

Independent Market Operator

Market Advisory Committee

Minutes

Meeting No.	18
Location:	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Wednesday 11 March 2009
Time:	Commencing at 2.00pm until 4.00pm

Attendees		
Allan Dawson	IMO	Chair
Troy Forward	IMO	Member
Arian Lowe	IMO	Minutes
Ken Brown	System Management	Member
Kristian Myhre	Alinta	Member
Shane Cremin	Griffin Power	Member
Rob Pullella	Economic Regulation Authority (ERA)	Observer
Chris Brown	ERA	Observer
Peter Huxtable	Water Corporation	Member
Geoff Gaston	Perth Energy	Proxy for Ky Cao
Jason Banks	Office of Energy	Member
Stephen Maclean	Synergy	Proxy for Jenni Conroy
Steve Gould	Landfill Gas & Power	Member
Also in attendance		
Fiona Edmonds	IMO	
Corey Dykstra	Alinta	

Item	Subject	Action
1.	WELCOME The Chair opened the MAC meeting at 2:09pm and welcomed members to the 18 th meeting of the MAC.	
2.	MEETING APOLOGIES / ATTENDANCE An apology was received from Peter Mattner.	
3.	MINUTES OF PREVIOUS MEETING The Minutes of MAC Meeting No. 17 held on 11 February 2009 were circulated prior to this meeting. The minutes were accepted by Members as a true and accurate	

Item	Subject	Action
	record of the previous meeting.	
4.	<p>ACTIONS ARISING</p> <p>It was noted that the following Action Points are still to be completed:</p> <p><i>Action Point 1: IMO to undertake a thorough review of the IMO Rule Change and Issues Log and present to the IMO for discussion at the February 2009 MAC meeting.</i></p> <p>It was advised that the IMO is continuing its clean-up of the IMO rule change and issues log. The IMO noted that for this month a substantial number of issues from the log have either been progressed or deemed no longer relevant following a significant review of the log. The IMO anticipates presenting the log at either the April or May MAC meeting.</p> <p><i>Action Point 3: IMO to revisit the Market Rules Evolution Plan and present to the March MAC meeting.</i></p> <p>It was advised that work on the Market Rules Evolution Plan was underway and that it was expected that it will be presented at the April or May MAC meeting.</p> <p><i>Action Point 15: IMO to schedule meetings with all Rule Participants to populate an issues log from the Rule Participant perspective.</i></p> <p>As advised at the last MAC meeting, the IMO is in the process of holding a number of stakeholder meetings to canvas ideas and concerns relating to the operation of the market.</p> <p>Relevant ideas and concerns will be used by the IMO to populate the updated issues log, which the IMO is currently developing, with IMO and Rule Participant issues.</p> <p><i>Action Point 23: IMO to develop the 'Reserve Capacity Applications: Extending the timeframe' concept into a rule change proposal for either the March or April MAC meeting.</i></p> <p>The IMO advised that a paper on this topic would be discussed later in the agenda.</p>	

<p>5a.</p>	<p>STATUS UPDATES</p>	
	<p>(i) OVERVIEW</p> <p>The MAC noted the current overview of Market Rule changes.</p> <p>MAC members agreed that discussion of the overview material was not warranted as the status of each rule change proposals is currently available from the IMO's web site.</p>	
	<p>(ii) UNDER CONSTRUCTION FOR THE RESERVE CAPACITY MECHANISM [PRC_2009_07]</p> <p>Under the current Market Rules, a facility that is yet to enter service must be at the 'proposed' or 'under construction' stage in order to be eligible to receive Capacity Credits under the Reserve Capacity Mechanism.</p> <p>It has been found that the term 'under construction' fails to take account of all fully committed facilities which are in all other ways able to qualify for Capacity Credit assignment, such as facilities with short lead times that need not be constructed until well after capacity credits are assigned.</p> <p>Accordingly, this rule change proposal amends the Market Rules and replaces the word 'under construction' with 'committed'. In addition, corresponding changes will be made to the Market Procedure for the Declaration of Bilateral Trades and the Reserve Capacity Auction.</p> <p>The IMO explained that this rule change needed to be implemented in preparation for the upcoming Reserve Capacity Cycle.</p> <p>One MAC member suggested that the amending rules be changed for ease of reading, namely, that at sub-clause 4.2.7(b)(ii) the words 'are yet to commence being constructed' be replaced with the words 'not yet committed'.</p> <p>The question was asked as to whether a definition of 'committed' should be inserted into the Market Rules. The IMO responded by saying that it would be defined in the subsidiary market procedure. The IMO explained that the Market Rules would refer readers to the market procedure for information on how a facility is deemed 'committed'.</p> <p>The IMO stated that the rule change and procedure change process are able to be run concurrently. The MAC agreed that this was appropriate.</p> <p>The IMO explained that the proposal has been drafted in the form of a pre-rule change discussion paper. MAC members agreed that the pre-rule change discussion paper should be</p>	<p>IMO</p> <p>IMO</p>

