

The background of the lower half of the document is a photograph of a wind farm and power lines, overlaid with a semi-transparent blue filter. On the left, several large white wind turbines are visible, their blades extending outwards. To the right, a tall, lattice-structured power transmission tower stands prominently. The ground appears to be a dry, hilly landscape.

Independent Market Operator

Concept Paper

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 Committee Constitution
 and Operating Practices**

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1. INTRODUCTION

1.1. *2009 Review of Market Advisory Committee composition*

During the annual review of the composition of the Market Advisory Committee (MAC) for the 2009 calendar year, a number of areas of the Wholesale Electricity Market Rules (Market Rules) and MAC Constitution were identified that could benefit from improvement.

In particular, while there is a requirement for the Independent Market Operator (IMO) to annually review the composition of the MAC neither the Market Rules nor the MAC Constitution contains any defined processes or formal criteria for undertaking the review. The IMO does have internal procedures detailing the review process, however these are currently not transparent to interested stakeholders and so the IMO's decisions over appointments to the MAC may not be clearly and distinct.

Owing to the lack of clarity in the current Market Rules and MAC Constitution identified, the IMO determined that a project be established to review the relevant provisions in the Market Rules and MAC Constitution. It is anticipated that this project will improve the Market Rules and MAC Constitution and provide greater transparency in the IMO's appointment criteria and terms.

This paper outlines the findings of this project, including detailed issue identification and suggested options for the development of a more transparent review process. This paper also proposes amendments to the Market Rules and MAC Constitution to better clarify and enhance the operating practices of the MAC.

1.2. *Background to the MAC formation*

As required by the Market Rules the IMO established the MAC in December 2006.

The purpose of the MAC, as outlined in clause 2.3.1 of the Market Rules and mirrored in the MAC Constitution, is to:

- Advise the IMO with regard to proposed rule changes;
- Advise the IMO and System Management regarding Procedure Change Proposals; and
- Advise the IMO on general electricity market and South West interconnected system operation matters.

The current MAC Constitution was developed by the IMO in 2006, and was based on similar committees and amended to suit the particular characteristics of the WEM. The IMO invited public submissions, including a request for public submissions via Western Australian newspapers, while developing the constitution (clause 2.3.4).

At market start the IMO suggested that the industry members of the Transitional Market Advisory Committee (TMAC) be appointed as the inaugural MAC industry representatives. This was in order to achieve a smooth transition, and maintain knowledge and experience in the initial stages of the market operation.

Input on the proposed industry representation on the inaugural MAC was also requested from industry groups such as the:

- Chamber of Commerce and Industry;
- Chamber of Minerals and Energy; and
- Western Australian Sustainable Energy Association.

The IMO also requested the Economic Regulation Authority (ERA) nominate an observer and the Minister to appoint both a small consumer representative and an observer (the Minister chose to appoint the Office of Energy as both a representative of small consumers and as an observer). Based on the original TMAC membership, the IMO's consultation with industry groups and the nominations received from the Minister and ERA the inaugural MAC membership was determined.

Since then the IMO has reviewed the composition of MAC membership annually and if the IMO has thought appropriate, industry groups have been invited to nominate new candidates when replacement members have been sought.

1.3. *Current functions, composition and operating practices of the MAC*

The Market Rules and the MAC Constitution outline the functions and composition of the MAC, as well as the details for reviewing membership and appointing and rotating members. In particular, the IMO is required annually to review the composition of the MAC (clause 2.3.9) against the membership requirements as outlined in clause 2.3.5 of the Market Rules. The outcomes of this review determine whether replacement of any of the members is required. If so, the IMO then consults with the appropriate industry groups for nominations.

The MAC must comprise (clause 2.3.5):

- (i) three members representing generators, of whom one must represent the Electricity Generation Corporation;
- (ii) one member representing Contestable Customers;
- (iii) at least one and not more than two members representing Network Operators, of whom one must represent the Electricity Networks Corporation;
- (iv) three members representing retailers, of whom one must represent the Electricity Retail Corporation;
- (v) one member nominated by the Minister to represent small consumers;
- (vi) one member representing System Management;
- (vii) one member representing the IMO;
- (viii) a chairperson of the Market Advisory Committee, who must be a representative of the IMO; and
- (ix) the Minister and the ERA may also appoint representatives to attend MAC meetings as observers (clauses 2.3.6 and 2.3.7).

