

Independent Market Operator

Market Advisory Committee

Minutes

Meeting No.	35
Location	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date	Wednesday 9 February 2011
Time	Commencing at 2.00 pm

Attendees	Class	Comment
Allan Dawson	Chair	
Troy Forward	Compulsory – IMO	
Stephen MacLean	Compulsory – Customer	
Ken Brown	Compulsory – System Management	
Andrew Everett	Compulsory – Generator	
Peter Mattner	Compulsory – Network Operator	2.07 – 4.28pm
Steve Gould	Discretionary – Customer	
Corey Dykstra	Discretionary – Customer	
Peter Huxtable	Discretionary – Contestable Customer Representative	
Andrew Sutherland	Discretionary – Generator	
Shane Cremin	Discretionary – Generator	
Chris Brown	Observer – ERA	
Nerea Ugarte	Minister's appointee	2.00 – 4.23pm
Paul Biggs	Small Use Customer Representative	2.00 – 2.30pm
Also in attendance	From	Comment
Pablo Campillos	EnerNOC	Presenter
Fiona Edmonds	IMO	Presenter
Jacinda Papps	IMO	Presenter
Jenny Laidlaw	IMO	Minutes
Shannon Turner	IMO	Observer
Courtney Roberts	IMO	Observer
Greg Ruthven	IMO	Observer (3.00 -4.28pm)
Michael Zammit	Energy Response	Observer

Item	Subject	Action
1.	<p>WELCOME</p> <p>The Chair opened the meeting at 2.00 pm and welcomed members to the 35th meeting of the Market Advisory Committee (MAC).</p> <p>The Chair noted the request from the Office of Energy (OoE) to amend the original agenda to discuss Statutory Reviews under the Electricity Corporations Act 2005 (Item 8 on the original agenda) earlier than previously indicated. An updated meeting agenda was tabled.</p>	
2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>The Chair noted that Mr Paul Biggs would only be able to attend the first part of the meeting and Ms Nerea Ugarte would need to leave the meeting by 4.15 pm. Ms Ugarte would also be acting as proxy for Mr Biggs after his departure.</p> <p>The following other attendees were noted:</p> <ul style="list-style-type: none"> Pablo Campillos (Presenter) Jacinda Papps (Presenter) Shannon Turner (Observer) Greg Ruthven (Observer) Fiona Edmonds (Presenter) Michael Zammit (Observer) Courtney Roberts (Observer) 	
3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of MAC Meeting No. 34, held on 15 December 2010, were circulated prior to the meeting. The following amendments were agreed.</p> <p><i>Page 9: Section 5b: Limits to Early Entry Capacity Payments [PRC_2010_30]</i></p> <ul style="list-style-type: none"> “... recommended that external advice be sought on the change to information Alinta prior to formal submission.” <p><i>Page 11: Section 5c: System Restart Costs [PRC_2010_33]</i></p> <ul style="list-style-type: none"> “Mr Andrew Everett noted that the Pre Rule Change Discussion Paper from Verve Energy proposes to remove a current anomaly in the Market Rules which would require Verve Energy to pay to provide System Restart services if the current Cost_LR value is zero <u>and services are contracted to another party</u>. Any costs for System Restart services provided by third party suppliers would be allocated to Market Customers through the Reconciliation Statement.” <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. 34 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</p>	

