

Independent Market Operator

Market Advisory Committee

Minutes

Meeting No.	31
Location:	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date:	Wednesday 8 September 2010
Time:	Commencing at 2.03 - 5.18 pm

Attendees	Class	Comment
Allan Dawson	Chair	
Troy Forward	Compulsory – IMO	
Stephen MacLean	Compulsory – Customer	
Ken Brown	Compulsory – System Management	
Andrew Everett	Compulsory – Generator	
Neil Gibbney	Compulsory – Network Operator	Proxy
Corey Dykstra	Discretionary – Customer	
Steve Gould	Discretionary – Customer	
Peter Huxtable	Discretionary – Contestable Customer Representative	
Andrew Sutherland	Discretionary – Generator	
Shane Cremin	Discretionary – Generator	
Chris Brown	Observer – ERA	
Tony Perrin	Minister's appointee/ Small Use Customers	
Apologies	Class	Comment
Peter Mattner	Compulsory – Network Operator	
Also in attendance	From	Comment
Fiona Edmonds	IMO	Presenter
Ben Williams	IMO	Presenter
Jenny Laidlaw	IMO	Minutes
John Rhodes	Synergy	Observer
Pablo Campillos	DMT Energy	Observer
Jacinda Papps	IMO	Observer
Courtney Roberts	IMO	Observer

Item	Subject	Action
1.	WELCOME The Chair opened the meeting at 2.03 pm and welcomed members to the 31st meeting of the Market Advisory Committee (MAC).	

Item	Subject	Action
2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>An apology was received from Peter Mattner (Western Power).</p> <p>The following other attendees were noted:</p> <ul style="list-style-type: none"> • Neil Gibbney (proxy for Peter Mattner) • Ben Williams (Presenter) • Pablo Campillos (Observer) • Courtney Roberts (Observer) • Fiona Edmonds (Presenter) • John Rhodes (Observer) • Jacinda Papps (Observer) 	
3	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of MAC Meeting No. 30, held on 11 August 2010, were circulated prior to the meeting.</p> <p>The following amendments were agreed:</p> <p><u>Page 3: Section 3: 19 July 2010 Decision</u></p> <ul style="list-style-type: none"> • “Mr Corey Dykstra clarified that an A1/A2 decision, as outlined by Mr Kelly, was not the decision that was made by the MAC. ...Mr Dykstra agreed, considering that there may well be a time when <u>point at which</u> the MAC decides that there is no scope available under the hybrid model <u>to achieve the desired outcomes, particularly broader participation in Balancing and provision of Ancillary Services</u>. Mr Dykstra commented that if this happens were to occur then the MAC would <u>need to look again</u> at the options available. <p>Mr Kelly noted his understanding that no-one ...Mr Dykstra submitted <u>suggested</u> that the MAC had been put into a position where it could only really choose Pathway 1 or Pathway 2, <u>given the Oates Review process would demand some short term changes. Further and</u> as industry resources were insufficient to address the B/C options as well as the short term issues the MAC was left with looking at the hybrid model only. Mr Dykstra considered that the current decision did not remove the ability for industry to look at the B/C options later on.”</p> <p><u>Page 4: Section 3: 19 July 2010 Decision</u></p> <ul style="list-style-type: none"> • “Mr Dykstra noted that he was not sure how long that process was going to take. Mr Dykstra queried ... Mr Dykstra suggested that the MAC would need to <u>give take</u> time to see how the initial improvements were working <u>before continuing considering more fundamental changes to the market design</u>. Mr Sutherland ...” <p><u>Page 5: Section 3: 19 July 2010 Decision</u></p> <ul style="list-style-type: none"> • “Mr Forward noted that this was a <i>pathway</i> decision. Mr Dykstra responded ...Mr Dykstra repeated that the MAC had chosen not to 	

