

Independent Market Operator Market Advisory Committee

Minutes

Meeting No.	27
Location:	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Wednesday 10 March 2010
Time:	Commencing at 2.00- 5.15 pm

Attendees	Organisation	Class	Comment
Allan Dawson	Independent Market Operator (IMO)	Chair	
Troy Forward	IMO	Compulsory - IMO	
Stan Reid	Synergy	Compulsory – Customer	Proxy
Ken Brown	System Management	Compulsory – System Management	
Wendy Ng	Verve Energy	Compulsory - Generator	
Peter Mattner	Western Power	Compulsory – Networks	3:00 - 5.15pm
Corey Dykstra	Alinta	Discretionary - Customer	
Steve Gould	Landfill Gas & Power (LGP)	Discretionary- Customer	
Peter Huxtable	Water Corporation	Discretionary – Contestable Customer Representative	
Andrew Sutherland	NewGen	Discretionary - Generator	New member
Geoff Gaston	Perth Energy	Discretionary – Customer	Proxy (Previous member)
Peter Ryan	Griffin Energy	Discretionary – Generator	Proxy
Chris Brown	Economic Regulation Authority (ERA)	Observer - ERA	
Tony Perrin	Office Of Energy (OoE)	Minister's appointee/Small Use Customers	
Also in attendance			
Greg Thorpe	Oates Implementation Review Team		Presenter (4:00 – 5.15pm)
Jim Truesdale	Concept Consulting		Presenter (4:00 – 5.15pm)
Fiona Edmonds	IMO		Minutes
Jacinda Papps	IMO		Presenter
Robbie Flood	IMO		2.30 – 3.00pm
Rob Pullella	ERA		4:00 – 5.15pm
Phil Kelloway	System Management		
Apologies			
Stephen MacLean	Synergy	Compulsory - Customer	
Shane Cremin	Griffin Energy	Discretionary - Generator	

Item	Subject	Action
1.	<p>WELCOME</p> <p>The Chair opened the meeting at 2:00 pm and welcomed members to the 27th meeting of the Market Advisory Committee (MAC).</p> <p>The Chair welcomed Andrew Sutherland of NewGen as a new MAC member and thanked Geoff Gaston on behalf of Ky Cao for his contribution to the MAC. The Chair noted the large number of applicants received for positions on the MAC during the 2010 annual review of the composition of the MAC and specially noted the high calibre of applicants.</p> <p>The Chair noted that the outcomes of the broader review of the MAC Constitution and Operating Practices means there is now a transparent process in place for annually reviewing the composition of the MAC. This has allowed the IMO to review the background, skills, experience and knowledge of applicants with a view to ensuring the best possible MAC as a whole is convened. The Chair noted that this is particularly important given the MAC's role in advising the IMO on potential rule changes.</p> <p>The Chair reminded Discretionary Members that they are individuals representing a class of participant (Market Generator, Market Customer or Contestable Customer).</p> <p>The Chair acknowledged that there was a large amount of reading for today's meeting and thanked members for their meeting preparation.</p>	
2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>Apologies were received from:</p> <ul style="list-style-type: none"> • Stephen MacLean (Synergy); and • Shane Cremin (Griffin Energy). <p>The following other attendees were noted:</p> <ul style="list-style-type: none"> • Peter Ryan (Proxy for Shane Cremin); • Stan Reid (Proxy for Stephen MacLean); • Geoff Gaston (Proxy for Ky Cao); • Greg Thorpe (Presenter) • Jim Truesdale (Presenter); • Robert Pullella (Observer); and • Phil Kelloway (Observer) 	
3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The Minutes of MAC Meeting No. 26, held on 10 February 2010, were circulated prior to this meeting.</p>	

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	<p><u><i>Section 6(c): Net STEM Shortfall</i></u></p> <p>The Chair noted that ERA had suggested that the description of the Net STEM Shortfall issue (section 6c) did not accurately capture the discussion during the meeting. Alinta suggested that the focus should be on the specific issue raised by Griffin Energy and therefore suggested that the sentence be amended to include a specific reference to Curtailable Loads. The MAC discussed and agreed with Alinta's recommendation.</p> <p>Alinta also noted that the minutes should reflect that the removal of Curtailable Loads from the calculation was the minimum change required to rectify Griffin Energy's issue. The IMO agreed to incorporate this clarification.</p> <p>The Chair noted Griffin Energy's comments that the minutes reflect the actual timeline for providing further details of the Net STEM Shortfall issue to MAC members for comment rather than that originally agreed by the IMO. The IMO noted that it had amended this timeframe originally to allow time to develop a concept paper on the issues. The IMO agreed to amend the minutes to reflect the originally agreed timeframe.</p> <p><u><i>Section 7(a): Market Procedure for Supplementary Reserve Capacity (PC 2009 09)</i></u></p> <p>Alinta suggested the following amendments:</p> <ul style="list-style-type: none"> • "The MAC recommended <u>agreed</u> that this issue..."; and • "The MAC requested a discussion paper from the IMO outlining this <u>the</u> issue for <u>a decision at the</u> March MAC meeting" <p>The IMO agreed to amend the minutes to reflect Alinta's proposed amendments.</p> <p><u><i>Section 8(b): Renewable Energy Generation Working Group (REGWG) Update</i></u></p> <p>The Chair noted Griffin Energy's comments on the Work Package 1 report. In particular, Griffin Energy considered that it was made very clear in the meeting that it is not correct that the IMO should bypass the REGWG (who commissioned the report) to show a draft version to select stakeholders on the basis that they thought that the results in the report would not be consistent with what those anticipated by stakeholders.</p> <p>The MAC discussed and did not recollect Griffin Energy making this point at the meeting. The IMO suggested that Griffin Energy made these points at the REGWG as opposed to at the MAC.</p> <p>Griffin Energy also requested confirmation that the original</p>	

