposal.</i></p> <p>Alinta queried why the rule change was necessary. In particular, Alinta noted that its understanding was that the changes were required because under the Market Rules System Management has the obligation to report to IMO any deviations from a Market Generator's resource plan.</p> <p>Alinta noted that, in its view, this is an administrative issue relating to technical non-compliance with the Market Rules and that there was no evidence that the current approach adopted by System Management doesn't work. Alinta stated that the proposed solution to this problem goes above and beyond that necessary and is therefore unnecessary given that the current approach works.</p> <p>Alinta considered that it is unlikely that the process could not have any related costs as suggested by System Management in its proposal. Given the complicated process that has been suggested, Alinta considers that there must be some costs above those of the current approach. In response, System Management noted that the costs will be largely internalised.</p> <p>Synergy noted that the proposed solution is simply a slightly longer table which includes further variables to allow System Management to feel more comfortable around how it makes its decisions to set the tolerance levels.</p> <p>Alinta suggested that the rules should be amended simply to reflect the current process (as this is widely accepted by Market Participants). System Management noted that, while the current process has worked so far, it may not continue to work if there is a change in the number of IPPs coming into the system. Alinta suggested that this could be a discretionary power.</p> <p>Verve Energy suggested that the process could be covered in a Market Procedure. The IMO noted that it does not consider that</p>	<p>IMO</p>

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	<p>this was appropriate and would create obligations above and beyond those contained in the Market Rules.</p> <p>Alinta questioned how System Management determines the tolerances. System Management responded that this proposal will write into the rules the current process and therefore provides it with a legislative basis. The IMO suggested that System Management should be providing some up front analysis of the current situation to support its suggestion.</p> <p>The IMO suggested that tolerances could be specified for facilities classified into blocks by type and size (similar to the allocation of spinning reserve costs outlined in Appendix 2 of the Market Rules), which would eliminate any concerns with the level of discretion being granted by the proposed changes. System Management noted that this may add a further level of complexity.</p> <p>Alinta questioned whether the additional complexity resulting from the Pre-Rule Change Proposal was justified given the problem that the proposal was trying to address.</p> <p>To conclude the discussion held at the meeting, it was noted that there are differing views around what this rule change achieves. In particular, there were issues associated with the driver of the change and the whether the proposed outcome is appropriate. The MAC noted that if System Management wishes to progress the Rule Change Proposal further it will not impede this process any further unless there are other suggestions from members.</p> <p>Alinta offered to provide System Management and the IMO with an alternative to the proposal.</p> <p>System Management noted that it will consider Alinta's alternative approach.</p>	
	<p>(iii) MINOR AND TYPOGRAPHICAL [PRC_2009_30]</p> <p>The IMO noted that the Pre-Rule Change Discussion Paper: Correction of Minor and Typographical Errors (PRC_2009_30) is the third and final minor and typographical rule change for the year. The IMO noted that the next minor and typographical rule change will be produced in March 2010.</p> <p>The MAC provided unanimous support that this Rule Change Proposal be progressed through the Fast Track Rule Change Process.</p>	IMO
	<p>(iv) RESERVE CAPACITY REQUIREMENT FOR INTERMITTENT LOADS [PRC_2009_31]</p> <p>The IMO noted that the Pre-Rule Change Discussion Paper: Reserve Capacity Requirement for Intermittent Loads</p>	

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	<p>(PRC_2009_31) corrects a manifest error in the way IRCR obligations are placed on Market Customers with Intermittent Loads when compared with Market Customers with Temperature Dependent Loads and Non-Temperature Dependent Loads. This will ensure consistency with the application of the other rules and the current IMO practice of calculating the IRCR using the Reserve Capacity Requirement.</p> <p>The IMO noted that this was not included in the minor and typographical Rule Change Proposal as there might be other views regarding these changes. The IMO noted that this breach of the Market Rules has been recorded in its compliance log.</p> <p>Synergy noted that this was a typographical error and using the Reserve Capacity Target was not the intent of the original working group who designed these rules.</p> <p>Alinta questioned whether the IRCR calculations should be reviewed. IMO agreed that this should be considered in the Market Rules Evolution Plan under the Reserve Capacity Mechanism review.</p> <p>Griffin Energy suggested that this Rule Change Proposal be included in the minor and typographical rule change. OoE noted that the market should still be able to access the information provided to the MAC regarding the basis for this proposed change. The IMO agreed to include the details as an appendix to the minor and typographical Rule Change Proposal (RC_2009_30).</p> <p>The MAC provided unanimous support for the proposal to be combined with the correction of minor and typographical errors rule change (RC_2009_30).</p>	IMO
	<p>(v) TRADING DAY VERSUS CALENDAR DAY FOR IRCR CALCULATION [PRC_2009_32]</p> <p>The IMO noted that the Rule Change Proposal: Trading Day versus Calendar Day for IRCR Calculation (PRC_2009_32) will ensure that Appendix 5 will consistently refer to Trading Days. In particular, the IMO noted that step 1 of the Appendix currently refers to days, which in the light of clause 1.4.1(b) of the Market Rules must be taken to mean calendar days. The IMO considers that this should read Trading Days, and noted that this is the current practice adopted by the IMO. A breach of this has been recorded in the IMO compliance log.</p> <p>The IMO noted that it has analysed the historical data to determine the effect of using calendar days vs trading days for calculating IRCRs in the Rule Change Proposal. The IMO concluded that it is unlikely that the change will materially affect the outcome of the IRCR process.</p> <p>Synergy queried when we change values when do these</p>	

