

Independent Market Operator

Market Advisory Committee

Minutes

Meeting No.	22
Location:	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Wednesday 9 September 2009
Time:	Commencing at 2:00pm until 4:00pm

Attendees		
Allan Dawson	Independent Market Operator (IMO)	Chair
Troy Forward	IMO	Member
Geoff Gaston	Perth Energy	Member
Steve Gould	Landfill Gas & Power(LGP)	Member
Ken Brown	System Management	Member
Steve MacLean	Synergy	Member
Andrew Everett	Verve Energy	Member
Corey Dykstra	Alinta	Member
Shane Cremin	Griffin Power	Member
Chris Brown	Economic Regulation Authority	Member
Anne Hill	Office Of Energy (OoE)	Proxy
Peter Huxtable	Water Corporation	Member
Also in attendance		
Michael Carr	Tenet Consulting	Presentation
Fiona Edmonds	IMO	
Keith Wignall	IMO	
Ken Phua	IMO	Minutes
Apologies		
Jason Banks	OoE	Member
Peter Mattner	Western Power	Member

Item	Subject	Action
1.	WELCOME The Chair opened the meeting at 2:00pm and welcomed members to the 22 nd meeting of the Market Advisory Committee (MAC).	

Item	Subject	Action
	The Chair introduced Keith Wignall, a new member of the IMO's Market Development team, to the MAC.	
2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>Apologies were received from Peter Mattner (Western Power).</p> <p>It was noted that Anne Hill will be the proxy for Jason Banks for the next three months.</p> <p>Andrew Everett from Verve Energy noted that Wendy Ng will be performing his role at Verve Energy for the next 12 months, this includes attendance at the MAC meetings. The Chair thanked Andrew for contribution to the MAC.</p>	
3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The Minutes of MAC Meeting No. 21, held on 14 July 2009, were circulated prior to this meeting. The Chair invited comments. No further comments were noted for the minutes.</p> <p>The minutes were accepted by MAC members as a true and accurate record of the previous meeting.</p>	
4.	<p>ACTIONS ARISING</p> <p>The actions arising were either complete or on the meeting agenda. The following exception was noted:</p> <ul style="list-style-type: none"> ○ Item 87: The IMO noted that it had met with Alinta and Perth Energy to discuss funding of SRC following its rejection of RC_2008_34. The IMO noted that as an outcome it was agreed that the funding of SRC provisions in the Market Rules will not be revisited at the present. This issue is recorded in the rule change and issues log that the IMO maintains. The IMO noted that this does not seem to be a high priority at the moment. The MAC agreed with this position. The IMO committed to revisit this issue with again in six months time. <p><i>Action: The IMO to revisit funding of SRC again in six months.</i></p>	IMO
5a.	<p>(i) OVERVIEW</p> <p>The IMO noted that a minor and typographical Rule Change Proposal is currently being developed.</p> <p>It was agreed that the IMO will consider if transitional rule changes should be maintained in the Market Rules due to concerns raised at the meeting that they clutter the Market Rules unnecessarily.</p> <p><i>Action: The IMO to consider if transitional rule changes are necessary in the Market Rules.</i></p>	IMO

Item	Subject	Action
	<p>(II) DETERMINATION OF CAPACITY SHORTFALL FOR CURTAILABLE LOADS [RC_2009_29]</p> <p>The IMO noted that the Rule Change Proposal: Determination of Capacity Shortfalls for Curtailable Load (RC_2009_29) will be processed as a Fast Track Rule Change as it meets the requirements of clause 2.5.9(b) in that this change is required to correct a manifest error.</p> <p>This proposal corrects the Amending Rule 4.26.2D before the commencement of amendments resulting from the Rule Change Proposal: Demand Side Management – Operational Issues (RC_2008_20) on 1 October 2009.</p> <p>In particular, the IMO noted that the current methodology for determining the Capacity Shortfall for capacity certified as Stipulated Default Load, as amended under RC_2009_20, does not specify that clause 4.26.2D(b)(ii) will only apply as a result of System Management's Dispatch Instruction (as shown in clause 4.26.2D(a)(ii) for Reserve Capacity expected to be available). As a result a Curtailable Load which has not been requested by System Management to drop to its Stipulated Default Load and so is operating normally in the market will also be required to make Capacity Cost Refunds.</p> <p>Water Corporation noted a typographical error in the proposal. "Market Generator" should read "Market Customer". The IMO agreed to amend the Rule Change Proposal accordingly.</p> <p>Griffin Energy noted the issue of System Management issuing a partial Dispatch Instruction and whether the refund is based on this amount or the full available amount. The IMO agreed to consider this further.</p> <p>The MAC agreed that this rule change be progressed using the Fast Track Rule Change Process.</p> <p><i>Action: The IMO to correct the typographical error in RC_2009_29.</i></p> <p><i>Action: The IMO to progress this rule change through the Fast Track Rule Change Process.</i></p> <p><i>Action: The IMO to consider the impact of partial dispatch instructions for Stipulated Default Loads.</i></p>	<p>IMO</p> <p>IMO</p> <p>IMO</p>
5b.	<p>(i) ABILITY FOR MARKET CUSTOMERS TO MAKE BILATERAL SUBMISSIONS (NO PAPER)</p> <p>Synergy noted that current market arrangements mean that only Market Generators can provide bilateral nominations for a Market Customer. A Market Participant who is a Market</p>	