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	<p>report would be made available along with any edited version of the report. The Chair clarified that original report and supplementary report of stakeholder comments will be provided to ensure full transparency. The Chair noted that the approach which has been adopted would reduce the risk associated with the credibility of the process given the surprising nature of the original results.</p> <p>The Chair noted that the ERA had also suggested a number of minor and typographical changes to improve the integrity of the minutes, which the IMO had agreed to adopt.</p> <p>No further comments were noted for the minutes. The minutes were accepted by MAC members as a true and accurate record of the previous meeting.</p> <p><i>Action point: IMO to amend the minutes of Meeting No. 26 to clarify the Net STEM Shortfall issue and other points raised by the MAC and circulate for MAC for comment.</i></p> <p><i>Action point: MAC members to review the amended minutes of Meeting No. 26 and provide comments to the IMO by 17 March 2010.</i></p> <p><i>Action point: IMO to finalise the minutes of Meeting No. 26 and publish on the Website.</i></p>	<p style="text-align: center;">IMO</p> <p style="text-align: center;">MAC members</p> <p style="text-align: center;">IMO</p>
<p>4.</p>	<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 93 (2009): Synergy Concept Paper for the ability for Market Customers to make bilateral submissions - to be discussed at the May MAC meeting. • Item 107 – 111 (2009): Various action points related to PRC_2009_37 Equipment Tests - System Management advised that it is still working on the proposed rule change. System Management requested that the action points be combined into one action item. <p>Alinta requested an indication of timing for the rule change proposal, noting that this issue is of interest to Market Generators. System Management agreed to present the proposed rule change at the May MAC meeting.</p> <p><i>Action point: IMO to combine action points 107 – 111 into one action point for System Management.</i></p> <ul style="list-style-type: none"> • Item 124 (2009): OoE to circulate its advice on Ravensthorpe – the IMO noted that the letter has been 	<p style="text-align: center;">IMO</p>

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	<p>provided to all MAC members as part of the material for MAC Meeting No. 27.</p> <ul style="list-style-type: none"> • Item 11 (2010): IMO Procedure Change and Development Working Group Chair to direct the working group to undertake its role, as outlined in the Terms of Reference – the IMO noted that a Working Group meeting was planned for 22 April 2010. • Item 14 (2010): OoE to liaise with IMO regarding the upcoming Metering Code Review – this will be undertaken as necessary. OoE noted that they have now allocated resources to the review which is scheduled to be undertaken during 2010. Alinta noted that it was approached to meet with OoE a few weeks ago but that this had subsequently been rescheduled. 	
5a.	<p>MARKET RULE CHANGE OVERVIEW</p> <p>The IMO clarified that the increase in the number of Market Rule changes indicated was due to an increase in the number of minor and typographical changes included. Alinta queried whether, as there are only three batches of minor and typographical rule changes each year, these should simply be reflected as three changes on the rules log. The IMO clarified that the minor and typographical changes are logged individually as they arise.</p> <p>The Chair noted that the IMO had cleared both high priority issues this month and has begun to consider some of the medium ranked items currently on its rules log.</p> <p>The MAC noted the overview of Market Rule changes.</p>	
5b.	<p>TOLERANCES FOR COMPLIANCE REPORTING [RC_2009_22] - PRESENTATION</p> <p>The IMO summarised the points noted at the 10 March 2010 MAC meeting regarding the inclusion of Forced Outages in System Management's proposed reporting tolerances. The IMO advised the MAC that it had met with System Management to develop drafting which would be inclusive of Forced Outages. The IMO specifically requested the MAC's advice on whether reporting tolerances should apply to System Management for Forced Outages and the IMO's proposed treatment of this issue in the Draft Rule Change Report.</p> <p>Alinta noted that the IMO's summary was consistent with its understanding of the original Rule Change Proposal. Alinta noted that it was comfortable with the inclusion of Forced Outages in the Draft Rule Change Report and request specific comment on this inclusion during the second submission period.</p>	