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	<p>accept endorse any of the options as put on the table by the MRDT. The Chair stated that his recollection was that there had been a decision for Pathway 1. Mr Dykstra disagreed, stating that the decision was to fix the problems.”</p> <p><i>Page 6: Section 3: 19 July 2010 Decision</i></p> <ul style="list-style-type: none"> “Mr Dykstra responded that if funding was available to undertake the analysis then the MAC could wait on the trigger to commence this work. The MAC would work to address the issues within the hybrid model, but then might decide to undertake the B/C analysis at a future point. Mr Cremin noted that he had raised this in Special Meeting No.3. Mr Sutherland preferred that funding for the B/C analysis was included as part of the current project.” <p><i>Page 8: Section 4a: Market Rules Design Problem Statement</i></p> <ul style="list-style-type: none"> “The Chair concluded that the first priority was a package addressing Balancing issues, including broader participation in Balancing, a clean Balancing curve, and UDAP/DDAP, and broader participation in Balancing. The Chair asked MAC members to review the list and assign priorities to the remaining issues.” <p><i>Page 19: Section 12: General Business</i></p> <ul style="list-style-type: none"> “Mr Cremin queried whether MAC members were aware of the Ministerial Decision Direction to waive the Capacity Cap Direction on Verve Energy for Muja A & B. Mr Cremin noted that the Ministerial Decision Direction had been tabled in Parliament on 9 July 2010. Mr Cremin queried whether any MAC members had been consulted about this decision, considering that it was a significant event for Independent Power Producers for the 3000 MW cap to be waived. The Chair offered to locate a copy of the Ministerial Decision Direction and circulate it to MAC members.” <p>Subject to the agreed amendments, the MAC endorsed the minutes as a true and accurate record of the meeting.</p> <p><i>Action Point: The IMO to amend the minutes of Meeting No. 30 to reflect the points raised by the MAC and publish on the website as final.</i></p>	IMO
4	<p>ACTIONS ARISING</p> <p>The actions arising were either complete or on the meeting agenda. The following exceptions were noted:</p> <p>Item 78: Mr Ken Brown noted that his team had been talking to stakeholders over the last two weeks and that he expected some results within a month, although the proposal would not be finished at that time. Some MAC members noted that they were yet to be contacted.</p> <p>The Chair noted the interconnection between this work and the work of the Rules Development Implementation Working Group (RDIWG). Mr Brown noted that he would provide a more thorough status update at the next MAC meeting.</p>	

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	<p>Item 90: Mr Tony Perrin noted that Western Power had raised concerns about whether it had the necessary powers under sections 41 and 42 of the Electricity Corporations Act to contract for a Network Control Service (NCS). Mr Perrin advised that the Office of Energy had requested a copy of the legal opinion obtained by Western Power, and was considering several options to address the issue, such as inclusion of a heads of power for NCS in the upcoming Electricity Legislation Amendment Bill. There was some discussion about whether the necessary heads of power already existed. Mr Neil Gibbney confirmed that, according to its legal advice, Western Power definitely did not have the necessary powers.</p> <p>Mr Gibbney noted that regulations would also be needed, and queried whether work on these could be started before the legislation had been passed. Mr Perrin responded that this work could be started if necessary. Mr Dykstra suggested that usually the Parliamentary Council would not start drafting regulations until the relevant legislation was approved. Mr Perrin stated that he and Mr Gibbney would discuss the matter further off-line and provide an update to the MAC at the next meeting.</p> <p>Item 92: Mr Ken Brown noted that he had not yet been able to talk to Mr Peter Mattner on this issue.</p> <p>Item 93: Mr Chris Brown confirmed that the ERA Secretariat was of the view that no additional changes to the NCS Rule Change Proposal (PRC_2010_11) were needed to support the ERA monitoring requirements, as these would be handled under the Access Code.</p> <p>Item 106: Mr Forward noted that the IMO will consider the issue of the appropriateness of early commissioning for Demand Side Programmes as part of its current review of Curtailable Loads, but could not promise to provide an outcome as part of the review due to timeline restrictions. However, the IMO will try to include a resolution to this issue if appropriate. Mr Dykstra considered that a resolution to this issue is appropriate, but noted that he understood Mr Forward's point. Mr Forward noted that he did not want this issue to delay the other proposed amendments arising from the review.</p>	
5a	<p>MARKET RULE CHANGE OVERVIEW</p> <p>Mr Andrew Sutherland requested an update on the status of RC_2010_08: Removal of DDAP uplift when less than facility minimum generation (MinGen). Mr Sutherland queried whether the Rule Change Proposal could be extended to include Capacity Cost Refunds.</p> <p>Mr Forward noted that the IMO's investigations found the benefit to the market in removing DDAP when less than MinGen totalled around \$40,000 per year, while the proposed amendments involved approximately \$70,000 in IT costs, technical advice of about \$30,000-\$40,000 plus ongoing assessment costs. Given the level of the implementation costs and the limited financial impact, the IMO had decided, with Griffin Energy's support, to extend the Rule Change Proposal for three months. If the issue has not been sufficiently progressed by the RDIWG in this timeframe then work on the Rule Change Proposal will recommence.</p> <p>Mr Cremin considered that MinGen was poorly defined currently in the Market Rules and that many generators were regularly operating below their</p>	