Item	Subject	Action
	<p>Customer is unable to nominate any excess energy to a third party via a Bilateral Submission and would have to go through a Market Generator. Synergy contended that this is a limitation in the market.</p> <p>Synergy proposed a concept of allowing Market Customers to directly re-nominate any excess energy from its bilateral to a third party.</p> <p>Synergy noted that in the gas market this is possible, but with electricity there is no market mechanism to allocate supply through third party contracts.</p> <p>Synergy contended based on advice received by the IMO, that there would be only minor costs associated with modifying the IMO systems to support this change. The IMO questioned the currency of this advice in light of recent experiences with IT development and suggested that a further review of this cost should be undertaken.</p> <p>Synergy noted that the proposed concept is consistent with Market Objectives and would improve efficiency. It would not limit what Market Generators do, but would provide Market Customers with additional options. Synergy contended that it would not affect STEM transactions.</p> <p>The IMO queried if excursions from Resource Plans will incur twice the amount of UDAP and DDAP.</p> <p>Griffin suggested that the proposed concept would improve liquidity in the market as Synergy has an excess supply of capacity through its relationship with Verve. The IMO queried if this a potential Market Power issue.</p> <p>Alinta queried whether this change would introduce a secondary market alongside the primary market.</p> <p>Griffin Energy noted that a retailer making use of the proposed feature would basically become a DSM aggregator, and that this may be advantageous. Griffin Energy noted that Synergy potentially has access to excess capacity that could possibly be used more efficiently in the market.</p> <p>Synergy suggested that this is a simple and clean approach and does not add complexity to balancing. Alinta noted that while this additional liquidity and flexibility is good for the market, it is not comfortable with the proposal due to the current size of both Synergy and Verve Energy's market share. Alinta noted that it wanted to see more detail to consider how this proposed concept will work.</p> <p>The IMO noted that this would possibly constitute a significant change to the current market design and consequently queried the urgency of this rule change. Especially in light of other developments in the market (eg. Balancing and Oates Review).</p>	

Item	Subject	Action
	<p>In response, Synergy commented that this rule change should progress after other developments in the market (as outlined by the IMO) are completed within 1 to 2 months. Synergy also noted that this is not a fast track request. The IMO agreed to formally log this issue and would wait for further information to become available on Balancing and the advice of the Minister.</p> <p>Alinta suggested that this requires a concept paper which would include an outline of the impact on the market objectives. The IMO and Synergy agreed to develop the concept paper together for further discussion by the MAC.</p> <p>A copy of Synergy's presentation has been included as Appendix One to these minutes.</p> <p><i>Action: The IMO and Synergy to develop the concept paper for the ability for Market Customers to make bilateral submissions.</i></p>	IMO
5c.	<p>WORKING GROUP OVERVIEW AND CURRENT MEMBERSHIP</p> <p>The IMO contended that due to the large number of changes recently to membership of the Renewable Energy Generation Working Group (REGWG) membership should be defined on an organisation rather than individual basis. The IMO considers that this would reduce the number of times the terms of reference would need to come to the MAC for approval.</p> <p>LGP noted that it is prudent to allow the size of the REGWG to stay in its current form, as it allows all members to put forward views. If size becomes obstructive in the future, the option to reduce the size of the group should still be there.</p> <p>The IMO noted the REGWG views of keeping the membership structure in its current form.</p> <p>Griffin Energy noted that some members in the group might be considered to be under represented if the group size is reduced.</p> <p>The Chair accepted the points made by members on the size and composition of the REGWG and to keep the membership structure as it currently is.</p>	
5d.	<p>STATUS UPDATES - PROCEDURE CHANGES</p> <p>The MAC noted the overview of recent and upcoming IMO and System Management Procedure Change Proposals.</p>	
6a.	<p>CONCEPT PAPERS: OVERVIEW</p> <p>The IMO noted that there are a number of concept papers currently being progressed. In particular, the MAC Constitution and Operating Practices Concept Paper (CP_2009_03) and the</p>	