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	<p>NewGen noted that in real time they do not submit Forced Outages into System Management's system if they fall within the informally agreed tolerances. Alinta clarified that the Rule Change Proposal will not impact on Market Participants obligations, only System Managements.</p> <p>At the meeting, the MAC:</p> <ul style="list-style-type: none"> • agreed that the intent of RC_2009_22 and consequently the proposed changes did not explicitly allow a reporting tolerance to apply for Forced Outages; • did not note any concerns with extending System Management's reporting tolerances to also cover Forced Outages; and • agreed for the IMO to include a specific tolerance for Forced Outage reporting in the Draft Rule Change Report and specifically request comments on this during the second submission period. <p><i>Action Point: IMO to update the Draft Rule Change Report for RC_2009_22 (Tolerances for Compliance Reporting) to include a specific tolerance for Forced Outage reporting and specifically request comments on this during the second submission period.</i></p>	IMO
5c.	<p>NET STEM SHORTFALL CALCULATIONS [RC_2010_03]</p> <p>The IMO presented the Fast Track Rule Change Proposal: Net STEM Shortfall Calculations (RC_2010_03) addressing the issues identified by Griffin Energy with the formula for calculating the Net STEM Shortfall (clause 4.26.2 of the Market Rules). The IMO noted its decision to progress the interim proposed solution to Griffin Energy's issues associated with the inclusion of Curtailable Loads in its portfolio. In particular, the IMO noted that the comments received from MAC members on the concept paper outlining the issues and proposed solutions were all supportive of this interim solution. The IMO noted that Verve Energy had requested a meeting as part of the consultation period for RC_2010_03.</p> <p>The IMO noted that the broader issues identified in the concept paper will be kept on the Rules log as a medium priority issue to be reviewed at a later date.</p> <p>The IMO noted the interactions between Intermittent Generation and its impact on the portfolio level Net STEM Shortfall calculations. The IMO noted that it will seek guidance from other stakeholders who are directly impacted on by this interaction, prior to progressing with any Rule Change Proposal.</p> <p>Alinta noted that they have reviewed the wider issue with the inclusion of Intermittent Generation in its portfolios and has not identified a significant impact having previously occurred. Alinta</p>	

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	<p>noted that it was uncertain that all the issues had been examined as thoroughly as required with regards to the broader issues with the calculation identified by the IMO. The IMO noted the concerns raised by Alinta and stated that it had taken these into account when determining to proceed with the interim solution of removing Curtailable Loads from the Net STEM Shortfall calculation.</p> <p><i>Action Point: IMO to remove the sentence referring to Verve Energy in the Rule Change notice for RC_2010_03 (Net STEM Shortfall calculations) and publish an updated version.</i></p>	IMO
5d.	<p>SETTLEMENT IN DEFAULT SITUATIONS [PRC_2010_04]</p> <p>The IMO presented the Pre Rule Change Discussion Paper: Settlement in Default Situations (PRC_2010_04) noting that the objective is to provide a solution to the issues identified by the IMO recently. In particular the IMO noted it had recently applied a Default Levy and utilised the settlement in default provisions under clause 9.24 of the Market Rules for the first time. These issues were as follows:</p> <ul style="list-style-type: none"> • Issue 1: Short payment calculation - currently results in either double payment to some parties or not all money received being paid out; • Issue 2: Contradiction between the use of Metered Schedules and meter data in the Default Levy clause; and • Issue 3: Use of Financial Year vs. Capacity Year – timing of the end of year reallocation of any outstanding Default Levies. <p>The IMO introduced Robbie Flood as the new Senior Analyst working in the settlements team at the IMO. The discussion of the MAC on each of the identified issues is presented below</p> <ul style="list-style-type: none"> • <u>Issue 1</u>: The IMO noted that in a situation where there are not sufficient funds to make payments to all Rule Participants, the IMO will first apply the total amount received to the priority list noted in clause 9.24.3(a) and then applies the formula specified in clause 9.24.3(b) to other Rule Participants to prorate their payments. The IMO noted that the current drafting of clause 9.24.3 raises some uncertainties about its interpretation which would result in either Rule Participants on the priority list being potentially paid twice or not all money collected by the IMO being paid out. <p>Perth Energy noted that the there is currently no order of payment specified under clause 9.24.3 (a). The IMO noted that it had also identified this issue with the clause but had not incorporated a solution into the current proposal. Alinta noted almost everyone in the market would need to default</p>	

