
Minutes

Meeting No.	52
Location	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date	Wednesday 8 August 2012
Time	2.05pm – 3.15pm

Attendees	Class	Comment
Allan Dawson	Chair	
Suzanne Frame	Compulsory - IMO	
Patrick Peake	Discretionary – Generator (Proxy)	
Ben Tan	Discretionary – Generator	
Shane Cremin	Discretionary – Generator	
Steve Gould	Discretionary – Customer	
Michael Zammit	Discretionary – Customer	
Peter Huxtable	Discretionary – Contestable Customer Representative	
David Murphy	Small Use Consumers’ Representative	
Nerea Ugarte	Minister’s appointee - Observer	
Stephen MacLean	Compulsory – Customer	
Andrew Everett	Compulsory – Generator	
Phil Kelloway	Compulsory – System Management	
Peter Mattner	Compulsory- Network Operator	
Wana Yang	ERA – Observer	(arrived at 2.15pm)
Apologies	Class	Comment
Nenad Ninkov	Discretionary – Customer	
Geoff Gaston	Discretionary – Generator	
Also in attendance	From	Comment
Fiona Edmonds	IMO	Observer
Courtney Roberts	IMO	Observer
Greg Ruthven	IMO	Observer
Jenny Laidlaw	IMO	Observer
Natasha Cunningham	IMO	Minutes

Item	Subject	Action
1.	<p>WELCOME</p> <p>The Chair opened the meeting at 2.05 pm and welcomed members to the 52nd meeting of the Market Advisory Committee (MAC).</p>	
2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>The following apologies were received:</p> <ul style="list-style-type: none"> • Geoff Gaston (Discretionary - Generator) • Nenad Ninkov (Discretionary- Customer) <p>The following other attendees were noted:</p> <ul style="list-style-type: none"> • Patrick Peake (proxy for Geoff Gaston) • Fiona Edmonds (Observer) • Jenny Laidlaw (Observer) • Greg Ruthven (Observer) • Courtney Roberts (Observer) • Natasha Cunningham (Minutes) 	
3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of MAC Meeting No. 51, held on 11 July 2012, were circulated prior to the meeting.</p> <p>The Chair noted that prior to the meeting Ms Wana Yang circulated to MAC members some suggested changes to the minutes. A copy of these changes is contained in Appendix 1 of these minutes. The changes related to the discussion of the Rule Change Proposal: Reassessment of Allowable Review during a Review Period (RC_2011_02). The MAC agreed with the amendment of the minutes to reflect the changes suggested by Ms Yang.</p> <p><i>Action Point:</i></p> <ul style="list-style-type: none"> • <i>The IMO to amend the minutes of Meeting No. 52 to reflect the changes proposed by Ms Wana Yang in her email to MAC members and publish on the Web Site as final.</i> 	IMO
4.	<p>ACTIONS ARISING</p> <p>The following comments were noted on action items:</p> <ul style="list-style-type: none"> • Item 33 – The Chair advised that the IMO intended to present an updated version of the Pre Rule Change Proposal: Ancillary Services Payment Equations (PRC_2010_27) to the MAC at its October 2012 meeting. • Item 43 – Mr David Murphy noted the Public Utilities Office (PUO) had considered the dual fuel issue further and concluded that the market had 	