	<p>progressed as worded.</p>	
	<p>(iii) UPDATES TO COMMISSIONING PROVISIONS [PRC_2009_08] (late paper)</p> <p>The IMO advised that a pre-rule change discussion paper covering this issue had been drafted. The IMO explained that the paper had been provided to System Management and Griffin Power for their feedback.</p> <p>The IMO advised that a preliminary meeting to discuss the paper with System Management had been scheduled for 19 March 2009.</p> <p>The IMO explained that the presentation introducing this potential rule change, which outlined the key principles of the change, had been well-received by MAC at the February meeting.</p> <p>The question was posed whether it was necessary to seek Verve Energy’s feedback on the paper before translating it into a formal rule change proposal.</p> <p>It was decided that the paper would be progressed and feedback would be sought at the April MAC meeting at which the Rule Change Proposal would be presented.</p>	<p>SM/IMO</p>
	<p>(iv) EXEMPTION FROM REAL TIME COMPLIANCE MONITORING FOR CERTAIN COMMISSIONING UNITS [PRC_2009_09]</p> <p>Under the current Market Rules, System Management is obliged to engage in ‘real-time monitoring’ each time a Market Participant deviates from its Resource Plan.</p> <p>System Management finds this particularly onerous and unnecessary, and posits that it provides a risk to system security. This rule change proposal limits System Management’s obligation to follow up each Resource Plan deviation in specific (but limited) circumstances.</p> <p>The IMO noted that Verve Energy had, during the public consultation period, put forward that consideration should be made regarding access for Verve Energy to indicative day ahead commissioning plans, after the close of the STEM and/or Resource Plan submission period so as to allow it to better manage its fuel position.</p> <p>The IMO noted that as this Rule Change Proposal is subject to the fast-track mechanism and this particular aspect is unlikely to satisfy the requirements to be fast tracked, therefore these issues should not be addressed in this particular rule change.</p> <p>However, the IMO noted that consideration to increasing the level of transparency regarding Commissioning Plans, for all parties not just the balancer, will be assessed under RC_2009_08.</p>	

	<p>The Chair stated that they felt that this data should be made available considering the concessions granted to commissioning units.</p> <p>The question was asked whether the proposed rule changes were intended to also cover an existing unit that has added extra capacity. If this were the case it was suggested that inserting the words 'new capacity' in place of 'for the first time' would encapsulate both existing units installing extra capacity as well as new commissioning units.</p> <p>It was agreed that the IMO and System Management would liaise to determine whether the words 'for the first time' should remain.</p> <p>The Chair advised that this decision would need to be made within a tight timeframe and that the IMO would distribute the reasons for the decision to MAC members.</p>	<p>SM/IMO</p> <p>IMO</p>
	<p>(v) RESERVE CAPACITY APPLICATIONS – Changing the window of entry [PRC_2009_11]</p> <p>Currently the timeframe for new capacity to enter the Reserve Capacity Mechanism market is between 1 August and 30 November. It has been determined that the current dates for entry of new capacity may encourage risk taking.</p> <p>In response to this, the IMO proposes to retain the four month window of entry for new entrant generators, but bring the window forward to start on 1 June, with all capacity to be fully available no later than 1 October each year. In this way, new plant will have a few months to fine-tune its operations before the summer peak demand period.</p> <p>The IMO explained that this pre-rule change discussion paper was modelled on the original concept paper which had already been presented to MAC at two meetings. It was agreed that on this basis there was no need for a discussion on what the paper is proposing.</p> <p>It was acknowledged that these changes are intended to be implemented in time for the 2011/12 Capacity Year. The point was raised as to whether another year's warning was required considering capacity cost refunds would need to be paid from October rather than December.</p> <p>The IMO responded by stating that potential developers should be aware of their regulatory obligations and keep themselves informed of upcoming changes to the processes surrounding entry into the market.</p> <p>The IMO explained that they will highlight upcoming changes to developers via email notification.</p> <p>The question was raised as to whether implementing the changes in this paper would pose any costs on end-users. It</p>	<p>IMO</p>

