

## Independent Market Operator

### Market Advisory Committee

## Minutes

<b>Meeting No.</b>	12
<b>Location:</b>	ERIU Conference Room Level 8, Governor Stirling Tower, 197 St Georges Terrace, Perth
<b>Date:</b>	Wednesday 14 May 2008
<b>Time:</b>	Commencing at 2.00pm to 4.40pm

Attendees		
Allan Dawson	IMO	Chair
Kristian Myhre	Alinta	Member
John Lillywhite	Economic Regulation Authority	Observer
Robert Pullella	Economic Regulation Authority	Observer
Shane Cremin	Griffin Power	Member
Dora Guzeleva	IMO	Member
Magnus Stensson	IMO	Minutes
Patrick Peake	IMO	Chair of DSM Working Group
Steve Gould	Landfill Gas and Power	Member
Gregg Buskey	NewGen Power	Via phone from 2-2.30pm
Mark Lewis	NewGen Power	Presenting RC proposal
Jason Banks	Office of Energy	Member
Geoff Gaston	Perth Energy	Proxy for Ky Cao
Jenni Conroy	Synergy	Member
Ken Brown	System Management	Member
Andrew Everett	Verve Energy	Member
Wendy Ng	Verve Energy	Presenting RC proposal
Peter Huxtable	Water Corporation	Member
Apologies		
Ky Cao	Perth Energy	Member
Peter Mattner	Western Power	Member

Item	Subject	Action
1.	<b>WELCOME AND APOLOGIES / ATTENDANCE</b>  Noted apologies from Ky Cao and Peter Mattner.  The Chair opened the meeting and welcomed members to the twelfth meeting of the Market Advisory Committee.	
2.	<b>MINUTES OF PREVIOUS MEETING / ACTIONS ARISING</b>  The Minutes of MAC Meeting No. 11 held on 12 March 2008 were circulated prior to this meeting.  Members adopted the Minutes of Meeting No. 11 as a true and correct record.	
3.	<b>MARKET RULE CHANGES IN PROGRESS</b>	
	<b>DELAY OF RESOURCE PLAN SUBMISSIONS, RC_2008_15</b>  The Rule Change Notice for this change (submitted by the IMO) had been circulated to MAC. MAC Members were invited to express their views on this rule change.  MAC supported the change as proposed.	
	<b>COMMISSIONING TESTS AND THE RESERVE CAPACITY MECHANISM, RC_2008_17</b>  The Rule Change Notice for this change (submitted by the IMO) had been circulated to MAC. MAC Members were invited to express their views on this rule change.  MAC supported the change as proposed.	
4.	<b>PROPOSED MARKET RULE CHANGES</b>	
	<ul style="list-style-type: none"> <li> <b>LNG TO BE ADDED TO LIQUID FUEL DEFINITION</b>             The proposal that Liquefied Natural Gas be added to the definition of Liquid Fuel in the Market Rules had been circulated for consideration by MAC. NewGen has revised this proposal as a result from the MAC meeting in November 2007. Gregg Buskey, on the telephone, and Mark Lewis from NewGen presented the proposal and the additional analysis of world fuel prices conducted by NewGen to justify the merits of including LNG in the definition of Liquid Fuels.             MAC agreed with the principles of the proposal and that it should proceed as a formal Rule Change Proposal.             MAC also had a general discussion regarding the merits of having the current two price caps (the Alternative Maximum STEM Price (AMSTEM) and Maximum STEM Price         </li> </ul>	

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	<p>(MSTEM)). A concern was expressed that liquid fuels such as LPG and LNG, currently priced somewhere between Natural Gas and Distillate fuel, would be allowed to bid at the AMSTEM, potentially causing an uneven level playing field for other alternatives.</p> <p>It was agreed that this issue should not prevent the NewGen proposal from proceeding. It was also agreed that the continued need for the two price caps should be addressed in a future review, which should involve thorough analysis of the market conditions. The IMO has scheduled a relevant review in its Market Rules Evolution Plan to be presented to MAC in July 2008.</p> <p>NewGen will liaise with the IMO and agree on a date for submitting this as a formal Rule Change Proposal.</p>	<p><b>NewGen</b></p>
	<p>• <b>CONVERSION OF FORCED OUTAGES TO PLANNED OUTAGES</b></p> <p>A proposal by Verve Energy to amend the rules to provide that an outage (which would otherwise constitute a forced outage) can be deemed by System Management to be a Scheduled Outage if that outage occurs between 1 April and 30 November, had been circulated for consideration by MAC. Verve Energy had also requested MAC to consider Fast Tracking the proposal.</p> <p>MAC members were not in full agreement over the merits of this proposal. Members raised concerns that removing refunds for forced outages, by converting these to planned outages ex-post, will increase the overall Reserve Capacity cost for loads. A concern was also raised that this may impact negatively on the incentives for conducting proper planned maintenance to avoid having forced outages. It was considered important to model the impacts on the overall capacity refunds, should this proposal be put in place, and possibly adjust the refund table in clause 4.26.1 of the Market Rules, to ensure that the total refunds over each capacity year are not impacted.</p> <p>MAC agreed that the issue needed further assessment before proceeding and, if progressed, the Standard Rule Change Process should be used. It was decided to appoint a Working Group to analyse the impacts and assess the merits of the proposal. Proposed members of the group were: Alinta, Synergy, Landfill Gas and Power, Verve Energy, System Management, IMO, Office of Energy and the ERA.</p> <p>Members will advise the IMO of their representatives on the Working Group as soon as practicable.</p> <p>In the meantime it was decided that further analysis on the issue should be conducted by the IMO and System</p>	<p><b>ALL</b></p> <p><b>IMO / System Management</b></p>