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	<p>nominated MinGen level. Mr Cremin confirmed that he was happy to extend the date for the IMO to prepare the Draft Rule Change Report contingent on the outcomes of the RDIWG.</p> <p>The MAC noted the overview of the Market Rule changes.</p>	
5b	<p>REQUIRED LEVEL AND RESERVE CAPACITY SECURITY [PRC_2010_11]</p> <p>The Chair noted that at the 11 August 2010 MAC meeting the IMO had agreed to present further detail on how the IMO proposed to calculate the Required Level for Intermittent Generators. The Chair asked Ms Fiona Edmonds and Mr Ben Williams to give the presentation, a copy of which is attached as Appendix 1.</p> <p>Ms Edmonds provided a brief overview, explaining the concept of a Required Level and how it would be used as a criterion for the return of Reserve Capacity Security (RCS), capacity refunds and Reserve Capacity Testing.</p> <p>Mr Stephen MacLean queried the meaning of the term “expected peak output”. Mr Williams replied that the Required Level value was based on all intervals, not just Peak Trading Intervals.</p> <p>Mr Dykstra noted the proposal to use an alternative value if the value equal to the 5 percent Probability of Exceedance (POE) of the 3-year expected peak output “is not considered appropriate by the IMO”. Mr Dykstra asked in what sort of situations the IMO envisaged that the 5 percent POE value would not be considered appropriate. Ms Edmonds and Mr Williams replied that they expected this would occur when an expert’s report provided by a Market Participant proposed an alternative approach and gave reasons why the standard approach was inappropriate for that Facility.</p> <p>Mr Dykstra recommended that the proposed amendments include a heads of power to create a Market Procedure covering this assessment process. Mr Forward noted that a Market Procedure for RCS already existed. Mr Dykstra considered that in this case the procedure should be mentioned in the proposed amendments, e.g. use “not appropriate as determined according to the Reserve Capacity Security Procedure”. Mr Cremin questioned whether it was reasonable that a report from a member of the IMO’s panel of experts, submitted by a Market Participant, should not be accepted by the IMO.</p> <p>Mr MacLean questioned the need to create a new term for “Required Level” in the Market Rules, suggesting that it might be possible to simply refer to a test level. Ms Edmonds responded that the term had been created to allow the Required Level value to be used in several places within the Market Rules. This would standardise the approach used in the assessment of Reserve Capacity throughout the Market Rules by introducing a common concept.</p> <p>Mr Dykstra considered that the proposed method for testing Intermittent Generators (based on peak output) was not quite consistent with the method used for certification (based on average output). Mr Williams responded that the certification of Intermittent Generators was based on averages, which took into account the need to operate at peak some</p>	