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	<p>become operational? Might have impacts on retailers.</p> <p><i>Action Point: The IMO agreed advise the MAC on whether changing values would cause billing issues at the next meeting.</i></p> <p>The MAC provided unanimous support for the proposal to be combined with the correction of minor and typographical errors rule change (RC_2009_30).</p>	IMO
	<p>(vi) PROVISION OF INFORMATION TO THE IMO [PRC_2009_33]</p> <p>The IMO noted that the Rule Change Proposal: Provision of Information to the IMO (PRC_2009_33) removes the potential for clause 9.20.5 (c) to be interpreted as requiring System Management to retain and report forced outages lodged after the 15 calendar day deadline imposed in clause 3.21.7, as amended by RC_2007_15.</p> <p>System Management noted that its systems do not allow for Market Participants to provide information after the 15 days have elapsed. System Management stated that it wants to ensure that the Notice of Disagreement process reflects that the information held when the 15 days expire is the final accurate data available.</p> <p>System Management noted that, if it is provided information two months after the event, it is not able to investigate whether the information is accurate. Consequently, after 15 calendar days, it can not provide a revised value that is known to be more accurate than the value originally submitted.</p> <p>The IMO queried whether there is a potential for information provided late not to be taken into account during investigations following a Notice of Disagreement. System Management stated that this would be the case, as this information would not have been provided in accordance with the Market Rules. Alinta noted that this rule change is about protecting System Management regarding what is accurate data that complies with the Market Rules.</p> <p>The IMO noted that in its opinion it would be a best market outcome to undertake the Notice of Disagreements process using the best information available.</p> <p><i>Action Point: System Management and IMO to discuss whether these changes will potentially limit the Notice of Disagreements process.</i></p>	System Management & IMO
5b.	<p>WORKING GROUP OVERVIEW</p> <p><u><i>Renewable Energy Generation Working Group</i></u></p>	

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	<p>The IMO provided an overview of the progress with the tender documents being prepared by Tenet Consulting on behalf of the Renewable Energy Generation Working Group. In particular, the IMO noted that both the IMO and OoE had taken a decision to appoint directly for Work Package 2.</p> <p>Following from this, the IMO noted that it is currently finalising the contract with MMA for Work Package 2. The IMO noted that the results from this work package are expected by Christmas and will progress directly to any necessary Rule Change Proposals. The IMO noted that the draft results from Work Package 1 will feed into Work Package 2. The IMO also noted that MMA's model has been developed to allow recalibration in light of the outcomes from Work Package 1.</p> <p>The IMO noted that the other 3 work packages are currently open for tender and will close in the next couple of weeks.</p> <p>Alinta requested that Corey Dykstra replace Bill Truscott as its representative on the Working Group. The IMO noted that it is a company membership and agreed to amend its distribution list accordingly.</p> <p><i>Action Point: IMO to update the Renewable Energy Generation Working Group distribution list to include Corey Dykstra.</i></p>	IMO
5c.	<p>STATUS UPDATES: PROCEDURE CHANGES</p> <p>The MAC noted the overview of recent and upcoming IMO and System Management Procedure Change Proposals.</p> <p>The IMO noted that if RC_2009_28 is accepted, the MAC will be able to delegate its work to Working Groups. Therefore the update of procedure changes provided to MAC members at each MAC meeting will no longer be required.</p>	
6a.	<p>CONCEPT PAPERS: OVERVIEW</p> <p>The IMO noted that there are a number of concept papers currently being progressed. In particular, the Prudential & Settlement Concept Paper (CP_2009_09) and the Curtailable Loads Concept Paper (CP_2009_10).</p> <p>The IMO noted that these papers may be forthcoming in the next 6 months. The IMO also noted that its log has been updated to include the Market Customers Bilateral Submissions Concept Paper (CP_2009_12), which it is currently working on with Synergy.</p>	
6b.	<p>MARKET RULES EVOLUTION PLAN PROPOSED WORK PROGRAMME</p> <p>The IMO provided MAC members with an overview of how the</p>	