In the context of the current Market Rules the MAC is made up of three classes of members:

- **Compulsory membership:** means that the member is appointed by the IMO and represents the interests of the Wholesale Electricity Market (WEM) and a particular organisation which is specifically mandated by the Market Rules i.e. representatives of Electricity Generation Corporation, Electricity Networks Corporation, Electricity Retail Corporation, System Management, and IMO;
- **Discretionary membership:** means that the member is appointed by the IMO and represents the interests of the WEM and a class of participants i.e. Network Operators, Contestable Customers, retailers, and generators;
- **Observers:** A representative of the Minister and ERA.

In addition to the MAC, Working Groups that are comprised of Rule Participants are utilised when the need arises (clause 2.3.17). These Working Groups are used by the MAC to provide more detailed analysis when advising the IMO.

2. REVIEWING THE MAC CONSTITUTION AND OPERATING PRACTICES

2.1. *Issue identification overview*

As noted above, there are a number of areas which could be improved in the Market Rules and MAC Constitution. The IMO contends that the following broad issues need to be addressed in order to ensure that the standard of representation on the MAC remains consistently high, and that it operates in the best interests for the WEM:

- (1) **Representation and Proxies** – Should appointments be on an individual basis or should appointees represent the organisations they work for;
The Market Rules only state that the appointment is of a representative. Consequently, a number of interpretations regarding the definition of a representative have been made since the establishment of the MAC.
- (2) **Appointment Process** - What formal process should be followed for annually reviewing the composition of the MAC;
There is a requirement for the IMO to annually review the composition of the MAC in the Market Rules (clause 2.3.9), however neither the Market Rules nor the MAC Constitution contain any defined processes or formal criterion for undertaking the review.
- (3) **Eligibility Criteria and Key Skills** - What should the formal criteria be for assessment of nominees to the MAC membership;
- (4) **Tenure** - How often should the IMO review of the composition of the MAC and what is the most optimal length of service of members;
- (5) **Responsibilities** – What should MAC members responsibilities be and how should the IMO facilitate their ability to achieve these;

- (6) **Removal and Replacement of Members** - Are there better processes to selecting MAC members so as to achieve the best possible MAC representation, based on the current practices in other jurisdictions;
- (7) **Reappointment** – Should there be any restrictions on reappointment to the MAC;
- (8) **Operating Practices** - What are the optimal operating practices for the MAC with regards to the frequency of meetings, voting rights, types of membership and the optimal size and mix; and
- (9) **MAC Working Groups** - What is the reporting relationship between MAC and its Working Groups and what is the optimal representation for MAC Working Groups?

Additionally, the IMO has identified the following further general areas for review:

- Whether there are any areas of the Market Rules, Market Procedures and the MAC Constitution that require clarification; and
- Are there any inconsistencies between the Market Rules, Market Procedures and the MAC Constitution?

Each of these issues has been set out in greater detail below.

Q1: *Can you identify any further issues that the IMO should address as part of this review?*

In order to provide a mechanism to assess the current MAC annual review process and operating practices against, the IMO reviewed the composition and operation of similar committees in other jurisdictions and industries. The details of those committees reviewed are contained in Appendix 1. This purpose of the review was to identify options for each of the issues listed in section 2.1. The current situation along with the outcomes from the review is presented below (sections 2.2.1 – 2.2.9) and, where appropriate, forms the basis for the IMO's proposed changes presented.

2.2. Detailed issue identification and proposed solutions

2.2.1 Representation and proxies

The Market Rules and the MAC Constitution currently define members as being a “representative”, which has been inconsistently interpreted in the past. Currently, MAC members and observers may be represented by a proxy who has been agreed by the Chairperson. By requiring the Chairperson to agree to the proxy there is an assurance that the best possible industry representatives are present at the meeting.

The review revealed a mixture of jurisdictions which have personal appointments and group appointments (entity appointments). Additionally, the acceptance of proxies varied amongst the committees reviewed. In particular, Singapore's Electricity Market Company (EMC) Rule Change Panel and the Australian Energy Market Commission (AEMC) Consumer Advisory Panel allow for the committee Chairperson to appoint a delegate to participate. Other committees which made appointments based on specific expertise tend to actively discourage the use of proxies, as is the case for the New Zealand Electricity Commission's working groups.