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	Management, to be provided to the Working Group before its first meeting.	
	<ul style="list-style-type: none"> <li> <b>LOCAL BLACK SYSTEM PROCEDURES</b> <p>A proposal by System Management to amend the rules to require that Market Participants provide local restart plans for their generation facilities had been circulated for consideration by MAC.</p> <p>MAC members questioned why the proposed amending rules provided that Market Participants <u>must</u> provide the relevant procedure, while System Management <u>may</u> publish guidelines for those procedures. It was agreed that the proposed amending rules should say that System Management <u>must</u> prepare and publish guidelines for the preparation of Local Black Start Procedures.</p> <p>System Management will amend the proposal before submitting it as a formal Rule Change Proposal.</p> </li> </ul>	System Management
	<ul style="list-style-type: none"> <li> <b>DEMAND SIDE MANAGEMENT – OPERATIONAL ISSUES</b> <p>A proposal by the IMO, resulting from the DSM Working Groups deliberations, proposing amendments to the rules in regard to the treatment of DSM had been circulated for consideration by MAC. Patrick Peake, Chair of the Working Group, presented the proposal to MAC.</p> <p>MAC members were concerned about the retrospective nature of some of the proposed amending rules. This concern was raised specifically in regard to loads already signed up as DSM under the current Market Rules being subjected to testing upon commencement of the amending rules. Some members also raised concerns over the commercial impacts of the testing regime over the longer term and argued that mandatory testing, involving an actual shutdown of a load, may be so costly to the end customer that the amount of DSM offered in the market may reduce.</p> <p>It was agreed that the “testing” rules should apply from the start of the 2010/11 Capacity Year and that all providers of DSM should be advised about those changes by the IMO as soon as practicable.</p> <p>It was also agreed that the proposal should go back to the DSM Working Group to include indication of the timeframes for commencing application of the changes. The amended proposal will be provided to MAC for consideration out of session.</p> </li> </ul>	IMO  DSM Working Group
	<ul style="list-style-type: none"> <li> <b>DELEGATION BY IMO</b> <p>A proposal by the IMO to amend the rules to clarify that the</p> </li> </ul>	

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	<p>power to delegate given by the Market Rules extends to any delegation made to officers or employees of the IMO or System Management has been circulated for consideration by MAC.</p> <p>No member expressed any concerns regarding the change as proposed. The IMO will submit this as a formal Rule Change Proposal.</p>	<b>IMO</b>
	<ul style="list-style-type: none"> <li>• <b>CORRECTION OF REFERENCES AND MINOR DRAFTING ERRORS</b></li> </ul> <p>A proposal by the IMO to amend the rules to correct minor errors in the Market Rules has been circulated for consideration by MAC.</p> <p>No member expressed any concerns regarding the change as proposed. The IMO will submit this as a formal Rule Change Proposal and progress this through the Fast Track process.</p>	<b>IMO</b>
<b>5.</b>	<p><b>SUPPLEMENTARY CAPACITY WORKING GROUP</b></p> <p>Terms of Reference for a Working Group, chaired by Synergy, to address Supplementary Capacity issues had been circulated for consideration by MAC.</p> <p>MAC approved the establishment of the Group and, with the addition of the Office of Energy as a member, endorsed the Terms of Reference. Members will advise the IMO of their representatives within the next week.</p> <p>The IMO will then schedule the first meeting of the Working Group</p>	<p><b>ALL</b></p> <p><b>IMO</b></p>
<b>6.</b>	<p><b>IMO PROCEDURES WORKING GROUP</b></p> <p>The IMO requested MAC to review the future of this Working Group and its composition in order to provide for an effective assessment of IMO's proposed procedures. Minutes of the last Working Group meeting were circulated for MAC's information.</p> <p>MAC members advised the IMO that lack of resources was an issue and some members felt that the administrative nature of many of the proposed amended procedures made the merits of attending the Working Groups meetings questionable.</p> <p>In order to encourage appropriate industry involvement in developing the IMO procedures it was proposed that the IMO only refer significant procedure changes to the Working Group. Administrative procedures, or amendments to existing procedures of an administrative nature, can be considered during the normal public submission period.</p>	<b>IMO</b>

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7.	<b>OTHER MATTERS</b> The Chair indicated that the IMO will present the IMO's Operational Plan to MAC at the next meeting.	
8.	<b>NEXT MEETING</b> Scheduled for 11 June 2008.	
9.	<b>CLOSED</b> The Chair declared the meeting closed at 4.40pm.	