

## Independent Market Operator

### IMO PROCEDURE CHANGE AND DEVELOPMENT GROUP

---

#### Minutes

<b>Meeting No.</b>	4
<b>Location:</b>	IMO Board Room Level 3, Governor Stirling Building, 197 St Georges Terrace, Perth
<b>Date:</b>	Thursday 13 August 2009
<b>Time:</b>	Commencing at 9.30am to 11:22am

<b>Attendees</b>		
Jacinda Papps	Independent Market Operator (IMO)	Chair
Bill Truscott	Alinta	Industry Representative
Steve Gould	Landfill Gas & Power (LGP)	Industry Representative
Alistair Butcher	System Management	System Management Representative
John Rhodes	Synergy	Synergy Representative
Andrew Everett	Verve Energy	Verve Energy Representative
Fiona Edmonds	IMO	IMO
William Street	IMO	Presenter
Ken Phua	IMO	Minutes

<b>Apologies</b>		
Yin Heng	Perth Energy	Industry Representative

Item	Subject	Action
1.	<p><b>WELCOME AND APOLOGIES / ATTENDANCE</b></p> <p>The Chair opened the 4<sup>th</sup> meeting of the IMO Procedure Change and Development Working Group (Working Group) at 9.30am.</p> <p>Noted apologies from Yin Heng.</p> <p>The Chair introduced William Street as the presenter and subject matter expert for the Procedure Change Proposals on the agenda for this meeting and Fiona Edmonds as the key person from the IMO managing the procedure change process.</p>	
2.	<p><b>MINUTES OF PREVIOUS MEETING</b></p> <p>The minutes from Meeting 3 of the Working Group, held on 25 March 2009, were circulated prior to this meeting. The IMO invited Working Group members to provide any comments on the minutes before 5pm 21 August 2009.</p>	<b>Members</b>
3.	<p><b>MARKET PROCEDURE FOR SUPPLEMENTARY RESERVE CAPACITY</b></p> <p>The IMO noted that it is currently in breach of clause 4.24.18 of the Wholesale Electricity Market Rules (Market Rules) as there is no approved Market Procedure which details the procedure that the IMO and System Management must follow in acquiring eligible services, entering into Supplementary Capacity Contracts and determining the maximum contract value per hour of availability for any Supplementary Capacity Contract.</p> <p>The IMO noted that this has been logged as a compliance breach. The proposed new procedure will ensure compliance with the Market Rules.</p> <p>The IMO stepped the Working Group through the proposed new procedure, in particular noting:</p> <p><b>Section 2.1:</b></p> <p>Step 1: System Management noted that there was currently no obligation on the IMO to consult with System Management about the amount of Supplementary Reserve Capacity (SRC) required. Alinta and Verve Energy considered that the IMO should consider a market wide consultation when determining the amount of SRC required especially as Market Participants are liable for costs-noting that the issue of how SRC is funded is not yet fully resolved with RC_2008_34 being rejected. It was noted that consultation would need to be an informal mechanism due to the timing of SRC requirements.</p> <p>Step 1(a): Synergy questioned how a major plant outage would be determined by the IMO? System Management further questioned if this determination should be based on duration or quantity? It was suggested that a definition of major plant outage in this situation could be where it has the potential to lead to a capacity shortfall.</p> <p>The IMO agreed to consider building into the Market Procedure</p>	