Proposed changes:

The IMO proposes:

- (i) discretionary membership will be of individuals representative of a class. Members will be expected to act in an appropriate way so as to properly represent the class whom they were chosen to represent i.e. generator, retailer or Contestable Customer class;
- (ii) compulsory membership will be of individuals, representative of the entity to which they correspond to. Compulsory class members will still need to demonstrate their eligibility against the criteria for membership;
- (iii) with the agreement of the Chairperson, compulsory class members will be able to send appropriate proxies with similar skills and experience to represent the entity at meetings;
- (iv) discretionary class members will not be able to send a proxy by right as they have been chosen for their personal skills, qualities and qualifications. They will however be able to recommend an appropriate proxy (from any organisation which belongs to the same class as the appointee) who must have similar skills and experience. Permission for the attendance by proxies will be at the Chairperson's discretion.

2.2.2 Appointment Process

Presently decisions on whether to change the composition of the MAC are made by the IMO as an outcome of the annual review process, based on the nominations received from industry groups and the required composition. The IMO has identified that the transparency of these decisions could be improved by making the criteria for appointment clearer to external parties. This is particularly important as the IMO's decision to appoint and remove members of the MAC (clause 2.3.8) is a reviewable decision under clause 2.17.1 of the Market Rules.

The review of the appointment processes in other jurisdictions revealed a number of examples of clear and transparent processes. Additionally, it revealed that many of the jurisdictions take nominations from relevant organisations and participants, which is similar to the existing case for the MAC; however they also require applicants to provide a current CV outlining their relevant experience and to address the eligibility criteria in their application.

Proposed changes:

The IMO proposes:

- (i) an entity will be able to nominate an individual for as many categories relevant to the entity and for which the nominee meets the eligibility criteria. For example an entity which is both a generator and a retailer may nominate individuals for both of these categories;
- (ii) the IMO will only be able to appoint one individual from an entity to serve on the MAC at any one time (excluding the Chair);
- (iii) the IMO will create a document which clearly outlines the guidelines for appointment, the background of the MAC, the role of members, and the process for appointment and review, which will be provided to all serving and new members and made publically available on the IMO web site; and
- (iv) nominees will be required to provide a current CV and cover letter outlining their relevant experience and which addresses the eligibility criteria. The nominees details provided to the IMO will be kept private. An assessment of all the nominees against the appointment criteria may be made public.

2.2.3 Eligibility Criteria and Key Skills

Currently, there are no key skills or levels of required experience for MAC membership outlined in the MAC Constitution. When asking industry groups for nominations the IMO requires that a member should represent the views of the group they are nominated to represent. The IMO has identified that this could be improved to increase transparency with regards to the IMO appointment criteria and decision making.

The eligibility criteria for the committees reviewed varied considerably with regard to the specific requirements included. For example: payment of fees, must be at least 21 years of age, natural person, broadly representative of those persons with direct interests (groups that the committee wants to have represented). Other jurisdictions also require that committee members meet the published guidelines for appointment with regard to key skills, knowledge and experience. They also require a detailed set of key skills for the members collectively.

Proposed changes:

The IMO proposes:

- (i) the keys skills will be defined as a collective for the committee and included in the MAC Constitution so as to improve the transparency of the IMO's decision making, for example:

Collectively the members of the MAC will display:

- *Detailed understanding on the technical, design and commercial aspects of the WEM;*
- *Ability to consider market design issues and options for market evolution;*
- *Knowledge of the powers and obligations of the IMO and the framework within which it operates.*

Note that this is not a defined list of key skills, but is a demonstration of the types of skills the IMO may consider. The definitive list of key skills will be developed and included in an updated constitution which the IMO will consult on;

- (ii) the MAC Constitution will specify that the IMO will have regard to both the nominations received and the collective skills necessary for the MAC to perform its functions when appointing members; and
- (iii) the IMO will expect nominations of people at a middle management level or above.

2.2.4 Tenure

The required MAC membership is currently divided into three classes of members; Compulsory class membership, discretionary class membership, and observers. The ongoing appropriateness of this split is discussed in section 2.2.8 (a) of this paper.