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	<p>for there to be a problem in this regard and questioned how much effort the IMO should expend on this issue. Perth Energy suggested a clarification of this could be achieved by including “then” between each of the sub-clauses to indicate order of payment. The MAC provided general support for this clarification. The IMO agreed to amend the proposed drafting accordingly.</p> <ul style="list-style-type: none"> • <u>Issue 2:</u> The IMO noted there are currently no provisions incorporated to section 9.24 of the Market Rules to cover the situation where the default relates to Short Term Electricity Market (STEM). In particular, the IMO noted that metering data from 2 months ago would be used for the calculation yet the outcomes of the STEM do not have a direct connection with this data. Alinta noted that the solution provided would not correct this issue with STEM default. The IMO agreed to include STEM defaults within the proposed rule change and clean up the physical definition of a Metered Schedule, a medium ranked item of the Rules log. • <u>Issue 3:</u> The IMO noted that it has proposed to amend the timing of the end of year reallocation of any outstanding Default Levies to align with a Capacity Year. Alinta noted that they would prefer the reallocation be determined for a Financial Year from an accounting perspective. The IMO clarified that the main driver for this change was the potential impact on entities leaving the market. <p>The MAC agreed for the IMO to submit the updated Rule Change Proposal into the Rule Change Process with the following agreed changes.</p> <p><i>Action Point: IMO to amend PRC_2010_04 to:</i></p> <ul style="list-style-type: none"> • <i>Correct the rule reference for the Metered Schedule and clarify the physical definition of Metered Schedule;</i> • <i>Propose a prioritisation for the payments under clause 9.24.3(a); and</i> • <i>Amend the drafting to include STEM defaults.</i> <p><i>Once updated the IMO will formally submit into the Rule Change Process.</i></p>	IMO
5e.	<p>TREATMENT OF NEW SMALL GENERATORS [PRC_2010_05]</p> <p>LGP presented the Pre Rule Change Discussion Paper: Treatment of New Small Generators (PRC_2010_05) noting that the objective is to change the treatment of new small generators under the Market Rules in the following way:</p> <ul style="list-style-type: none"> • To allow small scheduled generation plants to be covered; and 	

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	<ul style="list-style-type: none"> <li data-bbox="505 268 1206 359">• To increase the maximum size of generation plant covered from 1 MW to 5 MW in declared sent out capacity. <p data-bbox="420 394 1206 674">LGP noted that the treatment of new small generators under clause 4.28B had been included in the Market Rules since market start. Clause 4.28B aims to confer an advantage on non-scheduled generators to enter the market and receive Capacity Credits without the need to commit capital early and then suffer a delay before returns commence. The intention is to recognise that small generators are not subject to the same development timelines as larger generators, which the Reserve Capacity mechanism is preliminarily designed around.</p> <p data-bbox="420 709 1206 989">LGP noted that the original rules recognised that there is a requirement to protect the system and as such set the maximum size at 1 MW of nameplate capacity to avoid substantial adverse impacts on the security of the system. LGP noted that since market start there have been no facilities which have entered the market under these rules. The proposal would allow the intent of the original rule change to be achieved through encouraging the entry of new small generators into the market.</p> <p data-bbox="420 1024 1206 1276">LGP noted that since the distribution of PRC_2010_05 it had been approached by an interested stakeholder who recommended that section 4.28B should apply to any distribution connected generator and not just Scheduled and Non-Scheduled Generators. This would increase economic efficiency and also bears a direct relation to the current network control services issue being investigated by the Office of Energy.</p> <p data-bbox="420 1312 1206 1654">The IMO noted that the original intent of clause 4.28B was to allow investors to take on any associated project development risk as opposed to the market. In particular, construction and delivery risk is placed on the new small generator, who once it has entered the market may apply for Capacity Credits under clause 4.28B. The IMO noted that the delivery timeframes for smaller generators are much shorter and therefore the normal Reserve Capacity provisions are not appropriate. The IMO noted that it currently has difficulty approving Capacity Credits under clause 4.28B for Non-Scheduled Generators as the market can not rely on them being available.</p> <p data-bbox="420 1690 1206 1965">Perth Energy noted that the impacts of clause 4.28B are not incorporated into the calculation of the Maximum Reserve Capacity Price (MRCP) and as such the extra cost of capacity procured under clause 4.28B is borne by Market Customers. Alinta commented that the evidence to date (500MW of excess capacity) suggested that the normal Reserve Capacity process was working, prior to recent changes such as shifting the window of entry into the market. Alinta noted that under a tight excess capacity margin the proposed changes may have some</p>	