	<p>moved on in various ways since the initial recommendations relating to dual fuel were made. The PUO therefore wished to consider further whether the recommended approach was the best way to achieve the desired outcomes. Mr Murphy's team also wished to discuss with the new Deputy Director General of the PUO how the dual fuel issue fitted in with the priorities of the PUO and its work more broadly across the sector. The PUO proposed to come back to the MAC at a later date if further action by the MAC was required.</p> <p>In response to a question from Mr Stephen MacLean, Mr Murphy confirmed that the PUO was not currently intending to publish a discussion paper on the issue. There was some discussion around whether the action item should remain open. Mr Murphy recommended that as the PUO intended to reconsider the issue the action item should be closed. The MAC agreed to close this issue.</p> <ul style="list-style-type: none"> • Item 10 – In response to a query from Mr Peter Mattner, Mr Greg Ruthven confirmed that discussions with Western Power on this action item had not yet commenced. • Items 11 and 23 – Mr Phil Kelloway confirmed that distribution connected generators were to be provided with notification of outages 72 hours prior to the outage commencing through conventional communication methods, which may include Australia Post or a letter drop. Mr Ben Tan noted that Tesla had never received a paper notification of an outage. Mr Kelloway responded that this suggested that further investigation and changes to Western Power processing may be required. <p>The Chair suggested that more robust arrangements may exist for important large loads (for example the Water Corporation, hospitals etc.) on the distribution network. Mr Kelloway offered to investigate what arrangements were in place for these loads and report back to the MAC.</p> <p><i>Action Point:</i></p> <ul style="list-style-type: none"> • <i>System Management to advise the MAC on the arrangements for notifying customers with important large loads on the distribution network of outages.</i> • Item 22 – Mr Ruthven informed the MAC that the original action item, which had been completed, was to update the historical load profile used for forecasting for the availability curve analysis. Mr Ruthven noted that the reference to the 2003/2004 year in the 2012 Statement of Opportunities (SOO) related only to its being regarded as the most recent case of a 10% Probability of Exceedance (POE) peak demand year. • Item 25 – Ms Suzanne Frame noted that the initial list of issues for the Market Rules Evolution Plan (MREP) was to be presented later in the meeting. • Items 26 and 27 – Ms Frame informed the MAC that action item 26 had been incorporated into action item 27 and the Rule Change Proposal: Clarification of Clause 2.10.2A (PRC_2012_06) will be formally submitted into the rule change process in mid-August. Mr MacLean queried action item 26 and wanted to confirm the length of the proposed period during which a review of a Reviewable Decision could be requested. Ms Fiona 	<p>System Mgmt</p>
--	--	-------------------------------

	<p>Edmonds explained that the date was derived from the Regulations which stipulated 28 days and that the IMO was going to refer to the timelines illustrated in the Regulations in its drafting.</p> <ul style="list-style-type: none"> Item 9 –Mr Ruthven provided an overview and update of the analysis results distributed for the previous MAC meeting. The MAC had requested the IMO undertake an analysis of the current Relevant Demand (RD) methodology against the methodology proposed by EnerNOC in its Pre Rule Change Proposal: Relevant Demand for a Demand Side Programme (PRC_2012_02). Mr Ruthven explained that at the time of analysis there were eight Demand Side Programs (DSPs) in operation with more than one Associated Load. Of these DSPs, four showed a higher RD using EnerNOC’s methodology while four showed a lower RD, with the net outcome being an increase in total RD of about 4%. <p>Mr Ruthven noted that since the original analysis was completed there had been changes to the Associated Loads for one DSP and the commencement of a new DSP. One of these showed a decrease of 2.4% using EnerNOC’s methodology and the other an increase of 2.3%. Mr Ruthven did not consider there to be anything statistically significant in the results. Mr Michael Zammit advised that EnerNOC had undertaken its own analysis and its results aligned with those of the IMO.</p> <p>Mr MacLean noted that EnerNOC’s methodology did not increase the number of Capacity Credits assigned to a DSP. Mr MacLean considered that it made sense to move to a system where changing the Associated Loads in a DSP would not disadvantage or reward any of the Loads in that DSP and so supported the progression of the proposal.</p> <p>The Chair considered that provided there was no substantive impact on the Capacity Credits allocated, the increase in transparency stemming from this rule change would be beneficial to the Market. The MAC supported the formal submission of the proposal into the rule change process.</p> <p><i>Action Point:</i></p> <ul style="list-style-type: none"> <i>EnerNOC to formally submit the Pre Rule Change Proposal: Relevant Demand for a Demand Side Programme (PRC_2012_02) into the rule change process.</i> 	EnerNOC
5a.	<p>MARKET RULE CHANGE OVERVIEW</p> <p>Ms Frame provided an update to the MAC on the current Rule Changes under development. Ms Frame noted that the high priority rule change on Commissioning will be presented to the MAC at the September 2012 meeting.</p> <p>The MAC noted the overview of recent and upcoming rule changes.</p>	
6a.	<p>MARKET PROCEDURE CHANGE OVERVIEW</p> <p>Ms Frame informed the MAC that an IMO Procedure Change and Development Working Group meeting had been scheduled for 14 August 2012, to discuss proposed amendments to four Market Procedures including Certification of Reserve Capacity, Maximum Reserve Capacity Price, Declaration of Bilateral Trades and the Reserve Capacity Auction and</p>	