	<p>was agreed that Synergy's commentary on this matter would have been beneficial in the previous MAC meeting.</p> <p>As no objections were raised, MAC members unanimously agreed to progress the paper through the rule change process.</p>	IMO
	<p>(vi) DEFINITION OF A POWER SYSTEM OPERATION PROCEDURE [PRC_2009_12]</p> <p>The Glossary of the Market Rules contains a definition of a Power System Operation Procedure (PSOP) as being the "Market Procedure developed by System Management pursuant to clause 3.2.7".</p> <p>However clause 3.2.7 is not the only place in the Market Rules where the development of a PSOP is required. Accordingly, the IMO proposes that the definition of a Market Procedure should be amended to include a reference to all the PSOPs developed by System Management and that the definition of a PSOP be removed.</p> <p>The IMO explained that this pre-rule change discussion paper is of a minor procedural nature and will remove the narrow definition of a PSOP and instead refer to it under the broader definition of 'market procedure'.</p> <p>MAC members unanimously agreed to progress the paper through the fast track rule change process.</p>	IMO
	<p>(vii) TIMING FLEXIBILITY FOR TRANSFER OF INFORMATION FROM SM [PRC_2009_13]</p> <p>The Market Rules provide the IMO and System Management with the authority to extend certain timeframes attaching to the provision of data in certain situations.</p> <p>The Market Rules provide that once the timeframes are extended, the IMO (but not always System Management) has complied with the Market Rules.</p> <p>System Management advised that this was essentially an exercise in tidying up this imbalance between the treatment of these two entities under the Market Rules.</p> <p>MAC members agreed that the paper be progressed via the standard rule change process.</p>	SM
	<p>(viii) REMOVAL OF TIME LIMIT FOR THE ERA TO PUBLISH THE RESULTS OF AN INVESTIGATION [PRC_2009_15]</p> <p>This rule change proposal is to remove the ERA's 20 business day time limit within which to publish the results of its investigations. Which ERA contends is unreasonable and may restrain or restrict the effectiveness of any investigation.</p> <p>The ERA advised that the average time taken by the AER to</p>	