Item	Subject	Action
	Prudential Security Issues Concept Paper (CP_2009_09).	
7a.	<p>MARKET DEVELOPMENT BUDGET 2009/10</p> <p>This paper provided a breakdown of the Market Development service area budget for the 2009/10 financial year. This additional information will assist the MAC and the IMO in its prioritisation of work (as part of the Market Rules Evolution Plan process).</p> <p>The Chair asked the MAC for comments on the expenditure for Market Development Budget for 2009/10. The Chair explained that this expenditure supports the work determined by the MAC.</p> <p>The IMO has commenced its review of the Allowable Revenue for the next Review Period and noted that the rule and procedure change development budget presented for the 2009/10 year (\$300k for Consultants and \$300k in capital IT changes) is likely to form a baseline amount for future years in the allowable revenue submission to the ERA.</p> <p>Alinta queried if the technical advice expenditure is external. The Chair indicated that it was.</p> <p>The IMO explained that the idea of presenting this budget is to provide a transparent process for the IMO's Allowable Revenue submission.</p> <p>The IMO welcomed any comments and views on the Market Development Budget put forward.</p> <p><i>Action: MAC members to provide comments to the IMO on Market Development Budget 2009/2010.</i></p>	Members
7b.	<p>RENEWABLE ENERGY GENERATION WORKING GROUP UPDATE AND WORK PROGRAMME</p> <p>The Chair invited Michael Carr from Tenet Consulting (Tenet) to provide a presentation to the MAC of the programme of work identified as a result of Sinclair Knight Merz's study "Impacts of Intermittent Generation".</p> <p>An overview of Tenet's presentation is provided as Appendix Two to these minutes.</p> <p>Alinta queried if Work Package Two considers individual facilities or a generation portfolio. Tenet commented that this work package will consider local impacts on the SWIS and also a technology portfolio. Synergy queried if the MAC will be consulted during this process. The IMO commented that deliverables will be consulted with the REGWG, but the tender selection process will be performed by the IMO to aid expediency.</p>	

Item	Subject	Action
	<p>System Management commented that it will need to provide input into Work Package Three, and that some work currently being undertaken which will be able to feed into this process. Tenet commented that the assumption is that the consultant will be privy to the information provided by System Management but the tenderer(s) will provide their recommendations independently in its deliverable.</p> <p>The IMO noted that it is also keen to see the work Synergy has conducted in this area, in order to have a broader understanding of what all the issues are. Synergy noted that it will confirm with the IMO whether it is in a position to make this information available.</p> <p>The IMO commented that four work packages will strengthen the technical rules where appropriate.</p> <p>Tenet explained that the results from Work Package One will feed into the other Packages, and that Work Packages Three & Four will be offered in a combined RFT.</p> <p>Griffin expressed its uncertainty about the consultants' strength of knowledge in the Western Australian market. Tenet assured the MAC members that the consultants (or tenderer(s)) will not be learning at the members' expense.</p> <p>Tenet noted that the deadline for all four Work Packages is March 2010.</p> <p>The IMO noted that it is keen for the work to move forward quickly so that it is in time for the certification year. The IMO considers that this is needed to send investment signals by early February and have the rules modified before October 2010.</p> <p>Alinta expressed concern regarding the challenging timeframes to complete all work packages by March 2010. The IMO noted that Work Package Two will need to be completed by the end of February at the latest and will be expedited if possible.</p> <p>The Office Of Energy commented that the work should be progressed as swiftly as possible as the market cannot afford to lose another year.</p> <p>The Chair noted that there needs to be a balance of quality and timeframes.</p> <p>The Chair thanked Tenet for the presentation.</p> <p><i>Action: Synergy to confirm whether it is appropriate that it submits its work relating to Work Package Three to the IMO.</i></p>	<p>Synergy</p>

Item	Subject	Action
7c.	GENERAL BUSINESS The Chair advised the MAC that Patrick Peake from Perth Energy has been unwell. The MAC sends Patrick their best regards and for a speedy recovery.	
8.	NEXT MEETING The next meeting is scheduled for 14 October 2009.	
CLOSED The Chair declared the meeting closed at 3.45pm.		

