

Independent Market Operator

Market Advisory Committee

Minutes

Meeting No.	15
Location:	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Wednesday 8 October 2008
Time:	Commencing at 2.00pm to 4.00pm

Attendees		
Allan Dawson	IMO	Chair
Dora Guzeleva	IMO	Member
Arian Lowe	IMO	Minutes
Ken Brown	System Management	Member
Kristian Myhre	Alinta	Member
Shane Cremin	Griffin Power	Member
Wayne Trumble	Griffin Power	Observer
Rob Pullella	ERA	Observer
Chris Brown	ERA	Observer
Matthew Martin	Office of Energy	Proxy for Jason Banks
Simon Middleton	Synergy	Proxy for Jenni Conroy
Andrew Everett	Verve Energy	Member
Peter Huxtable	Water Corporation	Member
Geoff Gaston	Perth Energy	Proxy for Ky Cao
Steve Gould	Landfill Gas & Power	Member
Apologies		
Jenni Conroy	Synergy	Member
Jason Banks	Office of Energy	Member
Peter Mattner	WPC	Member

Item	Subject	Action
1.	<p>WELCOME AND APOLOGIES / ATTENDANCE</p> <p>Noted apologies from Peter Mattner, Jason Banks and Jenni Conroy.</p> <p>The Chair opened the meeting and welcomed members to the fifteenth meeting of the Market Advisory Committee.</p>	Chair

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2.	<p>MINUTES OF PREVIOUS MEETING / ACTIONS ARISING</p> <p>The Minutes of MAC Meeting No. 14 held on 10 September 2008 were circulated prior to this meeting.</p> <p>Members adopted the Minutes of Meeting No. 14 as a true and correct record of the previous meeting.</p>	Chair
3.	<p>MARKET RULE CHANGES IN PROGRESS</p> <p>ELIGIBLE SERVICES FOR SUPPLEMENTARY RESERVE CAPACITY, RC_2008_28</p> <p>It was recommended that, in accordance with the SRC Working Group's decision, the amending rules be changed so that physical equipment installed specifically was included as a source of additional capacity for the purpose of SRC.</p> <p>MAC accepted the proposed changes to the amending rules.</p>	
	<p>CHANGE TO CURTAILABLE LOAD DE-REGISTRATION TIMEFRAME, RC_2008_29</p> <p>This rule change proposal allows for a facility that is a (curtailable) load which is associated with a DSM Program to be de-registered not earlier than <i>one month</i> after the date of application.</p> <p>MAC supported the rule change as proposed and agreed that it should continue to be progressed.</p>	
	<p>RESERVE CAPACITY SECURITY, RC_2008_30</p> <p>This Rule Change Proposal aims to improve the efficiency of administering the provisions in respect of the return of Reserve Capacity Security.</p> <p>The point was raised that the timeframes and notifications associated with the return of reserve capacity security were not consistent with reality and that market participants already have strong incentives to notify the IMO anyway.</p> <p>MAC supported the rule change as proposed and agreed that it should continue to be progressed.</p>	
	<p>COMPLIANCE STANDARD OF PERFORMANCE AND REPORTING, RC_2008_33</p> <p>This rule change proposal addresses the apparent inequitable treatment of compliance audits of the IMO and System Management as outlined in the Market Rules.</p> <p>MAC supported the rule change as proposed and agreed that it should continue to be progressed.</p>	