	<p>Prudential Requirements.</p> <p>The MAC noted the overview of recent and upcoming procedure changes.</p>	
7a.	<p>WORKING GROUP OVERVIEW</p> <p>The MAC noted the Working Group overview.</p>	
7b.	<p>RDIWG UPDATE</p> <p>Ms Frame advised the MAC that the final meeting of the Rules Development Implementation Working Group (RDIWG) is scheduled for 19 September 2012. The meeting will be followed by refreshments to thank members for their contribution to the Working Group.</p> <p>Mr MacLean queried if feedback would be provided to the RDIWG on the operation of the new Balancing and Load Following Service Markets. The Chair replied that the IMO would be happy to provide an update at the final RDIWG meeting and noted that the IMO had been communicating regularly with Market Participants' operational staff on the progress of the new markets, initially meeting on a weekly basis. These meetings were now scheduled to be held monthly.</p>	
7c.	<p>RCMWG UPDATE</p> <p>Ms Frame noted that the Reserve Capacity Mechanism Working Group (RCMWG) met on 12 July 2012. The purpose of the meeting was to formalise agreement in light of the half day workshop held by the IMO on alternative solutions for revising the Reserve Capacity Price formula to address the current oversupply of capacity, and also to formalise agreement on performance requirements to harmonise DSPs with other forms of peaking capacity. Ms Frame noted that there had been a number of emails circulated by working group members since the previous meeting, revisiting issues discussed at the workshop. Ms Frame proposed to add an agenda item to the September 2012 RCMWG meeting so that Mr Mike Thomas can respond to any perceived unresolved issues relating to that work stream.</p> <p>Ms Frame informed the MAC that the working group had introduced a new work stream in July to revisit historical discussions around the concept of a dynamic refund mechanism. Ms Frame indicated that Mr Thomas would be preparing a paper outlining key options and that the paper will be presented to the RCMWG at the September 2012 meeting. The next RCMWG meeting was scheduled for 16 August 2012. The primary items on the agenda were a paper compiled by Dr Richard Tooth investigating potential refinements to the method for calculating Individual Reserve Capacity Requirements and a presentation from Mr Ruthven on the impact of forecast error on the Reserve Capacity Requirement.</p> <p>Mr MacLean requested that Mr Thomas' presentation from the half day workshop be published on the IMO website.</p> <p><i>Action Point:</i></p> <ul style="list-style-type: none"> • <i>The IMO to publish Mr Mike Thomas' presentation from the half day RCMWG workshop held on 4 July 2012 on the IMO website.</i> 	IMO

8.

MARKET RULES EVOLUTION PLAN

Ms Frame noted that the IMO, in conjunction with System Management and the PUO, had held a number of meetings with stakeholders to discuss issues/areas of development that warrant consideration for inclusion in the soon to be revised MREP. Ms Frame informed the MAC that there was a fairly consistent theme evident from discussions with stakeholders, that a period of consolidation in the market was warranted given the large volume of changes made in the past couple of years. Ms Frame noted that she had compiled the list of issues that remained outstanding from the previous plan and incorporated current stakeholder suggestions. The updated list was circulated to MAC members with the MAC meeting papers.

Ms Frame noted that the IMO had separated out those issues that were State energy policy issues and would require further consideration from the PUO.

The following points were discussed:

- Mr Kelloway queried the timeline for the implementation of PA Consulting's recommendations on the outage planning process, asking if during the next financial year the recommendations with respect to the transparency of information (phase 1) and improvement to the processes (phase 2) would be progressed. Ms Frame responded that the IMO was currently progressing the Rule Change Proposal to implement greater transparency of outage information and that the proposed amendments to improve the outage processes would be progressed in late 2012. Ms Frame clarified that the IMO met recently with System Management with respect to the issues for consideration during phase 2. The Chair also noted that the outage planning process, whilst not featuring heavily in the issues list, was raised consistently during MREP meetings with various stakeholders.
- Mr MacLean requested that the IMO include a review of the governance arrangements in the WEM on the list of policy issues.
- Mr Kelloway requested clarification of how the MREP would fit in with the IMO's rule change suggestions log. Ms Frame clarified that the list of issues in the log were operational in nature while the MREP list was more strategic in nature.
- Mr Peter Mattner suggested that the provision of a criterion for prioritisation of the issues would be useful. The Chair clarified that the Market Objectives would be the appropriate criteria to apply. The Chair requested members to consider what issues would be significant for their organisation and prioritise the list accordingly.