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	<p>percentage of the time. Mr Williams submitted that the failure of an Intermittent Generator to meet the proposed Required Level would probably indicate that its Reserve Capacity had been set too high. Mr MacLean considered that Market Participants should make sure that they can meet the three year profile presented for certification.</p> <p>Mr Dykstra suggested that the testing of Intermittent Generators could use the same statistical basis as that used for certification. Mr Dykstra noted that the certification process required the creation of a model to determine capacity. Mr Dykstra suggested that actual data could be run through the same model to assess whether the Facility is achieving its expected output. There was some discussion about the potential costs for generators of this approach.</p> <p>Mr Cremin suggested using an independent expert's report as a trigger for the return of RCS for an Intermittent Generator. The report would need to confirm that the Facility was installed and working to the specifications on which its certification was based. Mr Forward considered that there could be problems with this approach if a generator did not build its Facility exactly to the specifications provided for certification. Mr Cremin agreed that industry experts could occasionally provide unexpected results.</p> <p>Mr Dykstra considered that the IMO's proposal created a new risk for Market Participants. Currently the security for an Intermittent Generator would be returned if the Facility had been installed, but under the proposal there was a risk that a Market Participant would get nothing back.</p> <p>Mr Williams explained how the Relevant Level for an Intermittent Generator was derived from the generation duration curve proposed for the Facility. Mr Williams then presented a boundary analysis based on historical data from 2006-2009 for three existing wind farms, comparing operation in the worst available year for wind resource with Required Levels based on the best available year for wind resource. Mr Williams noted even under this worst case scenario all the generators met their Required Levels at least 116 times and 90 percent of their Required Levels at least 930 times.</p> <p>The Chair queried what would happen if there was an extremely bad year and an Intermittent Generator did not reach 90 percent of its Required Level. Mr Williams replied that in this case the Market Participant would lose their security. The Chair questioned whether the risk being discussed was simply that the wind did not blow. Mr Cremin replied that the problem could also arise through bad luck, for example if the generator did not happen to have all its turbines running on the windiest days.</p> <p>Mr Cremin and Mr Dykstra both expressed concern that there was still risk of the security not being returned, agreeing that this would be a disincentive for potential investors. Mr Forward noted that this was also a risk for a Scheduled Generator. Mr Dykstra responded that a participant had more control over the performance of a Scheduled Generator than an Intermittent Generator. There was some further discussion about the costs and benefits of the alternative approaches suggested by Mr Dykstra and Mr Cremin.</p> <p>The Chair suggested that the proposed amendments could allow for an independent expert's report that confirmed that the Facility was installed and working to the specifications on which its certification was based, provided</p>	

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	<p>at the end of the Capacity Year, to ensure the return of the security. Mr Forward queried whether the Market Customer representatives in the MAC were happy with this approach. Mr MacLean considered that Market Customers would be no better or worse off under the proposal. Dr Steve Gould suggested that this was not a substantial issue considering that the probability of an SRC situation arising from a wind farm failure was remote. Mr MacLean agreed with Dr Gould's suggestion.</p> <p>The Chair noted that Market Customers bear the risk of any non-delivery of capacity, and so if they were happy with the risk then an independent expert's report could be used. Mr Forward queried whether the report was to be provided as soon as the Facility was installed. Mr Dykstra suggested that a participant might seek a report about a month before the end of the Capacity Year, if it had not already satisfied the Relevant Level criteria. Mr Forward questioned why the report should not be provided up front if it was to be used as a backstop. Mr Peter Huxtable noted that just because a Facility was installed did not mean that it was working. Mr Cremin responded that the IMO should have a good idea of whether a new Facility was operating as expected.</p> <p>The Chair noted the concerns of MAC members that uncertainty about the return of RCS for an Intermittent Generator posed a risk to investment funding. The Chair agreed with Dr Gould that the risk of an installed Intermittent Generator failing and causing an SRC event is low. The Chair asked if the MAC was agreeable to the proposed amendments, if they were modified to include the use of an independent expert's report as a criterion for the return of RCS for an Intermittent Generator (in addition to the Required Level). The MAC endorsed this proposal.</p> <p>Mr MacLean advised that he would email the IMO details of some other minor issues concerning the proposed amendments.</p> <p><i>Action Point: Synergy to send details of its additional minor issues with the Reserve Capacity Security Rule Change Proposal (PRC_2010_12) to the IMO.</i></p> <p><i>Action Point: The IMO to update its Reserve Capacity Security Rule Change Proposal (PRC_2010_12) to reflect the minor issues raised by Synergy.</i></p> <p><i>Action Point: The IMO to update its Reserve Capacity Security Rule Change Proposal (PRC_2010_12) to allow for the return of security for an Intermittent Generator at the end of a Capacity Year on provision of a report from an IMO accredited expert.</i></p> <p><i>Action Point: The IMO to formally submit its updated Reserve Capacity Security Rule Change Proposal RC_2010_12.</i></p>	<p>Synergy</p> <p>IMO</p> <p>IMO</p> <p>IMO</p>
5c	<p>CERTIFICATION OF RESERVE CAPACITY [PRC_2010_14]</p> <p>The Chair asked Mr Forward to present the Pre Rule Change Discussion Paper: Certification of Reserve Capacity (PRC_2010_14).</p> <p>Mr Forward noted that the paper covered potential improvements identified during this year's certification process. Mr Forward proposed to step through the issues seeking comments from MAC members.</p>	