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4.	PROPOSED MARKET RULE CHANGES	
	<ul style="list-style-type: none"> <li data-bbox="379 331 774 365">• CALCULATION OF IRCR <p data-bbox="379 398 1225 533">This potential rule change, which had been amended since the last meeting to incorporate system change costs associated with implementing the rule change, was distributed amongst MAC members prior to the meeting.</p> <p data-bbox="379 566 1225 667">It was advised that it would cost approximately \$17,000 to carry out the system changes required as a result of the implementation of the rule change.</p> <p data-bbox="379 701 1225 835">One member suggested that the monetary value of the settlement charges be monitored over a six month period in order to determine whether or not to proceed with the system changes.</p> <p data-bbox="379 869 1225 969">The majority of MAC members agreed that a one-off payment of \$17,000 to eliminate an inefficiency resulting in costs amounting to \$50,000 per annum was in the best interests of the market.</p> <p data-bbox="379 1003 1225 1070">After some discussion, MAC members agreed to progress the proposed rule change.</p>	
	<ul style="list-style-type: none"> <li data-bbox="379 1099 1018 1133">• CAPACITY CREDIT REFUND MECHANISM <p data-bbox="379 1167 1225 1234">This potential rule change, submitted by Griffin Energy, was distributed amongst MAC members prior to the meeting.</p> <p data-bbox="379 1267 1225 1402">One MAC member made the point that the main tenet of risk management is to pass on a risk to the entity which can best manage it. The member expressed their opinion that the proposed rule change may be unduly harsh on retailers.</p> <p data-bbox="379 1435 1225 1671">Griffin explained that an existing generator and a new generator have quite different risk profiles and face dissimilar incentives. Griffin went on to elucidate the different incentives faced by different types of generators, explaining that an open gas turbine would be highly incentivised by capacity payments which is not the case for a base load generator which is financed by a contract with another party.</p> <p data-bbox="379 1704 1225 1805">The discussion then turned to the determination of a sufficient penalty to generators which are late in commissioning given the fact that they are not incentivised by capacity plant.</p> <p data-bbox="379 1839 1225 1973">The point was made that regardless of how long it takes for a plant to be built, a commitment was made at the time of finalising Reserve Capacity two years ago that the plant would be available.</p> <p data-bbox="379 2007 1225 2074">Another MAC member suggested that the solution may lie in shifting the Reserve Capacity cycle from October-October to</p>	

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	<p>July-July.</p> <p>Griffin also made the point that once a late-commissioning generator comes online, the refunds that they have been paying as a result of not being available are all sunk costs which will never be recouped.</p> <p>One member raised the issue that costs should stay with generators otherwise it is shifted to retailers that are unable to control whether or not the cost is incurred.</p> <p>The Chair asked whether legal advice had been sought on whether the proposed rule change can be fast-tracked. It was decided that the IMO would provide a legal opinion in this regard. It was agreed that if the proposed rule change was deemed to fulfil the fast-track criteria, working groups would be initiated to oversee the implementation of the proposed rule change.</p>	IMO
	<ul style="list-style-type: none"> <li data-bbox="379 884 1225 952">• FUNDING SRC IN THE EVENT OF CAPACITY CREDIT CANCELLATION <p>This potential rule change was borne out of the deliberations of the SRC Working Group. Following lengthy discussion the SRC Working Group made the determination that if a market participant has its capacity credits reduced, which results in a shortfall and SRC is called, the cost of SRC should be targeted at the market participant.</p> <p>One member explained that their costs accounted for a 1 in 10 chance that SRC could be called upon in any given year.</p> <p>One retailer made the point that it is not possible to shift the costs resulting from SRC to customers since they are either on tariffs or fixed cost contracts.</p> <p>Since there was some division amongst members as to whether targeting SRC costs to any one market participant was fair, the point was raised that it may be necessary to reconvene the SRC Working Group to settle the issue.</p> <p>One member suggested that a procedure for proportioning the cost of SRC amongst market participants be developed in accordance with clause 4.28.4C.</p> <p>Following this discussion, MAC members agreed to progress the proposed rule change.</p>	
	<ul style="list-style-type: none"> <li data-bbox="379 1848 726 1881">• OUTAGE PLANNING <p>This potential rule change was distributed amongst MAC members prior to the meeting.</p> <p>This potential rule change proposes that System Management provide the IMO with information pertaining to the</p>	

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	<p>commencement date and time of scheduled Commissioning Tests, and alert the IMO of any delays or cancellations.</p> <p>The representative from System Management requested that he be allowed time to liaise with his colleagues on the proposed amending rules.</p> <p>It was decided that the progression of the proposed rule change be halted until System Management had formed a view as to the efficacy and appropriateness of the proposed amending rules.</p>	
5.	<p>OTHER MATTERS</p> <p>A table illustrating which MAC working groups are still in operation was noted.</p>	
6.	<p>NEXT MEETING</p> <p>Scheduled for 12 November 2008.</p>	
7.	<p>CLOSED</p> <p>The Chair declared the meeting closed at 3.55pm.</p>	