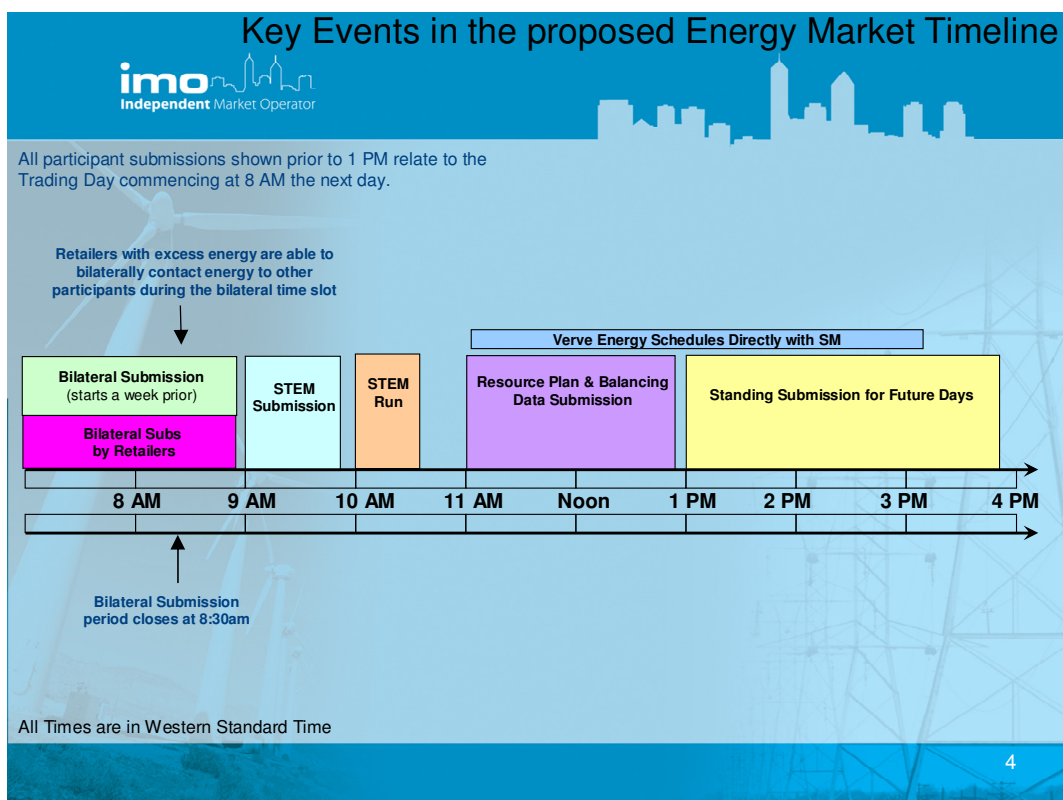
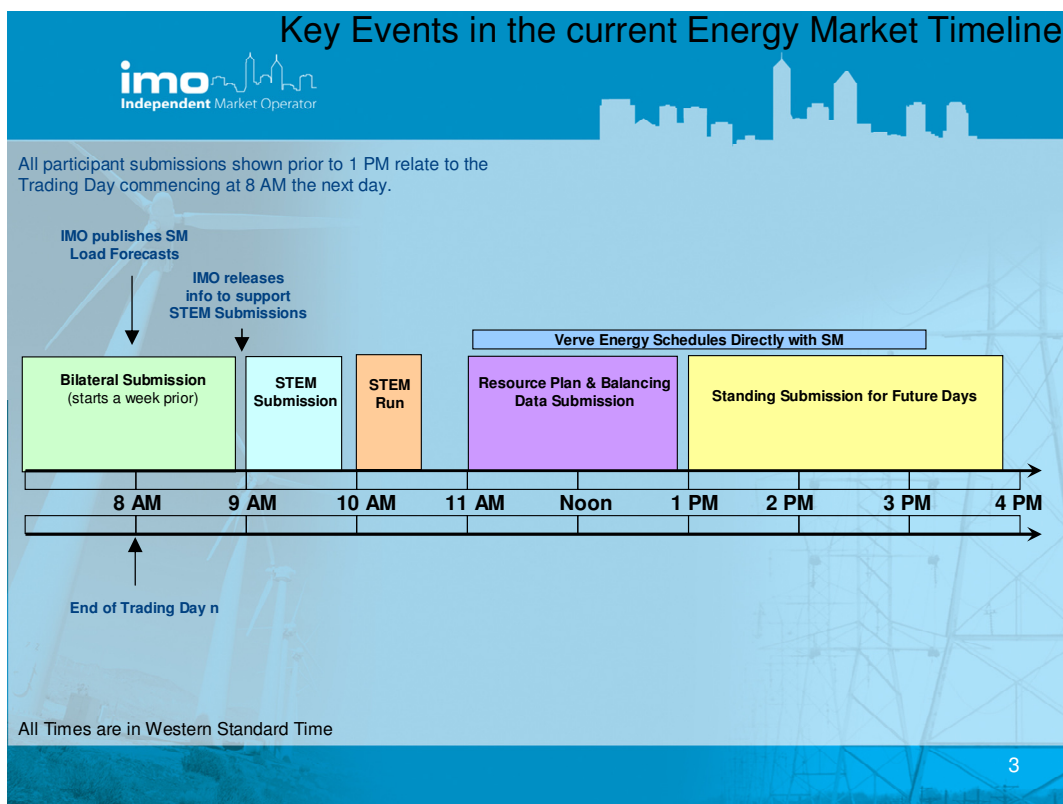
APPENDIX ONE:



