

Independent Market Operator

Market Advisory Committee

Minutes

Meeting No.	19
Location:	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Wednesday 29 April 2009
Time:	Commencing at 2.00pm until 4.00pm

Attendees		
Allan Dawson	Independent Market Operator (IMO)	Chair
Troy Forward	IMO	Member
Arian Lowe	IMO	Minutes
Ken Brown	System Management	Member
Kristian Myhre	Alinta	Member
Shane Cremin	Griffin Power	Member
Peter Huxtable	Water Corporation	Member
Patrick Peake	Perth Energy	Proxy for Ky Cao
Matthew Martin	Office of Energy	Proxy for Jason Banks
Jenni Conroy	Synergy	Member
Steve Gould	Landfill Gas & Power	Member
Liza Stephenson	Verve Energy	Proxy for Andrew Everett
Also in attendance		
Corey Dykstra	Alinta	
Jacinda Papps	IMO	
Fiona Edmonds	IMO	
Sharon Bergman	IMO	
Kent Phua	IMO	
Monica Tedeschi	IMO	

Item	Subject	Action
1.	WELCOME The Chair opened the MAC meeting at 2:02pm and welcomed members to the 19 th meeting of the Market Advisory Committee (MAC).	Chair
2.	MEETING APOLOGIES / ATTENDANCE The Chair advised the MAC that this was Kristian Myhre's last MAC meeting as he was soon to start work with Horizon Power. The chair welcomed Corey Dykstra, who was also in attendance	Chair

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	<p>from Alinta.</p> <p>No apologies were received however it was noted that there were three proxies:</p> <ul style="list-style-type: none"> • Matthew Martin for Jason Banks; • Patrick Peake for Ky Cao; and • Liza Stephenson for Andrew Everett. <p>The Chair introduced Ken Phua and Sharon Bergman, the new analysts in the IMO Market Administration team and Monica Tedeschi, a vacation student from University of Western Australia working part-time with the IMO.</p>	
3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The Minutes of MAC Meeting No. 18, held on 11 March 2009, were circulated prior to this meeting. The Chair invited comments:</p> <p>Agenda item 5a (ii): One MAC member noted that although it had been decided to replace the words 'are yet to commence being constructed' with the words 'not yet committed' in sub-clause 4.2.7(b)(ii) in PRC_2009_07 this was not reflected in the Rule Change Proposal on the IMO web site.</p> <p>The IMO to investigate whether the proposed amended wording to PRC_2009_07 was included in the Rule Change Notice. If not, the IMO to ensure that this is reflected in the Draft Rule Change report (as this is currently out for its first round of submissions).</p> <p>Working Group Overview and Current Membership: It was requested that Jenni Conroy replace Tony Perrin on the Renewable Energy Generation Working Group rather than John Rhodes, as previously advised. This change was accepted. The IMO to update the 11 March 2009 MAC meeting minutes as agreed, and publish as final.</p> <p>The minutes, subject to the agreed amendment, were accepted by Members as a true and accurate record of the previous meeting.</p>	<p>IMO</p> <p>IMO</p>
4.	<p>ACTIONS ARISING</p> <p>All actions arising were either complete or on the meeting agenda apart from the following:</p> <p><i>Action Point 1: IMO to undertake a thorough review of the current Rule Change and Issues Log and present to the IMO for discussion at the MAC.</i></p> <p>Ongoing. The IMO has undertaken the review of the log, however will present to the MAC in conjunction with the results</p>	