	<p>complete an investigation was 200 Business Days. The merits of adopting this timeframe were debated.</p> <p>The point was raised that perhaps the amending rules could be changed so that only a preliminary report on the investigation is required to be completed within the 20 business day timeframe.</p> <p>The ERA responded by saying that the IMO drafts a preliminary report and then publishes it on its web site and notifies the ERA.</p> <p>Another MAC member noted that in the event that one market participant's anomalous behaviour is causing other market participants to lose money there is a strong case for resolving the situation as soon as possible.</p> <p>MAC members agreed that a more lenient timeframe needed to replace the current one, rather than remove the timeframe altogether and risk letting an investigation continue without a defined end date.</p> <p>It was noted that there is an inherent incentive for the ERA to complete investigations in a timely manner otherwise their workload would become unmanageable. One MAC member asked what happens to the money that is paid in the form of a penalty for anomalous market behaviour. The Chair advised that the IMO will investigate how this money is used and will inform members at the next MAC meeting.</p> <p>It was suggested that a notification be sent to market participants advising of the status of an investigation to keep them advised of progress. The issue of confidentiality was raised and the fact that any such notification would have to be very general in nature so as to not disclose the identity of the parties involved.</p> <p>The question was posed as to who assesses the effectiveness of the ERA and it was stated that there should be some recourse for firms regarding the actions that the ERA has taken or lack of action.</p> <p>The Chair stated that it is unusual for the behaviour of a regulator to be mandated in a set of market rules.</p> <p>It was agreed that market participants did not want investigations to be rushed but several MAC members did not feel comfortable with the complete removal of a binding timeframe.</p> <p>One member posited that the longer the investigation, the longer the anomalous market behaviour occurs, and the more detrimental impact on the market. The right balance needs to be achieved between conducting an efficient, comprehensive investigation and safeguarding the financial interests of conscionable market participants.</p> <p>After considerable discussion, the MAC unanimously agreed that the pre-rule change discussion paper would be progressed</p>	<p>IMO</p>
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	as worded. The ERA to formally submit the Rule Change Proposal.	ERA
5b.	STATUS UPDATES – WORKING GROUP UPDATE	
	<p>(I) WORKING GROUP OVERVIEW AND CURRENT MEMBERSHIP</p> <p>The current status of working groups was for noting only.</p> <p>Upon request, a few changes to the membership of various working groups were accepted:</p> <ul style="list-style-type: none"> • Jenni Conroy is to replace Tony Perrin on the Renewable Energy Generation Working Group; • John Rhodes is to replace Jenni Conroy on the IMO Procedures Working Group; and • Bill Truscott is to replace Rachael smith on the IMO Procedures Working Group. <p>The IMO to amend the terms of reference as unanimously agreed.</p>	IMO
	<p>(II) RENEWABLE ENERGY GENERATION WORKING GROUP</p> <p>The Office of Energy commissioned Econnect to conduct a study titled “Review of the Treatment of Intermittent Generation in the Capacity Market”. The review includes a technical assessment similar to that requested by Alinta during the first submission period for RC_2008_31 (Capacity Credits for Solar Facilities).</p> <p>The IMO intends to allow interested parties to review this report prior to making submissions during the second round of public consultation and therefore has extended the second submission period accordingly. This will allow the results from the study to be taken into consideration in the Final Rule Change Report.</p> <p>The IMO, Office of Energy and System Management has commissioned SKM to conduct a scoping study regarding the “Analysis of the Impacts Associated with Intermittent Generation Penetration within the Wholesale Electricity Market”. SKM has submitted its final revisions of its scoping paper to the IMO, Office of Energy and System Management detailing what further work is required.</p> <p>Additionally, it was advised that major wind farm developers have been invited to participate on the working group.</p>	IMO/OoE
5c.	PROGRESS AGAINST MARKET RULES EVOLUTION PLAN	
	The MAC noted the progress against the Market Rules Evolution Plan.	

5d.	STATUS UPDATES – PROCEDURE CHANGES	
	<p>(i) OVERVIEW</p> <p>The IMO explained that this agenda item was for noting only.</p>	
	<p>(ii) IMO PROCEDURE CHANGE AND DEVELOPMENT WORKING GROUP: UPDATE</p> <p>MAC members were advised of changes made to the membership of this working group, namely the removal of Dora Guzeleva and Troy Forward and the addition of Steve Gould, Jacinda Papps and Fiona Edmonds.</p> <p>The MAC:</p> <ul style="list-style-type: none"> • agreed with the proposed amendments to the working group’s membership; • noted the procedures under development and/or revision; and • noted that additional amendments to the terms of reference may be made following the next working group meeting. 	IMO
6a.	<p>CONCEPT PAPER: OVERVIEW</p> <p>The IMO advised that the table setting out the status of each concept paper was for noting only.</p> <p>The IMO advised that a concept paper template will be made available on the IMO’s web site by the end of the week. The IMO reminded members that a concept paper does not constitute a formal Rule Change Proposal.</p> <p>In addition to the discussion regarding concept papers with planned or underway, the IMO advised that it has engaged MMA to conduct a fuel study review with reference to the Certified Reserve Capacity Process.</p> <p>As it currently stands, a generator (other than an intermittent generator) seeking to apply for Certified Reserve Capacity must demonstrate that it can supply fuel for 14 hours. The common view is that 14 hours is too restrictive a timeframe to be applied across all facilities.</p>	IMO
8.	<p>OTHER MATTERS</p> <p>The Chair advised that the next MAC meeting would be held on 29 April 2009 and that it was likely that the May meeting would be cancelled.</p> <p>One MAC member advised that the August MAC meeting date clashed with the Energy in WA conference. The Chair apologised for this oversight and advised that this would be</p>	IMO

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	looked into and the August MAC meeting would be rescheduled if required.	
9.	NEXT MEETING Scheduled for 29 April 2009.	
CLOSED The Chair declared the meeting closed at 3:45pm.		