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	<p>material benefit to the market; however there has been no evidence provided to date that there is any need to procure this additional capacity. Alinta noted that it does not support the proposed changes given there is no demonstrable need to attract capacity into the market.</p> <p>Perth Energy noted that all investors should be treated equivalently and that the focus of the Reserve Capacity mechanism should be on ensuring that the market delivers the amount of capacity required to ensure security of supply and not focussed on reducing the investment risks of new entrant generators.</p> <p>Alinta noted that it does not consider that there is concern with the ability of the current mechanisms to attract capacity into the market. Further, Alinta noted that the response of the market to the increase capacity price has not yet been recognised. The Chair noted that there has previously been much discussion with regards to the markets excess capacity position.</p> <p>Synergy suggested that if there is a risk to capacity in future years then the proposed changes can be reconsidered. Perth Energy noted in the case where there has been insufficient capacity procured the IMO would call for Supplementary Reserve Capacity (SRC). The Chair noted that any potential amendments to clause 4.28B would be as a response to the shortage of capacity prior to calling SRC.</p> <p>LGP queried whether the MAC was content with no generators having previously applied under the 1 MW size requirements for Capacity Credits. LGP noted that they did not have direct experience with applying for capacity credits under clause 4.28B but considered that the fixed cost component of achieving network access would make a decision to enter through this clause not financially viable. The OoE noted that small generators are often covered by renewable buy back schemes. Additionally, Perth Energy noted that wind farms on small commercial scale are not economic. Alinta noted that if size threshold were the only issue with the entry of new small generators then the OoE would likely have been informed of this barrier to entry.</p> <p>The IMO noted that the interest it has received with regards to entry into the market has been around allowing Scheduled Generators to apply for Capacity Credits under clause 4.28B. System Management noted that for generators which are smaller than 1 MW, connection on a permanent basis is very expensive. Perth Energy noted that projects required to solve network based issues should not be paid at Marginal Cost Administered Price (MCAP) or receive Capacity Credits, but rather should be paid directly by the network.</p> <p>LGP noted it was comfortable with the advice of the MAC on the proposal and agreed to bring the issues around clause 4.28B back to the MAC for further discussion in the event of a</p>	

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	shortage of capacity in the future.	
5f.	<p>FACILITY AGGREGATION AND ANCILLARY SERVICES [PRC_2010_06]</p> <p>Griffin Energy presented the Pre Rule Change Discussion Paper: Facility Aggregation and Ancillary Services (PRC_2010_06) noting that the proposal seeks to treat aggregated facilities as individual Facilities for the purpose of the calculation and provision of Ancillary Services.</p> <p>Griffin Energy noted that clause 2.30.6 of the Market Rules provides for aggregation of Facilities for the determination of Ancillary Services. In particular Griffin Energy noted that allocation of Spinning Reserve is biased towards larger facilities and as such aggregated facilities bear a larger share of Ancillary Services charges. Griffin Energy noted that from a practical perspective however these aggregated facilities are very much separate units. System Management noted that Ancillary Service provisions are determined for the largest unit on the system regardless of how facilities are registered. There are currently no provisions to take account two aggregated facilities tripping.</p> <p>The Chair queried the extent of facility aggregation in the market currently. In response, Alinta noted that they have aggregated a number of their units but that there are opposing arguments for the disaggregation of facilities.</p> <p>Alinta noted that it would support this rule change as it would not impact on the physical characteristic of the units thereby resulting in the same risk profiles as before aggregation of the facilities. Alinta noted that System Management may need to consider whether two units registered as separate facilities should have two separate meters. System Management confirmed that this was currently the case.</p> <p>Verve Energy noted that there may be merit in the proposed amendments but considered that the proposal requires detailed assessment from all perspectives prior to submission into the formal rule change process. In particular, Verve Energy noted that the treatment of wind farms should be further assessed. This is because a large number of wind farms at one location could cause system issues since a single wind turbine which is less than 10 MW would not be assigned Spinning Reserve under the current Market Rules. The Chair noted that the impact of wind farms is currently one of the impediments to facility aggregation and noted that the proposal is contrary to the current trends towards less aggregation.</p> <p>Griffin Energy queried whether the reference to only Scheduled Generators in the proposal was acceptable. Verve Energy agreed but noted that consideration of the details of the wider</p>	