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	<p>of the Rule Participant meetings (as per action item 15.)</p> <p><i>Action Point 3: IMO to revisit the Market Rules Evolution Plan and present to the MAC.</i></p> <p>The IMO noted that the Plan is likely to be updated in the near future following the population of the Rule Participant Issues Log.</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>The IMO advised that it is still meeting with Rule Participants to canvass their ideas and concerns regarding the operational efficiency of the market with which to populate a separate external rule participant issues log. The IMO will endeavour to have completed this activity in four weeks time.</p> <p><i>Action Point 31: IMO to ensure that the RC_2009_07 (Under Construction in the RCM.) and related procedure change be progressed concurrently.</i></p> <p>Underway. The final report for RC_2009_07 is due to be published 21 April 2009. The IMO will ensure that the Procedure Change Process aligns with this date.</p> <p><i>Action Point 44: IMO to investigate the date for the August MAC meeting and reschedule if required.</i></p> <p>The IMO advised that this action point was of a procedural nature. The IMO proposed:</p> <ul style="list-style-type: none"> • May: no meeting, as only 2 weeks after new April date; • 10 June (as per original schedule); • 8 July (as per original schedule); • August: no meeting; and • Sept – Dec as per original schedule. <p>IMO to send updated MAC meeting requests to members, reflecting the new meeting schedule agreed.</p>	IMO
5a.	STATUS UPDATES	
	<p>(i) OVERVIEW</p> <p>The MAC noted the current overview of Market Rule changes.</p> <p>The IMO noted that there are 38 potential rule changes to be progressed at present. This number does not currently include potential rule changes and/or issues suggested by external Rule Participants as a result of meetings held with the IMO to populate a comprehensive potential rule change and issues log.</p>	
	(ii) UPDATES TO COMMISSIONING PROVISIONS	

Item	Subject	Action
	<p>how often publication of a commissioning plan must occur (as the information can become out of date within a short period of time) and to what purpose does the increased transparency serve.</p> <p>It was noted that commissioning plans are subject to regular change. The question was posed as to whether a commissioning plan must be published five times in one day if it is changed five times in one day. It was also advised that the varied quality of information provided by Market Participants exacerbates this issue. It was also noted that during commissioning the Market Participant may not necessarily have control over the quality of the information provided.</p> <p>System Management questioned the value of this information to Market Participants. In particular both Synergy and Alinta noted that this information is valuable, Alinta noting that day ahead information would be sufficient.</p> <p>After discussion, it was agreed that commissioning test plan information would only need to be provided to the IMO on a daily basis.</p> <p>System Management commented that the rule change currently proposes that it provide the IMO with the commissioning test plan information (proposed Amending Rule 3.21A.16). System Management suggested an alternative to this proposal, in that participants could provide both the IMO and System Management with its commissioning test plan information under clause 3.21A.4.</p> <p>The IMO advised that it will consider the comments made at the meeting and assess whether any additional amendments need to be made prior to writing the Draft Rule Change Report. The IMO encouraged MAC members to put forward a written submission as part of the consultative process on the proposal.</p>	<p>IMO</p> <p>IMO</p>
	<p>(iii) EXTENDING THE CAPACITY CREDIT TIMEFRAMES – EARLY CERTIFICATION [RC_2009_10]</p> <p>The IMO explained that the Reserve Capacity Application Timeframes concept (two issues) was presented in December and February.</p> <p>One of the issues was translated into RC_2009_11 (first submission period recently closed) and the other has been translated into this Rule Change Proposal, which is currently out for its first round of submissions and can be found on the IMO web site.</p> <p>The IMO explained that this rule change proposal was only for noting since the concept paper upon which it is modelled has already been assessed by MAC. The MAC noted the paper.</p>	

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	<p>(iv) MINOR AND TYPOGRAPHICAL RULE CHANGE [PRC_2009_16]</p> <p>The IMO explained that this was the second of four minor and typographical rule change proposals intended to be presented this year.</p> <p>It was advised that the IMO's market rule walk-through series had discovered a number of minor and typographical errors which had resulted in a greater than usual number of such errors being addressed in the rule change process.</p> <p>The MAC unanimously agreed to progress this Rule Change Proposal, as such it was agreed that the IMO formally submit RC_2009_16.</p>	IMO
	<p>(v) TRANSPARENCY OF CAPACITY CREDIT ALLOCATION [RC_2009_17]</p> <p>In accordance with sub-clause 10.5.1(f)(iv) of the Wholesale Electricity Market Rules, the number of Capacity Credits held by each supplier, for each Reserve Capacity Year, is published as public information on the IMO web site.</p> <p>At present, the IMO publishes the aggregated number of Capacity Credits assigned to each Market Participant. For those market participants with just one Facility, this will represent the size of that facility. Market Participants with a portfolio of generation and DSM capacity are subject to a lower level of transparency.</p> <p>In the interests of increasing the level of transparency and for the avoidance of discrimination, the IMO proposed to publish the amount of Capacity Credits held in relation to each Facility, rather than a summary for each Market Participant as is the current practice.</p> <p>The MAC unanimously agreed to progress this Rule Change Proposal, as such it was agreed that the IMO formally submit RC_2009_17.</p>	IMO
	<p>(vi) RESERVE CAPACITY REFUND PRICE CALCULATION [PRC_2009_18]</p> <p>In short, the IMO posited that the interpretation of 4.26.1 and 4.29.1 is ambiguous and can be applied two alternative ways. In the absence of clarity within the Market Rules, the IMO considered that there are three options available for settlement purposes. The IMO recommends the adoption of Option Two (in that the methodology in 4.29.1 be applied to both the calculation of Reserve Capacity Payments and Capacity Cost Refunds). This ensures that both payments and refunds are consistently applied and take into the account oversupply via the Excess Capacity Adjustment.</p> <p>The IMO advised that although this rule change proposal had</p>	