MAC members currently don't have a defined length of tenure and membership is not rotated. The IMO considers that this potentially affects the dynamics of the committee and its representation of new participants entering the WEM. Furthermore, questions have been raised over the appropriateness of the lack of rotation of membership by other Market Participants who have enquired about becoming a member of the MAC. A balance needs to be struck between the equity of allowing interested Market Participants to be involved with the MAC and the maintenance and continuity of the historical knowledge of issues on the MAC.

The review of tenure of membership in other jurisdictions revealed that the length of service is dependent on whether the committee operates a rotational membership and whether the members are for a compulsory or discretionary class.

Several of the committees reviewed operate rotational membership, with half of the discretionary members being rotated off the committee each year. For example, in the case of the New Zealand Electricity Commission's Advisory Groups, tenure is for two years with half of the inaugural member's membership being for one year originally and then the opportunity to be reappointed for an additional two years after this time period has lapsed. Compulsory members are not rotated on these working groups, although there is provision for the organisation represented by the compulsory membership to replace its representative.

For the committees reviewed where tenure for all members lapsed at the same time, the length of tenure ranges from 12 months to four years. A number of committees in the Eastern States have tenures for approximately two years, irrespective of the class of membership, for example.

Proposed changes:

The IMO proposes:

- (i) membership for the 2010 MAC for both discretionary and compulsory classes will be for either one or two years (with the opportunity for reappointment after this time period has lapsed), six one year term members for 2010 will be chosen by ballot from the total membership of each class. This is in order to ensure that the entire membership MAC or of any one class cannot be rotated in any single year, so as to enable consistency in decision making;
- (ii) MAC members, irrespective of class, be appointed for two years (after 2010 members have expired);
- (iii) membership of discretionary classes will be rotated every two years to ensure new and existing Market Participants have an equal opportunity to be represented on the MAC and that the MAC evolves as the market matures;
- (iv) the IMO will reserve the right to appoint new members into compulsory and discretionary class positions, if necessary, when members are no longer representative of the class; and
- (v) along with the rotation of members whose tenure has lapsed, each year the IMO will undertake a review of the performance of all members with regards to their responsibilities and whether they have meet their attendance requirements (which will be outlined in the MAC Constitution);

2.2.5 Responsibilities of Members

MAC members and observers currently have some defined responsibilities such as attending as many meetings as practical and not using their position or information to gain an advantage or cause a detriment to the IMO or the market. This helps to ensure the MAC operates in the best interests of the WEM

The review revealed that a number of committees in other jurisdictions do not have specific provisions outlining the responsibilities of their members. However, the New Zealand Electricity Commission Advisory Group's have very specifically defined responsibilities such as acting in the interests of all stakeholders, and preparing for meetings. The NEMMCO committees reviewed have similar responsibilities to the MAC such as attending as many meetings as possible, not using their position or information gained as a member improperly to gain an advantage for them or cause a detriment to NEMMCO, and keeping confidential any non public information they obtain in the course of acting on the committee.

Proposed changes:

The IMO proposes:



- (i) the MAC Constitution will include further details of the responsibilities of members, such as that discretionary class members will act in the interests of their class, that all MAC members will act in the best interests of the market, be expected to prepare for the meetings and actively contribute to discussions; and
- (ii) the MAC Constitution will include a provision to remove both compulsory and discretionary class members who fail to meet these stated responsibilities as part of the IMO's annual review.

2.2.6 Removal and Replacement of Members

The Market Rules provide for the removal of members of the MAC including:

- The person becoming an undischarged bankrupt;
- The person becomes of unsound mind or his or her estate is liable to be dealt with in any way under law relating to mental health;
- The IMO considers that the person no longer represents the class that they were appointed for and/or represent; and
- Any event specified in the constitution.

The MAC Constitution provides for the removal of members, but the basis for removal is not clearly defined, e.g. "not actively participating in MAC". This means it would be difficult to show that the requirement of the rules had been met, and as a result the ability to remove a member is weakened.

The rules surrounding the removal or replacement of members differed across the jurisdictions reviewed. A number of jurisdictions have similar provisions to the MAC regarding the removal of members at any time by the relevant organisation or Minister. The NEMMCO committees, for example, reviewed give the discretion to the committee to remove members, based on the outcomes of voting.