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	<p>impacts is still required. The Chair noted that the proposed changes would provide a concession for aggregated facilities that would not also be given to other Market Participants. Additionally, the Chair noted that this form of concession has not been previously considered by the market.</p> <p>Alinta noted that it is interested in considering the concept of allowing a portfolio to replace energy from a unit undergoing a Forced Outage with that from another facility within its portfolio, if approved by System Management. Alinta noted that the benefit of aggregation is the additional flexibility in how a Market Participant may meet its Resource Plan. Alinta considered that it may be better to consider the issue of allowing a Market Participant to meet its obligations at a portfolio level provided there are no system security issues. The IMO clarified that if one unit tripped the Market Participant would still be required to log a Forced Outage. The Market Participant would also still experience a capacity shortfall but would however not be exposed to DDAP.</p> <p>NewGen noted that if a Forced Outage of one of the aggregated units occurs and another unit is not scheduled to run, the Forced Outage will have occurred across the two units. NewGen added that if the second unscheduled unit is called to start up it would not be compensated for start up costs as the aggregated units would be treated as one unit under the Market Rules. NewGen noted that it would conceptually support this proposed change to treat an aggregated unit as one unit for the purposes of the calculation and provision of Ancillary Services.</p> <p>System Management noted that it supports the combined treatment of aggregated facilities for the purposes of Ancillary Services provided there is no physical risk to system. Synergy noted that consideration of how the determination of Ancillary Services takes into account wind farms may be required as opposed to considering this as an aggregation issue.</p> <p>The Chair noted that Griffin Energy's proposal may have some fundamental merit; however the Chair also noted a general concern that moving towards greater facility aggregation may not be in the best interests of the market.</p> <p><i>Action Points: MAC members to provide Griffin Energy and the IMO comments on PRC_2010_06 (Facility Aggregation and Ancillary Services) by 24 March 2010.</i></p> <p><i>Action Point: Griffin Energy to update PRC_2010_06 (Facility Aggregation and Ancillary Services) to reflect comments made by MAC members.</i></p>	<p>MAC members</p> <p>Griffin Energy</p>
5g.	<p>IMPLICATIONS OF THE WITHDRAWAL OF A RULE CHANGE PROPOSAL [PRC_2010_07]</p> <p>System Management presented the Pre Rule Change</p>	

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	<p>Discussion Paper: Implications of the withdrawal of a Rule Change Proposal (PRC_2010_07). In particular, System Management noted that the proposal seeks to include a provision in the Market Rules to clarify that a proponent's withdrawal of a rule change proposal, at any time prior to the publication of a Final Rule Change Report, has the effect of discontinuing the rule change process.</p> <p>The IMO clarified its current position on the withdrawal of a Rule Change Proposal, stating that a proposal may be withdrawn but that the IMO can not stop the process. The IMO noted that it would take the withdrawal of the proposal into account when making its decision to approve or reject the proposal. The IMO also noted that Rule Change Proposals have a greater social benefit to the market as a whole and as such there is merit in continuing with the rule change process even when a proponent has withdrawn its support for a proposal.</p> <p>The IMO noted that the rule change process has a strict governance process which has been purposefully imposed. Water Corp and Alinta both noted that the rule change process already includes mechanisms (pre rule change discussion papers and concept papers to the MAC) to allow proponents to assess industry views on a potential change to the Market Rules. These mechanisms ensure that the opinions of industry representatives are canvassed and that a better outcome is reached before submitting Rule Change Proposals into the formal process.</p> <p>The OoE and Alinta both noted that proponents should not be able to withdraw proposals, in particular citing the administrative burden associated with repetitively putting a proposal through the rule change process if withdrawn. Additionally, Perth Energy noted that there should be a transparent record of evidence of the proposal available to the market, which would not be the case if a proponent could withdraw.</p> <p>The Chair noted that there is a wider ownership of rule changes once a proposal enters the rule change process and submissions from other interested stakeholders are received.</p> <p>On the advice of the MAC, System Management agreed to not submit the proposal into the formal rule change process.</p>	
5h.	<p>REMOVAL OF DDAP UPLIFT WHEN LESS THAN FACILITY MINIMUM GENERATION [PRC_2010_08]</p> <p>Griffin Energy presented the Pre Rule Change Discussion Paper: Removal of DDAP Uplift when less than Facility Minimum Generation (PRC_2010_08) noting that the objective of the proposal is to remove DDAP when Market Generators operating under a Resource Plan are below minimum generation as the unit is ramping either up or down.</p>	

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	<p>Griffin Energy noted that facility registration data in the Wholesale Electricity Market System (WEMS) acknowledges that there are restrictions on Market Generators operating below minimum stable generation which mean they are unreliable. Griffin Energy noted that this is also acknowledged in the Market Rules through the requirement to make DDAP payments and capacity refunds when a Facility does not meet its Resource Plan.</p> <p>Griffin believes that the application of DDAP and the requirement to make capacity refunds creates perverse incentives for facilities to not ramp up during peak periods despite high prices (reflecting current supply constraints). Griffin Energy contended that its proposal to remove DDAP below minimum generation would promote lower Short Term Energy Market (STEM) prices by encouraging Market Generators to provide electricity during times of higher system demand.</p> <p>Perth Energy queried whether changing the tolerance applied to deviations below minimum generation would also solve this issue. System Management noted that it is unlikely that a Market Generator would operate in the range below minimum generation for a prolonged period. NewGen noted its support for the proposal and queried the continued need for DDAP in the market.</p> <p>The IMO queried if Market Participants would not nominate a higher value for minimum generation should this Rule Change Proposal progress to remove their exposure to refunds. Griffin Energy noted that minimum generation is a technical parameter provided during registration and would require auditing. The IMO queried why if a facility is unreliable below minimum generation they should not be required to make Capacity Credit repayments for this energy.</p> <p>System Management noted that because of the incentives currently created by the Market Rules it is often only requested to bring plant back into operation during off peak periods so Market Generators can avoid DDAP payments. The IMO noted that Market Generators should also have incentives to bring plant back on earlier to meet Reserve Capacity Obligations.</p> <p>Verve Energy noted that for some facilities it may take a few hours to be operating above minimum generation when coming back into operation from a Planned Outage. Additionally, NewGen noted the larger issue associated with System Management's new requirements, introduced under the Procedure Change Proposal: Dispatch (PPCL0014), that Market Participants use reasonable endeavours not to exceed a 6MW per minute average rate when ramping a Scheduled Generator. NewGen noted that its facilities would operate to ramp up as quickly as possible to avoid paying DDAP.</p> <p>The IMO noted that these are much bigger issues which are being considered by the Market Rules Working Group (Oates</p>	

