

Draft Terms of Reference

Supplementary Reserve Capacity Working Group

SCOPE

The Working Group will consider any issues have been identified with respect to the Supplementary Reserve Capacity provisions of the Market Rules and, if necessary, develop any amendments to the Market Rules.

In particular, the Working Group is requested to explore:

- appropriate funding for the additional costs associated with the use of the supplementary capacity mechanism. For example, reserve capacity security deposits provide funds to secure supplementary capacity. However, if a security deposit were not available, then alternative funding would need to be found for the supplementary capacity.
- the appropriateness of a causation built into the mechanism, where the failure by a generator (or DSM provider) to meet its obligations, would see these additional costs sheeted home to that party. This will take the cost burden off of retailers who may not be able to protect themselves from incurring these costs;
- implications if forecasted load growth is higher than anticipated, resulting in the IMO needing to revise its forecasts; and
- an appropriate cost structure for funding supplementary capacity and how this translates into refunds.

TERMS OF REFERENCE

- Members of the Working Group are appointed by MAC.
- The members of the Working Group are:

Chair	- Industry Representative, Synergy
TBA	- Industry Representative, Alinta
TBA	- Industry Representative, Griffin Energy
TBA	- Industry Representative, Landfill Gas and Power
TBA	- Industry Representative, NewGen
TBA	- Transalta
TBA	- Verve Energy
TBA	- Watercorp
TBA	- ERA
TBA	- IMO
- The Working Group must provide a report of its assessment and any proposed Market Rule amendments, if required, by mid July 2008.
- The Working Group will focus on clause 4.13.11, 4.24 and 4.28 of the Market Rules.
- The Working Group will refer any other issues that emerge during its deliberations back to MAC for consideration.
- Members are expected to attend as many Working Group meetings as practicable.
- MAC may review, amend and extend these terms of reference, as necessary.