

Independent Market Operator

Market Advisory Committee

Minutes of Meeting No. 3

Location:	ERIU Conference Room Level 8, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Wednesday 9 May 2007
Time:	Commencing at 10.00am to 12.10pm

Attendees		
Anne Nolan	Chair, IMO	
Jason Banks	Office of Energy	
Ken Brown	System Management	
Jenni Conroy	Synergy Energy	Proxy for Tony Perrin
Andrew Everett	Verve Energy	
Dora Guzeleva	IMO	
Peter Huxtable	Water Corporation	
Mark Lewis	Transalta	
David Lyne	Newmont	
Alison Ovenden	Economic Regulation Authority	Proxy for Ignatius Chin
Stan Reid	Alinta	
Magnus Stensson	IMO	Minutes
Patrick Peake	IMO	Presenting the RC Refund Mechanism Working Group's report

Apologies		
Ky Cao	Perth Energy	
Ignatius Chin	Economic Regulation Authority	
Tony Perrin	Synergy Energy	
Phil Southwell	Western Power	

Item	Subject	Action
1.	<p>WELCOME AND APOLOGIES/ATTENDANCE</p> <p>Noted apologies from Ky Cao, Ignatius Chin, Tony Perrin and Phil Southwell.</p> <p>The Chair opened the meeting and welcomed members to the third meeting of the Market Advisory Committee.</p>	
2.	<p>MINUTES OF LAST MAC MEETING</p> <p>The Minutes of MAC Meeting No. 2 held on 28 March 2007 were circulated prior to this meeting.</p> <p>Members adopted the Minutes of Meeting No. 2 as a true and correct record.</p>	
3.	<p>GENERAL DISCUSSION ABOUT THE RULE CHANGE PROCESSES</p> <p>The Chair asked for comments on the first Rule Change process, RC_2007_01 Synchronisation Approval. No member expressed any concerns regarding how the change had been progressed.</p> <p>A question arose on how amended changes were incorporated in the consolidated Rules. IMO clarified that a new, complete, official version of the Market Rules means a version made by the Minister for Energy and published in the Government Gazette.</p> <p>The current Market Rules in force consist of the Wholesale Electricity Market Amending Rules which were gazetted on 19 September 2006, the gazetted amendments made up to 15 December and all amendments made by the IMO after 16 December 2006. The unofficial, consolidated version of the Market Rules published on the IMO web site has no legal standing, but is updated with all new amendment Rules and will be republished when new amendments are made by the IMO.</p> <p>The IMO will include a list of what has changed in the introduction to each new consolidated unofficial version published on the IMO web site and date the consolidated version of the rules.</p>	<p>IMO</p>

4.	POTENTIAL MARKET RULE CHANGE PROPOSALS	
	<ul style="list-style-type: none"> • RESERVE CAPACITY REFUND REPORT <p>The Reserve Capacity Refund Mechanism Working Group’s report, providing a recommended refund arrangement alternative, was distributed to MAC members for consideration. Patrick Peake from the IMO, Chair of the Group, presented the report and its major recommendations.</p> <p>Of the three refund options considered by the Working Group and presented in the report (available on the IMO web site), Verve Energy indicated that it would have preferred the second option. Verve Energy considers that this would have provided a more market oriented outcome, where refunds were linked to the current level of risk in the SWIS.</p> <p>Verve Energy, and other MAC members, acknowledged, however, that this second option may create more uncertainty about the outcomes for potential investors. The potential to introduce this second option in the longer term was acknowledged by MAC. It was also noted that the IMO intends to review the Reserve Capacity Mechanism in 2010.</p> <p>The IMO noted that given that the current Refund Mechanism does not provide the appropriate incentives to Market Participants and potential ambiguity in the Rules, it is essential that this be corrected as soon as possible, and before the next hot season begins in December.</p> <p>With regard to Recommendation regarding the multipliers to be applied in each season and the introduction of different multipliers for business and non-business days, Transalta noted that the current and the proposed solution was complicated with numerous multipliers in different situations. Transalta would have preferred a factor of “1”, however it was not considered this would provide the appropriate incentives when the system was more at risk.</p> <p>However, on balance, MAC generally supported the Working Groups recommendations as a practical and reasonable way forward. MAC congratulated the Working Group on a job well done.</p> <p>The IMO will develop a formal rule change proposal and submit it on 11 June 2007.</p>	<p style="text-align: right;">IMO</p>