A number of jurisdictions also provide that members who are absent, except on leave of absence approved by the Chair, for more than a specified number of consecutive meetings (usually two or three) are removed. Other similar committees also include provisions surrounding the replacement of members for the remaining term of their predecessor's appointment.

Proposed changes:

The IMO proposes:

- (i) the MAC Constitution will specify the number of meetings that a member, or approved proxies (for compulsory classes), can miss before they will be potentially removed from the MAC. For example, this may be three or four meetings during the year. Attendance of proxies (in the case of discretionary classes) will not count

towards attendance. The MAC Constitution will include a provision to remove members who fail to attend the specified number of meetings, amongst other considerations, as part of the IMO's annual review; and

- (ii) if a member wishes to resign from a discretionary or compulsory class the IMO will appoint a replacement member, in accordance with the defined process, for the duration of the previous member's remaining length of tenure.

2.2.7 Reappointment

Reappointment to the MAC is presently based on the outcomes of the annual review and there is no restriction on reappointment.

The majority of committees reviewed allow for members to be reappointed at the discretion of the decision maker and subject to their satisfying the eligibility criteria. The only jurisdiction reviewed that does not allow for reappointment after a person had served more than two partial and/or full terms consecutively was the United States Department of Energy's Electricity Advisory Committee.

Proposed changes:

The IMO proposes:

- (i) there will be no restrictions on reappointment to the MAC, but in making appointments the IMO's objective will be to get the best representation of industry over time to ensure a dynamic MAC; and
- (ii) members will be able to be reappointed based on the IMO's assessment of individuals against the appointment criteria to ensure that they still conform and are representative of their class.

2.2.8 Operating Practices

An assortment of committee operating practices was revealed by the review with regard to membership types, voting rights and frequency of meetings. These are presented below along with the current MAC operating practices for comparison.

(a) Membership Types

The MAC currently consists of up to 15 compulsory and discretionary members and observers (including the Chairperson). The current size and mix of representation was originally designed to create a MAC which is reflective of all stakeholders in the WEM. There are currently no clearly defined differences between the three membership types (compulsory members, discretionary members and observers) in either the Market Rules or MAC Constitution.

The MAC allows both the Minister and the ERA to appoint a representative to attend the MAC meetings as an observer, however the role of an observer on the MAC is currently undefined in

the Market Rules and MAC Constitution and the unofficial general practice is for observers to have the same rights as members.

The ERA has two broad main functions, to act as Western Australia's economic regulator and to be an independent and transparent advisory body to the State Government. The ERA's functions are designed to maintain a competitive, efficient, and fair commercial environment in the WEM. By virtue of its WEM role, the ERA was invited as an observer on the MAC. The ERA's role as an observer on the MAC allows it to keep abreast of significant issues affecting the WEM and to ensure that any proposed rule changes meet the Market Objectives. Observer status also allows the ERA to maintain its independence as an advisory body to the State Government as it is not also providing advice to the IMO through its membership on the MAC. The ERA may be potentially conflicted in their position of preparing the Annual Effectiveness Review, and in their neutral decision making process if they were to become a full member. However the IMO considers that this may be manageable and so recommends that the ERA becomes a full compulsory member on the MAC.

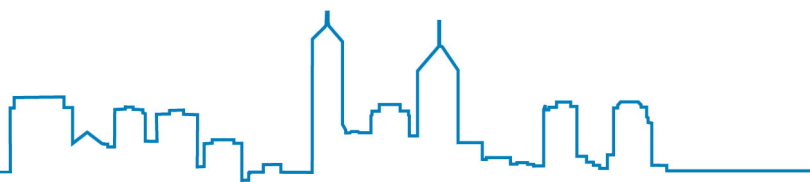
The types of membership differ across the committees reviewed due to differences in the nature of the committee's objectives and scope of their activities and duties. The range in the size of the committees reviewed also varies considerably between three members (including the Chairperson) and approximately 30 members (excluding the Chairperson).