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7a.	<p>WORKING GROUP OVERVIEW</p> <p>The Chair noted that the IMO have now added a new column to the table to provide details of both the last held meeting and the next planned meeting.</p>	
7b.	<p>REGWG WORK PACKAGE 1: INTERIM REPORT</p> <p>The MAC agreed to discuss the Interim Report for REGWG Work Package 1 at the next MAC meeting.</p> <p><i>Action Point: To be added to the Agenda for discussion at the Special Meeting No. 2 to be held in April.</i></p>	IMO
7c.	<p>MRCP REVIEW WORKING GROUP TERMS OF REFERENCE</p> <p>The MAC agreed to discuss the Maximum Reserve Capacity Review Working Group Terms of Reference at the next MAC meeting.</p> <p><i>Action Point: To be added to the Agenda for discussion at the Special Meeting No. 2 to be held in April.</i></p>	IMO
8a.	<p>OATES IMPLEMENTATION REVIEW PAPER</p> <p>The Chair noted that Oates Review Implementation Concept Paper (CP_2010_05) is the first of a series of monthly concept papers to be provided to the MAC by the Market Rules Working Group (Working Group) considering the implementation of the recommendations of the Oates Review. The Chair requested that Market Participants prepare themselves for the amount of work that we will be embarking on over the next few months.</p> <p>The Chair welcomed and thanked Mr Greg Thorpe from the Oates Implementation Review Team and Mr Jim Truesdale from Concept Consulting for making themselves available to discuss CP_2010_05. The Chair noted that both Mr Thorpe and Mr Truesdale are members of the Working Group (Oates Review).</p> <p>The Chair highlighted that the Working Group (Oates Review) had considered a broad spectrum of market design options and developed an evaluation criteria which will be used to assess the potential implementation options.</p> <p>Water Corp noted its uncertainty with regard to how all the market objectives could be embodied in the concept of economic efficiency. Mr Truesdale noted that it was a broad assessment criteria and that further consideration of the specifics are required. Water Corp requested that market objective (d) be incorporated into the evaluation criteria as the reduced long term cost of electricity is vital in the South West interconnected system.</p>	

Item	Subject	Action
	<p><i>Action Point: MAC Chair to draft letter to the Minister requesting a clear policy mandate with regard to renewables and provide to all MAC members for comment by 31 March 2010.</i></p> <p><i>Action Point: MAC Chair to update letter to the Minister to reflect MAC comments and send to Minister by 1 April 2010.</i></p> <p>Alinta noted that the options identified by the Working Group (Oates Review) appear sensible and cover the range of broad alternatives. Likewise, Verve Energy noted the evaluation criteria appear robust, but that the cost of implementation perspective also requires consideration. The Chair agreed that both the cost of implementation and associated implementation time would be considered further by the Working Group (Oates Review). The Chair noted that there would likely be significant costs to Market Participants associated with updates to their internal systems inline with any re-design options.</p> <p>The Chair noted that the outcomes of the Oates Review have afforded the Market an opportunity to take a significant evolutionary step. Additionally, the Chair noted that any evolutionary steps would need to be driven by the benefits that any changes would confer to the Market.</p> <p>The ERA queried whether the Working Group (Oates Review), in evaluating the options, had given any consideration to the potential implementation paths, for example staggered implementation. Mr Thorpe noted that it was too early on the process to make any decisions regarding implementation. System Management noted that if smaller evolutionary steps are taken they should not restrict later options.</p> <p>The Chair noted the Working Group (Oates Review) intends to continually develop the concept papers based on both comments received from the MAC during meetings and those provided informally. The Chair noted that greater details around the four potential design options and evaluation criteria will be provided in the next concept paper. The next phase of the process may present a preferred option and that once the preferred option has been determined the focus should be on the associated costs and benefits.</p> <p>Alinta queried why the evaluation criteria included no unique category for Verve Energy, noting that Verve Energy had been the catalyst for the original Oates Review. The Chair clarified that assessing the impacts of any potential market design options would be Verve Energy's responsibility. The Chair clarified that the wider review had been prompted not only by the Oates Review but also partially by the market through the Market Rules Evolution Plan.</p> <p>Mr Truesdale clarified that it is vital to assess any design option from a Market, individual and System Management perspective. Alinta noted that Verve Energy will have differing impacts from</p>	<p>MAC Chair/ MAC members</p> <p>MAC Chair</p>