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	<p>plan may be progressed, and noted that this may be subject to change when further information regarding the Oates review becomes available. The IMO also noted that this work programme needs to be aligned with the IMO's allowable revenue processes and the IT Roadmap.</p> <p>The IMO noted that it is also embarking on the MPI replacement project which needs to be aligned with internal capacity issues. The IMO noted that an overview of the status of the MPI project will be provided at the next meeting.</p> <p>The IMO noted that it will be engaging Jim Trusdale to continue the balancing review which will involve canvassing stakeholders' ideas on the balancing market within the next month.</p> <p>Synergy noted that issue 9, the treatment of new small generators, has particular relevance for small generators and that this is reflected in the ballot results from smaller participants. Synergy suggested that the IMO may wish to deal with this issue outside the evolution process. In response, the IMO noted that this comes under the Reserve Capacity Mechanism as well, and that in the past it has referred people to LGP to collectively represent small generators' opinions.</p> <p>LGP noted that, if there is interest in having the representation of small generators coordinated, it would be happy to undertake this role. The IMO agreed to discuss this further with LGP.</p> <p>System Management noted that in respect to item 2, introducing markets in Ancillary Services, it expects to be in a position to seek competitive procurement of load following services in the near future. The IMO agreed that this information needs to be fed into this process.</p> <p>The IMO noted that this, and any other actions of interest being undertaken in the market, should be raised with Jim Trusdale for consideration during the review of the balancing mechanism.</p> <p style="text-align: center;"><i>Action Point: IMO to discuss representation of small generators with LGP.</i></p>	IMO
7a.	<p>GENERAL BUSINESS</p> <p><u>Equipment Testing</u></p> <p>System Management noted that it will provide a pre-rule change discussion paper at the next meeting pertaining to creating a regime for equipment tests that do not meet the definition of commissioning tests. Verve Energy noted that it has been unable to conduct equipment tests except by applying for outages, which is not an ideal solution. Alinta agreed that the extra flexibility would be useful.</p>	

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	<p><u>Requirement to pay DDAP during startup and shutdown</u></p> <p>Griffin Energy provided the MAC with a graphical representation of a hypothetical generation profile. Griffin Energy highlighted that it is likely that a generator will need to draw energy from the network during start-up, and therefore will be required to pay DDAP (as resource plans cannot include negative output). In addition, while the generator is ramping up to its minimum stable level, output fluctuations are likely, and these would also attract DDAP. Griffin Energy suggested that DDAP should not apply during start-up and shut-down. Griffin Energy noted that this is likely to be a bigger issue for Gas Turbines and an unlikely situation for Base Load generators.</p> <p>Alinta queried whether “sent out” is a constant variable. In response, System Management stated that it is not overly predictable. Griffin Energy noted that send out is not greatly variable.</p> <p>Griffin Energy commented that it is most concerned about DDAP when the generator is operating below its minimum stable output level.</p> <p>Griffin Energy asked for feedback to be provided on this idea from MAC members, and agreed to provide a pre-rule change discussion paper at the next meeting.</p> <p style="text-align: center;"><i>Action Point: MAC members to provide feedback to Griffin Energy on the concept.</i></p> <p style="text-align: center;"><i>Action Point: Griffin Energy to prepare pre-rule change discussion paper.</i></p> <p><u>AEMC Report Update</u></p> <p>The IMO noted that the final AEMC report has been published. The IMO will be reviewing this and will align the contents with any existing initiatives. The IMO will present to the MAC any identified gaps to be prioritised prior to being sent to the IMO Board.</p> <p><u>Margin Peak and Margin Off-Peak Parameters</u></p> <p>The IMO noted that as part of the allowable revenue process it is currently recalculating the margin peak and margin off-peak parameters. MMA has provided a fuel price report to the IMO, which it will be sending out for consultation pertaining to the assumptions. The IMO noted that this doesn’t preclude any ERA consultation and may include a public workshop. The IMO noted that this will be provided to MAC members early next week.</p> <p style="text-align: center;"><i>Action Point: The IMO to provide details of the assumptions relating to fuel price to MAC members for comment by 23 October 2009.</i></p>	<p style="text-align: center;">MAC members</p> <p style="text-align: center;">Griffin Energy</p> <p style="text-align: center;">IMO</p>

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7b.	<p>MAC MEETING DATES 2010</p> <p>The MAC noted the dates for next year.</p>	
8.	<p>NEXT MEETING</p> <p>The next meeting is scheduled for 10:00am-12:00pm on 11 November 2009. The IMO noted that it will advise members of the venue for the next meeting as soon as possible. The meeting will be followed by lunch at the Melbourne Restaurant between 12:15 and 1:30pm.</p> <p><i>Action Point: The IMO to advise MAC members of the location for the November MAC meeting.</i></p>	IMO
<p>CLOSED</p> <p>The Chair declared the meeting closed at 3.45pm.</p>		