Item	Subject	Action
	<p>an informal mechanism for consultation with System Management and Market Participants regarding the need for calling SRC and with System Management for predicting any major plant outages.</p> <p><b>Section 2.1.1(c):</b> The IMO agreed to amend the wording to be more concise.</p> <p><b>Section 2.1.1(e):</b> The IMO agreed to include a requirement to consult with System Management.</p> <p><b>Section 2.2.1:</b> LGP queried about the process the IMO has in place to monitor the shortfall. The IMO noted that it has internal procedures but will expand on its monitoring process further in the Market Procedure.</p> <p><b>Section 2.3:</b> Synergy made a general comment that this section is hard to follow. In particular, Synergy queried how the Maximum Availability Price is prorated. Synergy noted that if 12 weeks is used and hot season is 16 then the total ratio is 12/16 of the capacity price, which is quite high. The IMO agreed to review the section and report back to the Working Group.</p> <p>Synergy suggest that prices should be listed as \$/MW and not \$/MWh as it will be difficult to rank. The IMO agreed to explore this further.</p> <p>Verve and Alinta questioned if this section attempts to pre-empt prices without testing the market.</p> <p><b>Section 2.4.1:</b> System Management raised concerns with the wording "...if the IMO decides to follow..." The IMO agreed to amend the wording.</p> <p><b>Section 2.4.3(j):</b> LGP noted that the numbering and wording needs to be corrected. Synergy questioned whether the maximum contract value per hour of availability was measured as \$/MWh. The IMO noted that this is stated in clause 4.24.7 of the Market Rules.</p> <p><b>Section 2.4.5(h):</b> Synergy queried what the Market Website is. The IMO confirmed that this is the Market Website as described in the Market Rules (any website operated by the IMO to carry out its functions under the Market Rules). For clarity, the IMO agreed to amend to read "the IMO's website".</p> <p><b>Section 2.5.1(c)(v):</b> LGP commented that this clause seems difficult to implement however understands the probity reasons behind it. IMO commented that this is consistent with the Market Rules and will add this to the issues list to look at in more detail.</p> <p><b>Section 2.6.2(a):</b> Verve Energy sees the exclusion of "force majeure" as problematic. It was noted that chapter 4 of the Market Rules specifically excludes force majeure.</p> <p>Alinta expressed concern regarding the liability of the contract in the event that energy cannot be provided from the provider's perspective. Alinta noted that the Market Rules provide for SRC to be called when generators fail during normal periods but do not provide a mechanism for the IMO to recover costs from a</p>	

Item	Subject	Action
	<p>generator who fails to supply SRC. Alinta suggested that a limit on the liability as a possible solution. LGP commented that there should not be liability or obligations for providers. The IMO noted that it is currently dealing with liquidated damages and limitation of liability clauses in the pro forma Network Control Service contracts and agreed to investigate this issue further for the pro forma supplementary capacity contracts.</p> <p><b>Section 2.6.2(e):</b> Synergy suggested that the IMO elaborate on the consequences this might have for DSM. The IMO agreed to investigate this further.</p> <p><b>Section 2.6.2(h):</b> Synergy commented that section 2.7 1) (d) will require the limits of availability. This is to cater for certain types of loads that need to be on during certain periods (eg. Shopping centres for late night shopping). The IMO noted that this is the standard contract and special contracts will take this into account.</p> <p><b>Section 2.7:</b> System Management queried where the eligible service sits in the Dispatch Merit Order. System Management requested further clarity on whether two Dispatch Merit Orders would be provided and what it would do if a Dispatch Merit Order and a SRC merit order are both received. The IMO noted the comments and agreed to investigate.</p> <p>The IMO noted that it will review the procedure in light of the Working Group's comments and present an amended version back to the Working Group at a later date.</p>	
4.	<p><b>MARKET PROCEDURE FOR RESERVE CAPACITY TESTING</b></p> <p>The IMO noted that updates to the Market Procedure for Reserve Capacity Testing are required for consistency with RC_2008_20. The IMO noted that those Amending Rules which are yet to commence have been indicated in the procedure in a manner similar to that adopted in the Market Rules to indicate that they are subject to future change.</p> <p><b>Section 1.5.1 (ii):</b> Synergy queried the definition of a Maximum Capacity Obligation. The IMO noted that this is as stated in the Amending Rules, but would investigate.</p> <p><b>Section 1.5.9 (a):</b> The IMO agreed to amend the typographical error by replacing “and” with “or” as reflected in the Amending Rules.</p> <p><b>Section 1.6.8:</b> Alinta noted that Market Participants should be required to pay “reasonable costs” and not all costs. LGP further questioned who pays for the excess in cost above “reasonable costs”. The IMO agreed to consider this further and make any appropriate amendments.</p> <p><b>Section 1.7.4:</b> The IMO to correct the section reference.</p> <p><b>Section 1.7.4(a):</b> The IMO to clarify that this testing is once per interval for each 6-month period.</p> <p><b>Section 1.7.5 (b) and (d):</b> Verve commented on the reference to temperature as the output values. IMO agreed to correct the</p>	