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	<p><i>Issue 1: Reserve Capacity Mechanism timeline</i></p> <p>Mr Forward noted that the Statement of Opportunities (SOO) is published on 1 July, while the window for applications for Reserve Capacity opens on 1 May and closes on 20 July. The majority of applications are submitted in the last few days of this period, creating a rush of applications to be processed by the deadline for confirming Certified Reserve Capacity (CRC) on the last business day on or before 5 August.</p> <p>Mr Forward noted that the IMO has only three weeks to assess the applications each year (most recently 105 applications). The IMO considers that three weeks is too short a period to assess this number of applications and is proposing that the period be extended to eight weeks. Mr Forward suggested that the SOO would have little impact on applications, as new generators would be unlikely to start considering an application at this time, particularly given the time needed to gain access approval from Western Power. Mr Forward noted that the IMO proposes to align the end of the application window with the publication of the SOO (1 July), adding that a Market Participant would still retain the ability to withdraw its application later.</p> <p>Mr Dykstra queried the mix of Facility types making up the 105 applications. Mr Forward replied that typically about 50 percent of the applications require significant review, with the existing Facilities often proposing upgrades, fuel changes, etc. Mr MacLean considered that, looking at the graphs in the paper, it did not appear that the workload has increased year on year. The Chair and Mr Forward confirmed that the workload has definitely increased.</p> <p>Mr MacLean queried whether the eight weeks represented an ambit claim by the IMO. Mr Forward replied that the IMO would like to undertake additional due diligence on all applications, and was conscious that a number of factors could become invalid over time, for example Access Contracts, fuel contracts, environmental approvals, etc. The IMO wished to be able to examine applications for existing Facilities in more detail. Mr MacLean questioned whether the IMO needed eight weeks to do this properly.</p> <p>Mr Dykstra considered that the MAC has no visibility of what has happened to indicate risks associated with the current approval period. The Chair replied that in essence the review process effectively conducts due diligence over a \$1 Billion market. The IMO needs more time to undertake the level of assessment it considers appropriate. The Chair expressed his interest in the MAC's views on the interaction of the SOO process and applications, noting that a great deal of effort went into the production of the SOO. The Chair noted that he had thought the SOO critical to the applications process, but had been convinced otherwise by Mr Forward.</p> <p>Mr Andrew Everett queried what difference would be expected between a five week assessment period and an eight week assessment period. Mr Dykstra considered that if there was more work that needed to be done then this could be achieved in two ways, either through the application of more resources or the extension of the assessment period. Mr Forward noted that there were invariably delays in the assessment process that were difficult to compress, even with additional resources. For example, it was often necessary to go back to Market Participants with requests for corrections or</p>	