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	<p>surfaced in order to correct a potential manifest error which would generally qualify it to be fast-tracked, the IMO decided that it would be progressed via the standard rule change process as there were several solutions and therefore it is inappropriate to fast track.</p> <p>The IMO posited that clause 4.26.1 should have been amended to reflect the calculation methodology in 4.29.1 when the ECA concept was introduced (August 2006). A member noted that this interpretation was correct and this rule change is as a result of a manifest error introduced by the rule change regime prior to Market start. Given this a member suggested that the IMO should ensure that a comprehensive analysis of each Rule Change Proposal is undertaken in order to ensure that future errors are not introduced unintentionally. The IMO notes this suggestion..</p> <p>The MAC unanimously agreed to progress this Rule Change Proposal, as such it was agreed that the IMO formally submit RC_2009_18</p>	
5b.	STATUS UPDATES – WORKING GROUP UPDATE	
	<p>(i) WORKING GROUP OVERVIEW AND CURRENT MEMBERSHIP</p> <p>The MAC noted the Working Group overview and current membership.</p> <p>IMO to replace Rachael Smith with Bill Truscott on the SM Procedure Change Working Group.</p>	IMO
	<p>(ii) RENEWABLE ENERGY GENERATION WORKING GROUP</p> <p>Terms of reference: The IMO noted that the Market Rules allow the MAC to nominate a Working Group comprised of Rule Participants. This precludes the input of both potential developers and the Office of Energy (the Office of Energy is not a Rule Participant, yet currently chairs this Working Group).</p> <p>In the MAC Constitution and Operating Practices concept paper the IMO proposes that the Market Rules be relaxed in order to allow other interested stakeholders to be members of MAC appointed Working Groups.</p> <p>In the interim, the IMO proposed that the membership of the Working Group be amended as follows:</p> <ul style="list-style-type: none"> • The IMO to undertake the role of the Chair and the Secretariat; • An Observer member status be included in the ToR; and • The Office of Energy representative to be noted as an 	

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	<p>observer member of the Working Group.</p> <p>The MAC unanimously agreed to this solution. Additionally the IMO to add Brad Huppatz from Verve Energy to the membership list.</p> <p>The IMO added that membership on the Working Group should not be limited and that anyone who wishes to contribute may do so. It was noted that Pacific Hydro will be an 'additional observer' on the Working Group.</p> <p>System Management agreed to nominate a permanent member for the Working Group and follow up with Western Power Networks regarding its representative.</p> <p>IMO to amend the membership list in the Working Group's ToR as agreed.</p> <p>Working Group Update: The MAC was advised that the Working Group had held a meeting on 23 April 2009 and tabled the SKM scoping document for feedback.</p> <p>The IMO noted that this is an important issue and advised the MAC that it had proposed to engage the services of a dedicated project manager to manage the work program. It was noted that the work program and the project manager would cost in the region of \$360 - \$500,000. The Working Group provided unanimous support for engaging a consultant and undertaking the work program.</p> <p>MAC members noted support for this, and also noted that they are prepared to commit resources to the overall project to facilitate timely delivery of outcomes.</p> <p>The IMO agreed to circulate the SKM scope of works document for comment from the MAC (within two weeks).</p> <p>The IMO noted that the funding of the work program and consultant is to be included as a separate line item in the IMO's operational plan.</p>	<p>IMO</p> <p>SM</p> <p>IMO</p> <p>IMO</p>
5c.	<p>PROGRESS AGAINST MARKET RULES EVOLUTION PLAN</p> <p>The MAC noted the progress against the Market Rules Evolution Plan. In particular:</p> <p>Supplementary Reserve Capacity (SRC) provisions: The IMO informed MAC that a 'workshop' had been held on 28 April 2009 allowing interested parties to air views on the merits or lack thereof of implementing RC_2008_34: Funding of SRC in the event of Capacity Credit cancellation.</p> <p>The IMO noted that prior to the workshop the support for this Rule Change Proposal was divided. The IMO advised that the workshop had shown that support for the rule change had</p>	