The Chair requested that each member of the MAC have one week to consider what issues they would like to include on the issues list and suggest any further issues. Following this the IMO will provide a prioritisation list for each member to complete.

Action Points:

- *The IMO to include a review of the WEM's governance arrangement on the list of policy issues that would require further consideration by the PUO before being incorporated into the MREP.*

IMO

	<ul style="list-style-type: none"> • <i>MAC members to review the issues list and provide the IMO with details of any additional items for inclusion on the list by Wednesday, 15 August 2012.</i> • <i>The IMO to send out the final list of issues and a copy of the prioritisation form for MAC members to complete.</i> 	<p style="text-align: center;">All</p> <p style="text-align: center;">IMO</p>
<p>9.</p>	<p>CONCEPT PAPER: EARLY ENTRY CAPACITY PAYMENTS</p> <p>The Chair invited Mr MacLean to discuss Synergy’s concept paper on the cost and benefit trade-off of early capacity payments. Mr MacLean noted that this paper was prepared following the discussion at the June 2012 MAC meeting with respect to the Rule Change Proposal: Limits to Early Entry Capacity Payments (RC_2012_10). In particular, during the June 2012 MAC meeting there had been some discussion as to whether it might be appropriate to remove the early entry payments in their entirety. Mr MacLean noted that there were other options for consideration with respect to the wider question around the continued appropriateness of early entry capacity payments.</p> <p>The following discussion points were noted:</p> <ul style="list-style-type: none"> • The Chair noted that the need to incentivise the early entry of capacity can depend on the capacity situation in the Market at that time. The original rule change that amended the entry period had been progressed when the market was experiencing a shortage of capacity and a potential Supplementary Reserve Capacity event. The capacity situation in the market is now markedly different. • Mr MacLean advised that Synergy had identified option D as the most likely to be agreeable to MAC members. Mr MacLean stipulated that option D entailed the IMO assessing and making the decision if early payments were required potentially a year before the capacity is needed. • Mr Tan noted his concerns that signalling the applicability of early entry payments a year before would be too late for a Market Generator to adjust its commissioning schedule. The Chair noted that transparency of the criterion applied by the IMO would allow potential investors the relevant information to determine whether it was likely that early entry payments would apply. Mr Tan indicated his support with installing some flexibility but noted that financiers like simple clear-cut concepts. Mr Tan indicated his support for a mechanism to be in place with which the IMO had the responsibility to make a decision, however, the decision needed to be made as soon as possible by the IMO so as to provide the appropriate signals to the market bring forward the entry of capacity into the market. • Mr Peake noted that the original concept of the window of entry had been included into the Market Rules to ensure that Commissioning Tests of various facilities were spread out; thereby ensuring System Management had the capacity to enable required testing prior to the hot season. Discussion ensued as to the complexities of commissioning various types of capacity and whether it would be more appropriate to target SRC costs specifically to a facility that 	

	<p>causes the event that was late in undertaking commissioning.</p> <ul style="list-style-type: none"> Mr Murphy noted that this issue seemed to be a fundamental market policy issue rather than an operational issue and suggested that the PUO should further consider whether a policy direction would be appropriate. Mr Murphy noted that a robust long term solution was needed. The Chair acknowledged Mr Murphy’s comment that the PUO had offered to take on this matter and suggested that the PUO report back to the MAC at the September 2012 meeting with some preliminary feedback and timelines for its consideration of the wider issue of incentivising early entry of capacity. Mr Murphy noted that the PUO would consult further with the MAC in determining a policy direction. <p><i>Action Point:</i></p> <ul style="list-style-type: none"> <i>The PUO to consider the issue of incentivising early entry of capacity and provide the MAC with details on the next steps in the process for addressing the issue from a policy perspective at the September 2012 MAC meeting.</i> 	PUO
10.	<p>GENERAL BUSINESS</p> <p>Mr Zammit informed the MAC that he will be on leave in September and put forward his proxy, Dr Paul Troughton for the next MAC meeting.</p>	
<p>CLOSED: The Chair declared the meeting closed at 3.15 pm.</p>		