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	<p>additional information. The Chair noted that Market Participants could also find themselves rushed by the current process, questioning whether they could be assisted by the extended assessment period.</p> <p>Dr Gould suggested that the IMO could require applications for existing Facilities to be submitted earlier, to reduce the rush of applications towards the end of the application window. Mr Ken Brown queried whether there were many problems with the applications for existing Facilities. Mr Cremin observed that the IMO had appeared to require more information this year. Mr Cremin noted that he expected the IMO was using its time wisely, for example noting when existing Facilities really needed review.</p> <p>Mr Dykstra noted that IMO staff had made themselves available to Market Participants to discuss and provide assistance with applications, and queried whether this appeared to have helped with the quality of the applications received. The Chair and Mr Forward agreed that where Market Participants had taken up the opportunities for assistance offered by the IMO (including training) this had improved the quality of applications significantly.</p> <p>Mr Forward asked MAC members if there was any objection to extending the assessment period as proposed. Mr Dykstra responded that it seemed a bit odd to align the window closure with the publication of the SOO, as some Market Participants may use the SOO to help make a final decision about an application, particularly for new Facilities. Mr Dykstra noted that he would prefer a “reasonable period” between the publication of the SOO and the closure of the application window. With regards to the length of the assessment period, Mr Dykstra considered that where the IMO sought an extension he would expect to ask why, that is what has gone wrong to make the extension appear necessary.</p> <p>Mr Everett considered that from his view if the IMO said it needed eight weeks then he will accept its advice. Mr Cremin suggested that publishing the SOO first may result in some applications not being submitted, reducing the IMO's workload. Mr Cremin expressed some sympathy with the IMO's proposal for a longer assessment period.</p> <p>The Chair suggested that the IMO look at the option of publishing the SOO earlier in the Reserve Capacity timeline. Dr Gould suggested that the SOO could also be published later in the timeline, for example in October. Dr Gould considered that a later publication date for the SOO would give generators more time to consider its contents relative to the recently concluded certification process for the following year. Mr Ken Brown noted that any change to the SOO publication date would need to be considered carefully, as the SOO was used by many industry members, including Western Power. Mr Cremin and Mr Sutherland agreed that currently the SOO was published too late to be useful to generators. The Chair advised that the IMO will ask customers what value they get from the SOO and for their thoughts on the timing of its publication in the certification process.</p> <p><i>Action Point: The IMO to consult with industry members about the value they obtain from the Statement of Opportunities (SOO) and their preferences with regards to content and timing.</i></p> <p>Mr Huxtable noted that Energy Response had raised an issue with him</p>	<p>IMO</p>

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	<p>concerning the timing for provision of RCS for capacity to be traded bilaterally. Energy Response had suggested that 10 Business Days was a more appropriate timeframe for this purpose. Mr Williams replied that this would leave very little time to determine whether a Reserve Capacity Auction was needed and to declare one if necessary. The MAC agreed that 10 Business Days was appropriate.</p> <p><i>Action Point: The IMO to amend the timing for provision of RCS for capacity to be traded bilaterally to 10 Business Days.</i></p> <p>Issue 2: Requirement for valid application to be submitted for Certified Reserve Capacity</p> <p>Mr Dykstra questioned what was meant by the term “valid application”. Mr Williams replied that at present the IMO could grant CRC for a Facility even if no application was received at all. The purpose of the proposed amendments was to ensure that an application must be submitted for CRC to be granted. Mr Dykstra suggested that the IMO check the use of word “valid” with its legal section, noting that the word has a legal definition that may not align with the IMO’s intention. Mr Dykstra suggested that “complete” might be used instead of “valid”.</p> <p><i>Action Point: The IMO to review the use of the term “valid” in the CRC Pre Rule Change Proposal.</i></p> <p>Issue 3: Clarification of Required Availability</p> <p>Mr Cremin queried whether, given its repeated usage, it would be worth creating a defined term for “Peak Trading Intervals on Business Days” in the Market Rules.</p> <p>Mr Ken Brown queried whether Market Participants had an issue with the current 14 hour per day availability requirement. Mr Williams responded that the current availability requirement imposed a burden on Market Participants in terms of the maximum fuel requirements for which they needed to contract. Mr Brown considered that if the requirement is restricted to Business Days then the first problem is what happens on weekends, citing the Varanus Island crisis as an example of these problems arising. Mr Cremin noted that his point only related to the definition of the term in the Market Rules.</p> <p>Mr Brown questioned whether the clause as provided was going to assist Market Participants. The Chair asked whether Market Participants paid for refuelling requirements. Mr Dykstra confirmed that this was the case. Mr Brown queried whether the proposal meant that a Facility might not be ready to operate on a Monday morning. Mr Dykstra considered that at present there is a disincentive to register as a dual fuel Facility. Mr Brown agreed that there is a need to incentivise dual fuel capability.</p> <p>Issue 4: Transmission access requirements</p> <p>Mr Cremin noted the IMO’s proposal to replace the phrase “Access Offer” with “Access Proposal” in the Market Rules. Mr Cremin queried the level of certainty being sought by the IMO with regard to network access. Mr Forward noted that the Market Rules were designed before the Access Code was finalised, and that usually an “Access Offer” was made just prior to the finalisation of the Electricity Transfer Access Contract (ETAC).</p>	<p>IMO</p> <p>IMO</p>