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	<p>notably fallen away.</p> <p>Prudential requirements and default provisions: The IMO stated that an internal working paper regarding prudential requirements and default provisions had been drafted. The Chair commented that all providers of prudential security should keep abreast of this issue.</p> <p>Interim steps to improve balancing: The IMO noted that its Board requested that a project be initiated to determine whether the current market design can support competitive balancing. The IMO has contracted Jim Truesdale (Concept Consulting) to undertake an initial assessment in this regard.</p> <p>Following a request from a MAC member, the IMO agreed to arrange for Jim Truesdale from Concept Consulting to present the results of this study, once complete.</p>	IMO
	<p>(i) ANCILLARY SERVICES STUDY DRAFT REPORT</p> <p>The IMO advised that under clause 3.15.1 it is required to perform an Ancillary Service standards and requirements study once in every five year period. The study was brought forward due to the power system incident on 28 November 2007 that saw the frequency drop to 48.75 hz and resulted in involuntary load shedding of some domestic consumers.</p> <p>The IMO commissioned SKM to carry out the study in January 2009. The first submission period on SKM's draft paper is open until 18 May 2009. The IMO encouraged MAC members to respond to the recommendations in their submissions.</p> <p>It was advised that any rule changes resulting from the study would be implemented near the end of the year.</p>	
5d.	STATUS UPDATES – PROCEDURE CHANGES	
	<p>(i) OVERVIEW</p> <p>The MAC noted the overview of recent and upcoming IMO and System Management Procedure Change Proposals.</p>	
6a.	<p>CONCEPT PAPER: OVERVIEW</p> <p>The MAC noted the Concept Paper overview.</p>	
	<p>(i) MARKET ADVISORY COMMITTEE CONSTITUTION AND OPERATING PRACTICES [CP_2009_03]</p> <p>The IMO presented the MAC constitution and operating practices Concept paper. The PowerPoint presentation outlining the background to the review and proposed solutions to issues identified by the IMO is attached as appendix one to these minutes.</p>	

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8.	OTHER MATTERS The IMO noted that it intends to update the contact details of all MAC Members since these details had not been updated since October 2008. To that end, the IMO to circulate the current MAC member contact detail spreadsheet to all members for updating. The Chair thanked Kristian for his contributions at the MAC meetings, and wished him well with his new role at Horizon.	IMO
9.	NEXT MEETING Scheduled for 10 June 2009.	
CLOSED The Chair declared the meeting closed at 3:45pm.		

Appendix 1: MAC Constitution and Operating Practices PowerPoint Presentation

(Attached as a separate file)

Market Advisory Committee Constitution and Operating Practices

CP_2009_03

29 April 2009

- IMO must annually review the composition of the MAC
- 2009 annual review- IMO identified a number of areas for improvement:
 - no defined processes or formal criteria for undertaking annual review
 - Lack of transparency in IMO appointment decisions
 - Lack of clarity between the MRs and the constitution
- IMO established a project:
 - to review the relevant provisions in the Market Rules and MAC Constitution
 - Set defined appointment criteria and terms, enabling transparency around IMO's decisions
 - Better clarify and enhance the operating practices of the MAC
- IMO decided to leave the 2009 membership of the MAC unchanged while undertaking the review

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.

Background:

- Current MAC constitution developed in 2006, based on similar committees and amended to suit the WEM.
- Public submissions were invited during the development process.

Inaugural MAC membership:

- Original TMAC members,
- Input from industry groups
- nominations received from the Minister and ERA (for observers and as a representative for small customers)

Current membership requirements

- 3 generators, 1 representing Verve;
- 1 member representing Contestable Customers;
- at least 1 and not more than 2 members representing Network Operators, 1 representing Western Power Networks;
- 3 retailer members, 1 representing Synergy;
- 1 member nominated by the Minister to represent small consumers;
- 1 member representing System Management;
- 1 member representing the IMO;
- a chairperson of the MAC (from IMO); and
- the Minister and the ERA may also appoint representatives to attend MAC meetings as observers.