The inclusion of observers on the committee is not predominant amongst the other committees reviewed. In the case of the Western Australia's Office of Energy (OoE) Ministerial Advisory Committee on Electricity, there are transparent arrangements in place allowing members to invite observers or people with specific expertise to attend meetings to assist members in discussing relevant issues, they are however not appointed to the committee. An example of a committee which appoints both observers and members and clearly distinguishes their respective roles and compensations is the ERA's Consumer Consultative Committee. In particular, members are paid a sitting fee for meetings and are therefore engaged under section 100 of the Public Sector Management Act 1994 whilst observers are not. Members consequently fall under the definition of a staff member. Due to the compensatory differences between the membership types there are clear differences with regard to the appointment process for observers and members.

(b) Voting Rights

The MAC Constitution allows the MAC to make recommendations on an issue if a consensus is achieved (this is dependent on a quorum of at least fifty percent of members being present at the meeting). Requiring a quorum to be reached is a common practice amongst the other committees reviewed.

There were a mixture of voting (NEMMCO and AEMC) and advisory (New Zealand Electricity Commission) committees reviewed. The MAC does not vote on issues, instead it is a forum for views to be heard and advice to be offered to the IMO on rule and procedure changes and more generally on the operation of the market. This was originally noted in the original Market Rules approved by the Minister on 1 October 2004; however it was not included as a clause in the Market Rules (only noted in the MAC Constitution).



(c) Frequency of Meetings

The MAC is required to be convened not less than once every six months and on any occasion when two or more members have informed the secretariat in writing they wish to bring a matter regarding market operation or the operation of the Market Rules before the MAC for discussion.

Several committees reviewed also specify the frequency of meetings. These range from “as frequently as required” to “at least once annually”.

(d) Secretariat

The Market Rules and the MAC Constitution note that the IMO must provide a secretariat for the Market Advisory Committee. Their role includes:

- scheduling meetings and maintaining the diary of the MAC (clause 2.3.14 (a));
- compiling meeting papers and sending these by email to all members of the MAC before each meeting;
- preparing and sending by email, to all members of the MAC, the minutes of each meeting (clause 2.3.14 (b)) within ten Business Days of the meeting (MAC Constitution); and
- subject to the confidentiality status of the matters in meeting minutes (in accordance with clause 10.2 of the Market Rules), publishing the minutes on the IMO website.

The role of the secretariat is similar across most jurisdictions and industries reviewed.

Proposed changes:

The IMO proposes:

- (i) the Market Rules will state “Office of Energy for small customers” in clause 2.3.5(e);
- (ii) the role of observer will be removed, with ERA and OoE to become compulsory class full members on the MAC;
- (iii) other persons will, at the discretion of the Chairperson, be allowed to attend MAC meetings from time to time. Such as the Market Administration team and others when providing expert advice on rule changes etc;
- (iv) the Market Rules will state that the MAC is a non-voting committee;
- (v) clause 2.3.5 of the Market Rules will be redrafted to refer to Market Generators and Market Customers rather than generators and retailers;

- (vi) the constitution of the MAC will be updated to note that the IMO will provide meeting papers at least five days before the MAC meeting (this will allow members adequate time to prepare for the meeting); and
- (vii) the MAC Chair will be given the discretion to approve late papers for a MAC meeting.

After reviewing all the issues identified, the IMO does not propose any amendments to the MAC's operating practices with regards to:

- the six monthly frequency requirements and the ability for two or more members to convene a meeting if a request is made in writing to the secretariat, which are outlined in the MAC Constitution; and
- the current representation, size and mix of the MAC as the IMO considers it provides a good representation of the industry in its current form.

2.2.9 MAC Working Groups

At present the Market Rules note that the MAC may nominate a Working Group comprised of Rule Participants. These Working Groups are used to assist in more detailed and specific analysis to assist the MAC in advising the IMO. The Constitution merely restates the Market Rule in this respect.

The terms of reference for the IMO and System Management Procedures Working Group note:

- An issue can be referred to the Working Group for consideration by the MAC or the IMO.
- The Working Group will be convened by the Chair upon request from the MAC Chairperson, or as required to complete its Scope of Work within the required timeframes.
- The Working Group will meet as required to provide MAC and the IMO with a detailed analysis and advice regarding the issue referred to them.
- The MAC may review, amend and extend these terms of reference, as necessary.

The Renewable Energy Generation Working Group, among other things, notes that:

- It will submit its assessment, analysis and conclusions in a report to the MAC;
- Members of the Working Group are appointed by the MAC, with a focus on issues associated with the expansion of large-scale wind generation; and
- The Working Group will refer any other issues that emerge back to the MAC for further consideration as required.