Item	Subject	Action
	<p>wording.</p> <p><b>Section 1.7.6:</b> Alinta commented that this section assumes that generators can meet their Reserve Capacity Obligations at 41 degrees. The IMO agreed to further clarify this point.</p> <p><b>Section 1.8:</b> System Management made a general comment that there needs to be a list of facilities to verify and that it would like to be notified in advance that verification is going to be required. System Management also suggested that the IMO should check the Metered Schedules and update them subsequent to this. The IMO noted that this is currently a manual process, but that this is one of the new initiatives of the IMO's systems upgrade. The IMO and System Management agreed that improvements to the verification process are desirable and agreed to discuss this further out of session.</p> <p><b>Section 1.8.7 (b):</b> Alinta commented that a test either fails or passes but the results can't be inconclusive. The IMO agreed to consider further what circumstances might result in an inconclusive result and amend the clause contingent on the outcomes</p> <p><b>Section 1.8.8:</b> Synergy noted that this appears to be a replication of Section 1.7.1(b). The IMO agreed to include a prefix noting that this step only applies from 1 October 2010.</p> <p><b>Section 1.8.9:</b> The IMO agreed to remove this step from the process.</p> <p><b>Section 1.9.1 (d):</b> Synergy commented that this test should only be conducted based on the market rules. The IMO agreed to replace the words "or other requirement as determined by the IMO" with "as required under the Market Rules".</p> <p><b>Section 1.9.1 (c):</b> System Management queried if the IMO have the mandate under the Market Rules to perform this function. The IMO agreed to review the basis for this clause and amend if appropriate.</p> <p><b>Section 1.9.5:</b> System Management requested that the IMO remove this clause as there is no heads of power for a Power System Operation Procedure (PSOP) in this case. Alinta suggested that a PSOP for this scenario would be beneficial.</p> <p><b>Section 1.9.8:</b> System Management noted that the results received by the IMO do not come from System Management. The IMO to investigate and amend if required.</p> <p><b>Section 1.9.14 (c):</b> It was agreed to remove the reference to PSOP.</p> <p><b>Section 1.9.15:</b> The IMO to update "step 0" with the correct reference.</p> <p><b>Section 1.9.16:</b> The IMO to update the Market Rule reference.</p> <p><b>Section 1.13:</b> Synergy queried if the verification of a curtailable load is for Rule Participants. The IMO confirmed that the Market</p>	

Item	Subject	Action
	Rules refers to Market Participant and agreed to correct the procedure.	
5.	<p><b>MARKET PROCEDURE FOR UNDERTAKING THE LONG TERM PASA AND CONDUCTING A REVIEW OF THE PLANNING CRITERIA</b></p> <p>Bill Truscott from Alinta left at 11.02am.</p> <p>System Management noted that it would like to provide its planning engineers the opportunity to review this procedure and provide the IMO with feedback. The IMO agreed that this would be valuable.</p> <p><b>Section 1:</b> The IMO agreed to amend to read “..falling on or <del>before</del> <u>after</u> 1 July..”.</p> <p>Verve queried if Long Duration Outage is a defined term. System Management suggested that the procedure could be used to define the term of Long Duration Outage. The IMO noted the comments and agreed to investigate.</p> <p><b>Section 2.2.1 (c):</b> LGP commented that there might be a number of Intermittent Loads not registered for this step. The IMO to investigate this.</p> <p><b>Section 2.2.1 (a):</b> Synergy queried the definition of “peak shaving”. IMO agreed to further clarify.</p> <p><b>Section 2.4:</b> Synergy noted inconsistencies with the headings with “...Market Participants..” and the steps referring to “...Rule Participants...” The IMO confirmed that for consistency with the Market Rules they should refer to Rule Participants and agreed to amend accordingly.</p> <p><b>Section 2.10.2 (vi):</b> The IMO agreed to remove this sub-clause as it repeats subclause 2.10.2 (vA)</p> <p><b>Section 2.10.2 (iv) and 2.10.5:</b> LGP suggested adding inverted commas around the term probable. The IMO agreed to amend accordingly.</p> <p><b>Section 3.2.1 and 3.3.1:</b> The IMO agreed to amend to refer to Working Group rather than advisory group and replace the “must” with a “may”.</p> <p><b>Section 3.4:</b> The IMO to correct the clause numbering.</p> <p><b>Section 3.4.6 (d):</b> The IMO agreed to amend the spelling of “qualitative”.</p>	
6.	<p><b>NEXT MEETING</b></p> <p>TBA</p>	
7.	<p><b>CLOSED</b></p> <p>The Chair thanked all members for attending and highlighted that due to the importance of the Market Procedures the consultation</p>	<p><b>Chair</b></p>

Item	Subject	Action
	with the Working Group is an important process and that the input at today's meeting was very valuable.  The chair declared the meeting closed at 11.22 am.	