Item	Subject	Action
	<p>those experienced by other Market Participants with regards to how the Market Rules will be applied to them.</p> <p>Griffin Energy queried the expectation of competitive neutrality resulting from any market design option. In particular, Griffin Energy noted that the sum of parts under the new scenario would likely be more beneficial to the market. The IMO noted that the evaluation criteria would highlight any relative differences between the design options. Market Participants are likely to have different issues and that it would be their responsibility to investigate these further and feed back the outcomes to the IMO and Working Group (Oates Review).</p> <p>The ERA queried the extent that non-MAC members would be given an opportunity to provide input into the process. The Chair clarified that all MAC papers are provided on the IMO's web site a week before a meeting and that non-MAC members have an opportunity to review these and provide either the IMO or their MAC representative with any comments for discussion at the MAC meeting. The Chair also noted that the Working Group (Oates Review) will hold a workshop with all interested stakeholders at a later date to provide input into the design options. The Chair stated that a final workshop would also be held prior to the end of the Working Group's process to allow all interested stakeholders an opportunity to provide comments on the final market design option. The IMO also noted that every MAC member is a representative of their class and that it is MAC members responsibilities to take any options to the wider industry for discussions. The IMO noted that it is currently developing a communication strategy which will ensure all interested stakeholders have opportunities to provide input into the process.</p> <p>Mr Thorpe request MAC members to specifically consider whether there are any further tests which the design options should undergo.</p> <p><i>Action Point: MAC to specifically consider if there are any further tests which should be incorporated into the evaluation criteria to assess the design options against.</i></p> <p>The importance of simplicity in assessing the market design options was raised by NewGen. Mr Thorpe noted that simplicity is a significant determinant and will be considered when assessing the options.</p> <p>The Chair offered that MAC members may either request discussions with or make presentations on specific issues of importance to the Working Group (Oates Review). The Chair requested that MAC members raise any issues to the Working Group (Oates Review) either during or outside of MAC meetings, as necessary.</p> <p><i>Action Point: The MAC to provide the IMO with any comments on the content of the Oates Review Implementation Paper,</i></p>	<p>MAC</p> <p>MAC</p>

Item	Subject	Action
	<p><i>including the evaluation criteria, by 19 March 2010.</i></p> <p><i>Action Point: IMO to table MAC members comments on the Oates Review Implementation Paper at the next set of design workshops (23/24 March 2010).</i></p> <p><i>Action Point: MAC members to request meeting or forward questions to the IMO on the Oates Review Implementation and design, if necessary.</i></p>	<p>IMO</p> <p>MAC</p>
8b.	<p>SUPPLEMENTARY RESERVE CAPACITY (SRC)</p> <p>The IMO presented its further assessment of whether the issue of the funding of SRC currently requires greater consideration. In particular, the IMO noted it considers there is a relatively low likelihood of SRC needing to be called in the short to medium term. The IMO committed to maintaining the issue on its issues register and re-evaluating the situation again in six months time.</p> <p>The MAC agreed to the paper as stands.</p>	
8c.	<p>NETWORK CONTROL SERVICES</p> <p>The MAC agreed for the OoE to present its overview of the Network Control Services issues and recommendations at the next MAC meeting.</p> <p>Western Power indicated that it may need to progress the recommendations before the next MAC meeting.</p> <p><i>Action Point: Network Control Services to be added to the Agenda for Special meeting No. 2 in April.</i></p> <p><i>Action Point: Western Power to organise any necessary interim discussion prior to the April MAC Meeting.</i></p>	<p>IMO</p> <p>Western Power</p>
9.	<p>GENERAL BUSINESS</p> <p><u>LT PASA Data Requests:</u> The MAC agreed to discuss at the next MAC meeting.</p> <p><i>Action Point: Discussion of the LT PASA Data Request to be added to the Agenda for Special meeting No. 2 in April.</i></p> <p>There was no other business raised.</p>	<p>IMO</p>
10.	<p>NEXT MEETING</p> <p>Special Meeting No. 2 will be held 14 April 2010 (1:30 – 3:30pm) to discuss the Fuel Study outcome and second Oates Review Implementation paper. The MAC agreed to also discuss</p>	

Market Advisory Committee

Item	Subject	Action
	a number of items previous on the agenda for MAC meeting No. 27 during Special Meeting No. 2. MAC Meeting 28 will be held 18 May 2010 (2:00-4:00pm)	
CLOSED The Chair declared the meeting closed at 5.15pm.		