The IMO recommends that the reporting lines for Working Groups of the MAC be made more formal (additional detail is outlined in the proposed changes section below).

Further, the IMO notes that the Market Rules state that the purpose of the MAC is to:



- Advise the IMO with regard to proposed rule changes;
- Advise the IMO and System Management regarding Procedure Change Proposals; and
- Advise the IMO on general electricity market and South West interconnected system operation matters.

Currently, the MAC does not advise the IMO and System Management regarding Procedure Change Proposals and the MAC has specifically appointed Working Groups to undertake these tasks. The IMO considers that this inconsistency may be resolved by formalising the reporting lines between the MAC and its Working Groups and by amending clause 2.10.13 of the Market Rules.

Proposed changes:

The IMO proposes:

- (i) that Market Rule 2.3.17 be expanded to allow other interested stakeholders to be either full or observer members of MAC appointed Working Groups i.e. Office of Energy and potential developers;
- (ii) the terms of references for all Working Groups be reviewed and updated for consistency. Specifically noting that:
 - a. each Working Group will report to the MAC at least once every two months; and
 - b. each Working Group will refer any other issues that are out of scope of the group back to the MAC.
- (iii) the MAC constitution be amended to recognise the formal relationship between the MAC and its Working Groups;
- (iv) consideration be given to potentially amending clause 2.3.1 (b) (i.e. MAC's role is to ... "Advise the IMO and System Management regarding Procedure Change Proposals") to allow the MAC appointed Working Groups to advise the IMO and/or System Management on Procedure Change Proposals; and
- (v) that clause 2.10.13 (d) be amended to refer to "a summary of the views expressed by the Market Advisory Committee, or Working Group specifically appointed by the MAC to consider such Procedure Change Proposals".

3. RECOMMENDATIONS

The IMO recommends that the MAC:

1. **Discuss** the IMO's proposed amendments to improve the review process and operating practices;
2. **Confirm** whether the IMO's list of issues addressed is complete;

3. **Identify** any further issues that the IMO should address as part of this review; and
4. **Note** that if agreed then the IMO will:
 - (a) **Amend** the MAC Constitution as relevant (noting that the IMO must invite public submissions when developing and amending the constitution – clause 2.3.4);
 - (b) **Develop** a Rule Change Proposal to implement the changes proposed in this paper;
 - (c) **Amend** each Working Group’s Terms of Reference as relevant; and
 - (d) **Prepare** “Guidelines for the appointment of members of the MAC”, this will include:
 - i. Scope and purpose of the guidelines;
 - ii. The background to the MAC;
 - iii. The requisite skills, knowledge and experience of MAC members;
 - iv. The requirements for independence of MAC members;
 - v. The length of tenure of appointed members;
 - vi. The steps undertaken by the IMO during the appointment process; and
 - vii. Any other matters that the IMO considers will contribute to good governance and the effective operation of the MAC.

APPENDIX 1

Details of Committees in other Jurisdictions and Industries reviewed

Western Australia:

- Office of Energy (OoE) – Ministerial Committee on Electricity (*Electricity*)
- Energy Review Authority (ERA)– Consumer Consultative Committee (*Electricity*)
- City of South Perth – Travel Smart/Roadwise Advisory Group (*Transportation*)

Australia:

- National Electricity Market Management Company (NEMMCO) - Reliability Panel (*Electricity*)
- NEMMCO – Participant Advisory Committee (*Electricity*)
- Australian Energy Market Commission (AEMC) – Consumer Advisory Panel (*Electricity*)
- Queensland Competition Authority – Consumer Advisory Committee (*Electricity*)
- Regional Telecommunication Independent Review Committee (*Telecommunications*)

New Zealand:

- Electricity Commission – Common Quality Advisory Group (*Electricity*)
- Electricity Commission – Security Advisory Group (*Electricity*)
- Electricity Commission – Wholesale Market Advisory Group (*Electricity*)
- Electricity Commission – Loss Factor Review Panel (*Electricity*)
- Telecommunications Carriers Forum (*Telecommunications*)

Singapore:

- Electricity Market Company (EMC) – Rule Change Panel (*Electricity*)

United States of America:

- US Department of Energy – Electricity Advisory Committee (*Electricity*)