	<ul style="list-style-type: none"> • RESERVE CAPACITY REFUND SHORTFALL FORMULA <p>A proposal by the IMO to amend the Rules to change the Reserve Capacity Shortfall calculations in 4.26.2 (b) in order to avoid a potential shortfall in the event a participant does not need to, and does not, make a STEM submission was circulated for consideration by MAC. MAC was also requested to consider Fast Tracking this proposal.</p> <p>MAC expressed general support of the proposed change and to have it Fast Tracked given that this corrects a manifest error which was introduced during the implementation of an earlier change in late 2006.</p> <p>The IMO will submit this as a formal rule change proposal on 11 May 2007. The IMO will consult with all Market Participants.</p>	<p>IMO</p>
	<ul style="list-style-type: none"> • STEM TIMELINE FLEXIBILITY <p>MAC discussed a proposal to increase the flexibility around the STEM window opening and closing times which was submitted by the IMO.</p> <p>MAC expressed general support for the proposed changes to the timelines, but made a few suggested amendments to the proposed wording of the new clauses. MAC suggested that the amended clause 6.5A.1 (related to Balancing Data Submissions, should refer to general system and communication issues, not just issues at the IMO's or Participant's site. It was also agreed to replace the reference to Market Participants with Rule Participants.</p> <p>The IMO will submit this as a formal rule change proposal on 11 June 2007</p>	<p>IMO</p>
	<ul style="list-style-type: none"> • DISCRETION OF IMO TO DECIDE WHETHER TO ISSUE WARNING <p>A proposal by the IMO to amend clause 2.13.10 to give the IMO discretion whether to issue a formal warning letter once it has completed an investigation into an alleged rule breach was circulated for consideration by MAC.</p> <p>MAC expressed general support for this proposal. To ensure accountability, MAC was of the view that the IMO internal procedures should ensure that the decision making process in exercising the discretion whether to issue a warning is properly documented, and each circumstance where the IMO does not issue a warning is registered. MAC recommended that the Rules be further amended to ensure the IMO was required to record the results of every investigation.</p> <p>The IMO will submit this as a formal rule change proposal on 11 June 2007. Clause 2.13.10 is a protected provision, so the Final Report will require approval from the Minister for Energy.</p>	<p>IMO</p> <p>IMO</p>

OTHER MATTERS

Other matters discussed at the meeting:

- **INTERMITTENT GENERATOR RESOURCE PLAN EXEMPTION**

A proposal by Synergy to exempt Intermittent Generators from the requirements to submit Resource Plans and removing the Resource Plan Deviation Quantity deduction from the balancing settlement calculations was circulated to MAC for consideration.

Synergy requested feedback on the issue, during the meeting or after, by any interested Participant. MAC was also requested to consider Fast Tracking this proposal.

System Management confirmed that resource plans were generally not used to predict generation for Wind Farms. Instead, the forecasts of the energy output provided by Intermittent Generators under the Rules are used.

MAC recognised that the intent of the Market Rules was that Intermittent Generators should not be penalised in the balancing mechanism when deviating from their Resource Plans and it is therefore appropriate to amend the Rules to reflect this.

MAC noted, however, that there are number of issues related to the operation of wind generations and their potential impact on the reliability of the SWIS, and that these issues need to be taken into account when progressing proposed rule changes. One issue that may need to be considered is the quality of the forecasts provided by wind farm operators to System Management.

MAC had a general discussion regarding the complexity in forecasting output for Wind Farms and the options available to do so. It was agreed that this is part of a more fundamental energy policy framework, to be addressed outside of MAC.

Given the complexity of the suggested change, MAC found it is not appropriate to Fast Track this proposal.

Synergy will take into account the feedback received before submitting this as a formal rule change proposal.

Synergy

- **RESERVE CAPACITY SHORTFALL REFUNDS**

A proposal by Verve Energy to correct a shortcoming in the Rules where a Generator, under special circumstances, may encounter Reserve Capacity Refunds with respect to capacity that does not currently hold capacity credits was circulated to MAC for consideration. MAC was also requested to consider Fast Tracking this proposal.

MAC expressed general support that the issue raised by Verve Energy, i.e. that generators may encounter Reserve Capacity Refunds with

	<p>respect to capacity that does not currently hold capacity credits, should be addressed.</p> <p>MAC considered that finding an effective solution to the issue may be complex and time consuming. Verve Energy's proposal provides a possible solution. However, the IMO and System Management would like to assess this further and also consider alternative solutions.</p> <p>Therefore, the IMO and System Management will meet to come up with the most effective solution, which may be transitional or permanent, for addressing this issue. They will then discuss the proposed solution with Verve Energy, before Verve Energy submits a formal rule change proposal to the IMO.</p> <p>MAC considered the Standard Rule Change process more appropriate for processing this change, once it is submitted as a formal rule change proposal.</p> <ul style="list-style-type: none"> • FORMAL RULE CHANGE PROPOSALS <p>The IMO informed MAC that the IMO will publish three formal rule change proposals on 11 May. These proposals have previously been discussed by MAC.</p> <ul style="list-style-type: none"> • FUTURE ALINTA CHANGES <p>Alinta informed MAC about a few proposed changes addressing the calculation of Individual Reserve Capacity Requirements during the Reserve Capacity Cycle and identified issues with the amount of IRCR's allocated when transferring customers between retailers. Alinta will discuss these issues with the IMO and then submit Pre-Market Rule Change Discussion papers to MAC.</p>	<p>IMO Syst. Mgmt Verve Energy</p> <p>Alinta</p>
	<p>NEXT MEETING</p> <p>Scheduled for 13 June 2007.</p>	

Closed

The Chair declared the meeting closed at 12.10 pm.