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	<p>following exceptions were noted:</p> <ul style="list-style-type: none"> • Item 88/89: Mr Troy Forward noted that the IMO had provided the OoE with feedback on its draft report on gas contingency service options. Ms Ugarte noted that the OoE was taking the IMO's comments on the report into consideration. Mr Forward advised that when the OoE provides the IMO with a publically available report it will be circulated to MAC members. • Item 119: To be undertaken in March 2011. • Item 130: This will be considered closer to when the Statement of Opportunities (SOO) is prepared. • Item 149: Mr Forward noted that the IMO had updated the Renewable Energy Generation Working Group (REGWG) Final Report in response to several concerns raised by MAC members. Mr Corey Dykstra had since contacted the IMO with a concern regarding the title of the report. Mr Dykstra suggested that the title be amended to "Renewable Energy Generation Working Group – Summary of Process and Outcomes". The Chair agreed to amend the title and publish the updated report. <p><i>Action Point: The IMO to amend the title of the "REGWG Final Report" to "Renewable Energy Generation Working Group – Summary of Process and Outcomes" and re-publish the report on the IMO website.</i></p> <ul style="list-style-type: none"> • Item 167: Mr Ken Brown advised that System Management were summarising the relevant findings of the Newton report on Spinning Reserve requirements and will try to send the results out in the next fortnight. Mr Brown noted that generally as the size of the largest generator increases the Spinning Reserve requirement may exceed 100 percent of the capacity of this generator. For example, the Spinning Reserve requirement to support a 750 MW unit could be 150 percent (1125 MW). There was some discussion about the impact of the size of the second largest unit on the Spinning Reserve requirement and about response time requirements. • Item 169: Mr Dykstra requested that this item be removed from the list of action points, as the progression of PRC_2010_30 was not an action point but a matter subject to Alinta's discretion. <p><i>Action Point: The IMO to remove Item 169 from the list of MAC action points.</i></p>	<p>IMO</p> <p>IMO</p>
4a	<p>WORKED EXAMPLE OF DISPATCH OF PEAKER VERSUS DSM (ACTION POINT 121)</p> <p>Ms Jenny Laidlaw presented a worked example of the cost to the market of the dispatch of a peaking generator compared to a Demand Side</p>	

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	<p>Programme (DSP). A copy of the presentation is available on the IMO website¹.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • Mr Andrew Sutherland requested clarification that the costs (in excess of MCAP) of dispatching a generator following an increase in a Market Customer's consumption would be shared across all Market Customers during the Trading Month. Ms Laidlaw confirmed. • Mr Dykstra clarified that where Market Customer 1 increases its consumption and a DSP is dispatched, the additional energy sold by Market Customer 2 (following the reduction in consumption of Load X) would be sold in the Balancing Market. Ms Laidlaw confirmed. • Mr Dykstra noted that under both the scenario of a Market Customer increasing consumption and a Market Generator reducing generation, the cost to the market associated with the dispatch of a DSP is greater than if a peaker was dispatched. Ms Laidlaw confirmed that this would be the case assuming the same Pay as Bid prices. • Ms Laidlaw noted that the dispatch of Load X could either benefit or disadvantage Market Customer 2 (the retailer for Load X), depending on its the contractual arrangements. • Mr Sutherland queried whether the DSP has control over its Pay as Bid Price. Mr Pablo Campillos confirmed. • The Chair noted that the question at hand is whether it should cost the market more for the dispatch of a DSP. Mr Shane Cremin noted that whether this is the case depends on the DSP's Pay as Bid Price. The Chair responded that assuming all else remains equal the cost to the market of dispatching DSPs is greater. Mr Michael Zammit commented that this seems counterintuitive. • Mr Cremin noted that a peaker receives a Pay as Bid Price to allow for cost recovery when it is dispatched. Mr Cremin queried whether there was any necessary cost recovery for a DSP. Mr Stephen MacLean stated that a DSP's costs should be covered by its capacity payments. • Mr Dykstra noted that there is no guarantee that the Pay as Bid price for a generator and a DSP would be the same. The Chair noted that if the Pay as Bid price limit for DSP was to be amended they would be more likely to be dispatched as they would move up the Dispatch Merit Order. • Mr Zammit noted that it would be incorrect to assume the marginal cost for all DSPs to reduce consumption would all be the same. Mr Dykstra noted that it would be reasonable to assume that a peaker 	