This slide features the IMO logo (Independent Market Operator) in the top left corner. The background is a solid blue color with a white silhouette of a city skyline on the right side. The title 'Synergy's Proposal' is in the top right corner. The slide contains two bullet points in a white, sans-serif font. Below the text, there is a horizontal band with a lighter blue background, featuring a white silhouette of a wind turbine on the left and a white silhouette of a power line tower on the right.


Synergy's Proposal

- **Current Situation:** Only Market Generators can provide a bilateral nomination for a Market Customer. A Market Participant who is a Market Customer only is unable to re-nominate any excess energy to a third party via a bilateral submission – would have to go through one of its contracted Market Generators.
- **Synergy's Proposed Situation:** Market Customers directly re-nominate any excess energy from its bilateral to a third party without needing to disclose details to any external parties.



- This is seen as complying with the Market Objectives through promoting competition and improvements in efficiency.
- It avoids reliance upon Market Generators removing a nomination limitation applied to sole Market Customers.
- This will not impact any other market process, for instance - Misbalance resulting from such nominations would be handled in the usual manner either via STEM in the case of a Market Customer over nomination or through the balancing mechanism in the case of a nomination error.

APPENDIX TWO:




Renewable Energy Generation Works Package

MAC Briefing
9 September 2009

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in alliance with **NAVIGANT**
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Agenda



- Program overview
- Works package scope review
- Packaging & staging
- Program schedule
- Next Steps

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Program Overview



- SKM study identified four separate work packages:
 - Work Package 1: Impacts from State and National Policy
 - Work Package 2: Capacity & Reliability Impacts
 - Work Package 3: Frequency Control Services
 - Work Package 4: Technical Rules
- Tenet Consulting engaged to manage tender preparation and delivery of the work program.

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Review Work Scope – Package 1 Impacts of State & National Policy



- **Aims**
 - To identify existing policies or regulations that may act as an impediment to intermittent generators or dispatchable renewable energy generators locating in the SWIS.
 - To identify and provide strategies to address impediments to increased penetration of intermittent generators or dispatchable renewable energy generators in the SWIS, resulting from existing or proposed State and Federal Government policies or regulations.
 - To determine the likely scenarios for the generation mix in the SWIS as a result of State and Federal Government policies.

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Review Work Scope – Package 1 Impacts of State and National Policy



• Deliverables

- A model of the projected generation mix in the SWIS to 2030, detailing all relevant assumptions. Primary focus will be on period 2010-2020.
- Various scenarios modelled to 2030, for the projected capacity of intermittent generators, dispatchable renewable energy generators, and overall generation mix in the SWIS resulting from existing and proposed policies and regulations.
- Strategies for Government to address policy and other impediments to increased penetration of intermittent generators or dispatchable renewable energy generators in the SWIS, as a result of existing and proposed State and Federal Government policies and regulations.
- Recommendations for Market Rule changes arising from the analysis.

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Review Work Scope – Package 2 Capacity and Reliability Impacts



• Aims

- To determine the contribution made by intermittent generators to system security and capacity.
- To identify any changes required to the required levels of reserve capacity resulting from increased penetration of intermittent generators in the SWIS.
- To identify any changes required to the RCM procurement process resulting from the above analysis.
- To identify any additional costs and resulting charges, required as a result of increased penetration of intermittent generators in the SWIS.