APPENDIX 1: Amendments to the Minutes of Meeting No. 51 proposed by Ms Wana Yang

Item	Subject	Action
9.	<p>GENERAL BUSINESS</p> <p><i>RC_2011_02: Reassessment of Allowable Review during a Review Period:</i></p> <p>Ms Frame advised the MAC that this Rule Change Proposal was submitted in 2011 which was initiated from the ERA in relation to the reassessment of allowable revenue.</p> <p>The Chair provided an overview of the issues that ERA raised in the original Rule Change Proposal, which was initiated in response to the situation where the MEP project failed to trigger a Declared Market Project, and the ERA were not in a position to respond to a direct request from the IMO to make an assessment of the project.</p> <p>Ms Frame outlined that in the Draft Rule Change Report, the IMO Board sought the views of Market Participants on their concerns around specific elements of the changes relating to the proposed thresholds. It was noted that in the second submission period there were no submissions received in relation to the IMO Board’s specific request.</p> <p>This Rule Change was approved by Minister on 3 July 2012 however, the Minister did note that IMO should consider undertaking further consultation to identify any additional amendments relating to the provisions needed to be in place before the amending rules commence on 1 July next 2013.</p> <p>Ms Frame requested the advice of the MAC to see if members would like the IMO to consider any further amendments in relation to these provisions in order to fulfil the request of the Minister. Ms Frame noted that as the Rule Change had already been approved by the Minister, any further amendments to the provisions would require a new Rule Change Proposal since the Market Rules do not contemplate the ability to undertake further consultation on a Rule Change that has already been approved.</p> <p>Ms Frame advised the MAC that The IMO Board considered the original Rule Change Proposal as proposed by ERA, but modified the proposed 10% threshold for Allowable Revenue to remain at 15%, while incorporating the recommended 10% to a Capital Expenditure threshold.</p> <p><u>Ms Wana Yang requested some context be provided as there were no relevant documents provided to the MAC members at the meeting.</u></p> <p><u>The Chair provided an overview of the issues that ERA raised in the original Rule Change Proposal, which was initiated in response to the situation where the MEP project failed to trigger a Declared Market Project, and the ERA were not in a position to respond to a direct request from the IMO to make an assessment of the project.</u></p> <p><u>Ms Wana Yang explained the two main concerns by the ERA, i.e. the consultation process and the decision making by the IMO Board. Ms Yang noted the support from the MAC when the pre-rule change concept paper was discussed at the MAC meeting and the support presented in the submissions during the first consultation period. However, the IMO Board changed the Rule Change Proposal in its Final Rule Change Report from the</u></p>	

Draft Rule Change Report without undertaking further consultation with Market Participants. Given that only two Rule Participants are directly affected by this Rule Change Proposal, i.e. the IMO and System Management, the decision by the IMO Board also gave rise to perceived conflict of interest in regard to governance. that throughout the process the ERA believed to have full support from the Market for their Rule Change and that she did not believe that the end result reflected the right outcome.

The Chair responded that the IMO Board requested the Market's views on their draft decision which was presented in the Draft Rule Change Report in which no submissions were received in the second consultation period.

Discussion ensued where a number of MAC members clarified that the request from the Board had been made at Draft Rule Change Report stage and had been subject to a full consultation period; where no submissions were received on the matter.

The Chair confirmed that if a project half the size of MEP was initiated today it would trigger the threshold for a Declared Market Project, and highlighted that while the IMO Board had made the decision, the ultimate outcome was subject to Ministerial Approval.

There was general acknowledgment from the MAC that the Rule Change had significantly improved governance; however Ms Yang reiterated her concerns with maintaining the 15% Allowable Revenue threshold.

The Chair acknowledged Ms Yang's concerns and offered the opportunity for the ERA and Secretariat to meet with the IMO Management and IMO Board to discuss the issue.

No further issues were raised on this matter and the Chair welcomed the ERA and the IMO to discuss this further offline if necessary.