3 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
- **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:** Representative of the Minister and ERA.

Goal: ensure the standard of representation on the MAC remains consistently high, and that it operates in the best interests for the WEM

Issues to assess/resolve:

- **Representation and Proxies** (*individual vs. company appointments*)
- **Appointment Process**
- **Eligibility Criteria and Key Skills** (*criteria for assessment*)
- **Tenure** (*frequency for review and length of service*)
- **Responsibilities**
- **Removal and Replacement of Members**
- **Reappointment**
- **Operating Practices** (*frequency of meetings, voting rights, types of membership and optimal size and mix*)
- **MAC Working Groups** (*reporting relationships and optimal representation*)

Any others?

In order to provide a mechanism to assess the current MAC annual review process and operating practices against with respect to the issues identified, the IMO reviewed the composition and operation of similar committees in other similar jurisdictions and industries.

These were compared to the current situation and form the basis for the proposed changes contained in the MAC Constitution and Operating Practices concept paper.

Proposed solutions: Representation and proxies

- discretionary membership:
 - will be of individuals representative of a class.
 - will not be able to send a proxy by right as they have been chosen for their personal skills, qualities and qualifications.
 - able to recommend an appropriate proxy (from any organisation which belongs to the same class) who must have similar skills and experience.
 - Permission for the attendance by proxies will be at the Chairperson's discretion
- compulsory membership:
 - will be of individuals, representative of the entity to which they correspond to.
 - will be able to send appropriate proxies with similar skills and experience to represent the entity at meetings

Proposed solutions: Appointment Process



- an entity can nominate an individual for as many categories relevant to the entity and for which the nominee meets the eligibility criteria.
- the IMO only appoint one individual to serve on the MAC (excluding the Chair)
- the IMO will create a document “Guidelines for the appointment of members of the MAC”
- nominees provide a current CV and cover letter outlining their relevant experience and which addresses the eligibility criteria.

Proposed solutions: Eligibility Criteria and Key Skills



- 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
- 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
- the IMO will expect nominations of people at a middle management level or above.

- membership for the 2010 MAC for all classes will be either 1 or 2 years (initiate rotation policy)
- MAC members, irrespective of class, be appointed for two years (after 2010 members have expired)
- membership of discretionary classes rotated every 2 years to ensure new and existing MPs have an equal opportunity to be represented on the MAC and that the MAC evolves as the market matures
- 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 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

Responsibilities of members

- the MAC Constitution will include further details of the responsibilities of members
- the MAC Constitution will include a provision to remove members who fail to meet these stated responsibilities as part of the IMO's annual review.

Removal and Replacement of members

- 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.
- 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.

Proposed solutions: Reappointment and operating practices



Reappointment

- there will be no restrictions on reappointment to the MAC
- 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.

Operating Practices

- the role of observer will be removed, with ERA and OoE to become compulsory class full members on the MAC
- other persons will, at the discretion of the Chairperson, be allowed to attend MAC meetings.
- the Market Rules will state that the MAC is a non-voting committee
- clause 2.3.5 of the Market Rules will be redrafted to refer to Market Generators and Market Customers rather than generators and retailers

Proposed solutions: Operating Practices continued...



Operating Practices cont.

- 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
- the MAC Chair will be given the discretion to approve late papers for a MAC meeting

The IMO does not propose any changes to either of the following:

- the six monthly frequency requirements and the alibility 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
- 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

Proposed solutions: MAC Working Groups

- MRs be expanded to allow other interested stakeholders to be either full or observer members of MAC appointed Working Groups
- the ToR for all Working Groups be reviewed and updated for consistency
- the MAC constitution be amended to recognise the formal relationship between the MAC and its Working Groups
- 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
- 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".

The IMO recommends that the MAC:

- **Discuss** the IMO's proposed amendments to improve the review process and operating practices;
- **Confirm** whether the IMO's list of issues addressed is complete;
- **Identify** any further issues that the IMO should address as part of this review; and
- **Note** that if agreed then the IMO will:
 - **Amend** the MAC Constitution as relevant (noting that the IMO must invite public submissions when developing and amending the constitution – clause 2.3.4);
 - **Develop** a Rule Change Proposal to implement the changes proposed in this paper;
 - **Amend** each Working Group's Terms of Reference as relevant; and
 - **Prepare** "Guidelines for the appointment of members of the MAC"