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Review Work Scope – Package 2 Capacity and Reliability Impacts



- **Deliverables**

- Recommendations on appropriate methodologies for the assessment of the capacity contribution made by Intermittent Generators.
- Recommendations on revisions to the current capacity certification process for Intermittent Generators to reflect the identified capacity assessment methodologies.
- Recommendations on the procurement process for reserve capacity and the methodology for allocation of costs.
- Recommendations for Market Rule changes resulting from this analysis.

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Review Work Scope – Package 3 Frequency Control Services



- **Aims**

- To determine whether existing spinning reserve, load following, curtailment and demand response criteria in the SWIS are adequate for the forecast levels of intermittent generation, and the projected scenarios for the overall generation mix. The scenarios and penetration levels at which additional services are required will be identified.
- To determine whether intermittent generators can be used to provide the frequency control services required.
- To determine the costs and the method of allocation of these costs associated with the provision of frequency control services for the forecast penetration levels of intermittent generation.

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Review Work Scope – Package 3 Frequency Control Services



- **Deliverables**

- A summary of the optimum level and response criteria of each frequency control service identified for the forecast levels of intermittent generation.
- A summary of the costs associated with the provision of frequency control services for the forecast levels of intermittent generation, and recommendations on the method for allocation of these costs to participants.
- Recommendations for Market Rule changes resulting from this analysis.
- Recommendations for Technical Rules changes resulting from this analysis.

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Review Work Scope – Package 4 Technical Rules



- **Aims**

- To evaluate the appropriateness of the current Technical Rules as applied to intermittent generators, and recommend changes resulting from increased penetration of intermittent generators in the SWIS.

- **Deliverables**

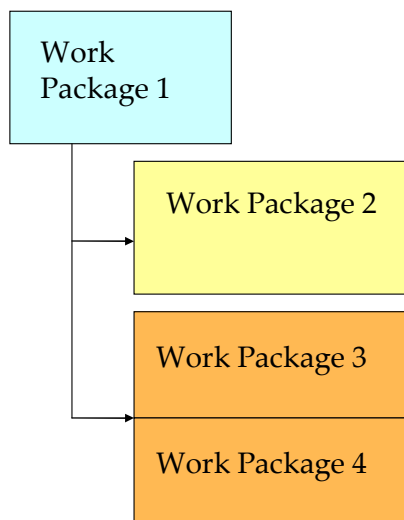
- Assessment of both the technical and market-based mitigation measures available to manage network stability issues associated with increased intermittent generation.
- Recommendations for Technical Rules changes resulting from this analysis.
- Recommendations for Market Rule changes resulting from any market-based mitigation measures identified in this analysis.

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Packaging & Staging



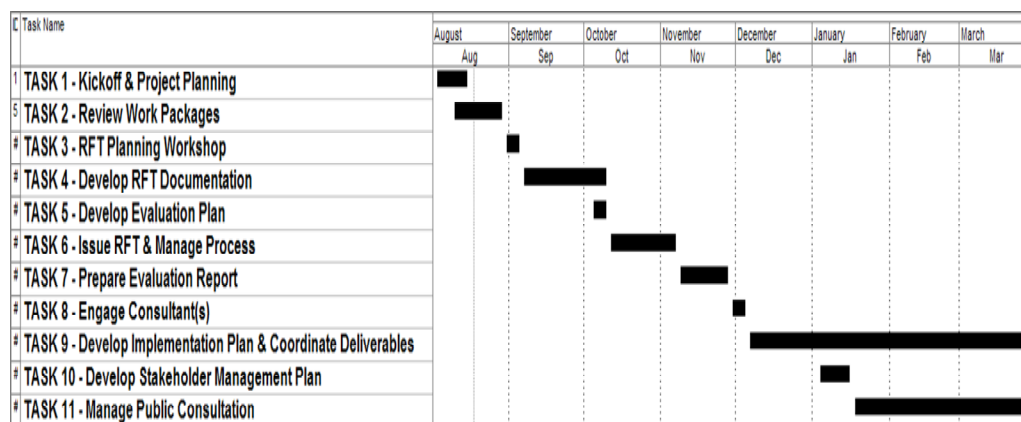
- WP #1 commences first & deliverables are inputs into WP # 2 - 4
- WP #3 & 4 are packaged as separable portions within the same RFT

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Program Schedule



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Next Steps



- Draft RFT documents (Mid September)
- Finalise & Issue RFT documents (Early October)