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	<p>Mr Forward asked MAC members what they considered the minimum level of certainty should be, submitting that if the access needed to be “watertight” then the term “Access Offer” should probably be retained. Mr Cremin noted that even an Access Offer can be subject to conditions. The Chair noted that the Market Rules were based on an applicant having an unconditional Access Offer from Western Power, but increasingly this was not the case. The Chair considered that if unconditional access was required then almost no applications would be successful.</p> <p>There was some discussion about the use of “run back schemes” in the SWIS, and how these would be assessed by the IMO. Mr Ken Brown confirmed that there were already about three of these schemes in place but that none had been assessed by the IMO to date as they had all been established prior to market commencement.</p> <p><i>Action Point: The IMO to modify its Certification of Reserve Capacity Rule Change Proposal (PRC_2010_14) to reflect the outcomes of its consultation with industry on the SOO and the other matters raised by the MAC, and present the updated proposal to the MAC.</i></p>	IMO
5d	<p>MARKET FEES [PRC_2010_20]</p> <p>The Chair asked Ms Edmonds to present the Pre Rule Change Discussion Paper: Market Fees (PRC_2010_20), noting this paper was also being presented to the MAC for the first time.</p> <p>Ms Edmonds noted that the IMO depends on inputs from various sources to determine the Market Fee rates to be charged to Market Participants. Ms Edmonds noted that the paper covers what should happen if the IMO does not receive the necessary inputs in time to meet the 30 June deadline specified for the determination and publication of Market Fee rates in the Market Rules.</p> <p>Ms Edmonds asked MAC members to email any questions or comments they had regarding the paper. The Chair noted that the IMO may look to provide some pre-approval advice of expected fee rates.</p> <p><i>Action Point: MAC members to send the IMO any feedback on its Market Fees Rule Change Proposal (PRC_2010_20).</i></p> <p><i>Action Point: The IMO to update its Market Fees Rule Change Proposal (PRC_2010_20) to reflect the amendments suggested by the MAC and then formally submit the Rule Change Proposal.</i></p>	<p>Members</p> <p>IMO</p>
6a	<p>MARKET PROCEDURE CHANGE OVERVIEW</p> <p>The MAC noted the overview of recent and upcoming procedure changes.</p>	
7a	<p>WORKING GROUP OVERVIEW</p> <p>The MAC noted the Working Group overview.</p>	

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7b	<p>MRCPWG UPDATE</p> <p>Mr Huxtable noted a minor error in the Maximum Reserve Capacity Price Working Group (MRCPWG) update, namely a reference to Landgate as the appropriate party to determine shallow connection costs. Mr Forward agreed that this reference should be to Western Power.</p> <p>Mr Forward noted a potential issue with the MRCP calculation methodology, which is based on the assumption that capacity is successfully scheduled through a Reserve Capacity Auction and receives a 10 year Special Price Arrangement. On one hand, it is questionable whether this assumption should be used given that in practice Reserve Capacity Auctions are not held. On the other hand there appears to be no shortage of capacity, so the priority of this issue does not appear to be high.</p> <p>Mr Dykstra considered that while Mr Forward had raised the issue in the MRCPWG, it had not been of significant concern to other members. Mr Dykstra noted that the MRCPWG had agreed that Mr Forward raise the issue with the MAC.</p> <p>The Chair queried whether this issue required further discussion by the MAC. Mr Forward suggested that the issue be added to the list of issues to be considered by the future review of the Reserve Capacity Mechanism. The Chair noted that he was conscious of the increasing capacity price and again questioned whether the issue was worth more discussion by the MAC. Mr Dykstra responded that any change to the process was likely to increase rather than decrease the MRCP.</p> <p>Mr Cremin queried whether MRCPWG members had obtained an estimate of the size of the impact. There was some discussion about the factors that would need to be considered to assess the impact of the assumption. The Chair questioned whether the MRCPWG should undertake this assessment as part of its review of the procedure. Mr Cremin suggested that this may not be appropriate given the existing deadlines for the MRCPWG. Mr Dykstra added that he was not convinced that there would be a reasonable impact. The IMO agreed to undertake some modelling to estimate the impact of the assumption, and report back to the MAC with its findings.</p> <p>The MAC noted the MRCPWG update.</p> <p><i>Action Point: The IMO to undertake modelling to assess the impact of the WACC assumption of a Reserve Capacity Auction on the Maximum Reserve Capacity Price, and present its findings to the MAC.</i></p>	IMO
7c	<p>RDIWG UPDATE</p> <p>The Chair noted that the RDIWG has commenced work, meeting on 27 August 2010 and 7 September 2010. The has group agreed to work on a number of issues in parallel, and has held initial discussions on:</p> <ul style="list-style-type: none"> • competitive Balancing options; • realignment of the Scheduling Day timelines with gas nomination and weather forecast timelines; and • Reserve Capacity refunds. 	

Item	Subject	Action
	<p>A number of action items were identified during these discussions, for action by the project team and RDIWG members. The Chair considered that the RDIWG was making good progress, and looked forward to reporting some of the resulting rule changes in future MAC meetings.</p> <p>The MAC noted the overview of RDIWG progress.</p>	
8a	<p>CURTAILABLE LOADS PROJECT UPDATE</p> <p>Mr Forward noted that the IMO was seeking the MAC's endorsement for the proposed solutions summarised in the Curtailable Loads Project Update paper. Mr Forward asked Mr Williams to lead the discussion of the issues contained in the paper.</p> <p>Mr Williams noted that Issue 1 (registration of Curtailable Loads) and Issue 2 (Facility definition) were closely linked. Mr Williams submitted that System Management would prefer to dispatch a Demand Side Programme (DSP) as a single Facility, rather than needing to dispatch the individual loads comprising the DSP.</p> <p>The Chair considered that it would not be appropriate to dispatch each Curtailable Load individually and asked MAC members whether they agreed with this view. Mr Dykstra considered that eventually this was a decision for the Demand Side Management (DSM) Provider, and that some DSM Providers may choose not to change their current practice of treating Curtailable Loads individually. Mr Forward agreed that this practice would be allowed, but noted that System Management might object if in future it had a large number of Curtailable Loads to be dispatched individually.</p> <p>Mr Dykstra suggested that if a DSM Provider wanted to register for Reserve Capacity but not be dispatched, it might choose to register many small, individual loads to make the dispatch of these loads less attractive. Mr Forward noted that the IMO had discussed using blocks of DSM dispatch with System Management. This option is not currently part of the IMO's proposal, but the IMO may consider it in future if necessary. The Chair suggested that an action item be created for the IMO to re-examine the issue in six months' time.</p> <p><i>Action Point: The IMO, in March 2011, to review with System Management whether there is an issue with the registration and dispatch of a large number of small Demand Side Programmes, and report back to the MAC.</i></p> <p>Mr Williams noted that a Curtailable Load can be registered to a DSM Provider that is not the energy retailer for that load. Mr Williams submitted that while there is no problem with the actual registration of the load, the rest of the Market Rules do not deal with this situation. Mr Williams noted the IMO's proposed solution is to remove the concept of a Curtailable Load as a Registered Facility from the Market Rules and replace it with the concept of the DSP being the Registered Facility. The DSP will then have its component loads associated with it for the purposes of capacity obligations and dispatch. Mr Pablo Campillos suggested that in effect there was a need for a Capacity NMI and an energy NMI.</p> <p>The Chair asked if MAC members had any comments on the proposed solutions for issues 1 and 2. Mr Dykstra responded that had not yet received comments from within Alinta and he will come back to the MAC at a later</p>	IMO