¹ www.imowa.com.au/MAC_35

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	<p>has a high capital cost and a lower SRMC, while a DSP has a lower capital cost and a higher SRMC. Mr MacLean noted that this was a reasonable assumption.</p> <ul style="list-style-type: none"> Mr Sutherland noted that a Market Generator who is issued a Dispatch Instruction is also required to pay Market Fees and Spinning Reserve costs. This is not the case for a DSP. Mr Campillos noted that in the IMO's worked example where a DSP is dispatched it is Market Customer 2 that benefits from the Load's reduced consumption. Mr MacLean noted that Market Customer 2 however has no control over its Load also belonging to a DSP. The Chair suggested that the IMO look further into the requirement to pay a DSP to reduce consumption when issued a Dispatch Instruction, in particular whether the capacity payments made to DSPs are sufficient to compensate them for reduced consumption. Mr MacLean agreed that this should be further considered stating that this may otherwise be construed as being discriminatory towards DSPs. <p><i>Action Point: The IMO to further consider the rationale for paying DSPs to reduce consumption following the issuance of a Dispatch Instruction by System Management and look to include in the MEP rule change process, if relevant.</i></p> <p><i>Action Point: The IMO to provide MAC members with a copy of the IMO's worked example of the costs to the market of dispatching a peaker vs. a DSP.</i></p>	<p>IMO</p> <p>IMO</p>
5	<p>STATUTORY REVIEWS UNDER THE ELECTRICITY CORPORATIONS ACT 2005</p> <p>Ms Ugarte noted that the OoE wished the MAC to be aware of several statutory reviews of relevance to MAC members, to be undertaken during 2011. These reviews relate to:</p> <ul style="list-style-type: none"> the restriction imposed on Verve Energy with regard to the supply of electricity; the prohibition on Synergy with regard to the generation of electricity; and the introduction of further (including full) retail contestability in the Western Australian electricity market. <p>Ms Ugarte noted that the OoE intended to conduct one on one discussions with key stakeholders, including MAC members, to ascertain their views on these issues. The OoE was preparing a detailed project plan for the reviews and would provide an update to the MAC at its next meeting.</p> <p>The Chair queried whether the OoE wished the MAC to have any further role in the reviews. Ms Ugarte replied that the OoE did not require this at present.</p>	

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	Mr Forward and Mr Stephen MacLean commended the OoE for the consultative and transparent approach it had adopted for the reviews.	
6a	<p>MARKET RULE CHANGE OVERVIEW</p> <p>The Chair noted the change to the number of issues listed in the rule change and issues log. Mr Forward explained that the IMO had reviewed the log as planned last year, removing old issues that did not warrant progression and rationalising issues that were being handled elsewhere. The aim of the review was to tidy the log so that it provides a clearer picture of the outstanding issues.</p> <p>The Chair noted that the MAC did not usually see the rule change and issues log in full, and suggested that the full log be presented to the MAC at least once each year, starting from the next meeting.</p> <p><i>Action Point: The IMO to circulate the current rule change and issue log with the papers for the 9 March 2011 MAC meeting.</i></p> <p>Mr Dykstra noted an error in Appendix 1 of the Market Rule Change Overview, where some Rule Change Proposals were shown as having their first submission periods open when in fact they were closed. Mrs Jacinda Papps responded that there could be problems relating to the “point in time” nature of the report and that the IMO would review the reporting of this information for the next MAC meeting. Mrs Papps noted that the key dates were correctly reported on the IMO website. Mr Dykstra agreed that there was no need to issue an update to Appendix 1.</p>	IMO
6b	<p>CAPACITY CREDIT REDUCTION [PRC_2010_28]</p> <p>Mr Forward noted that the Pre Rule Change Discussion Paper: Capacity Credit Reduction (PRC_2010_28) had been discussed previously at the MAC. MAC members had generally supported the proposal, but had asked the IMO to consider incorporating:</p> <ul style="list-style-type: none"> • an ability to draw down on Reserve Capacity Security prior to the end of the Capacity Year and diverting this to a Supplementary Reserve Capacity (SRC) fund; and • potential adjustments to the capacity price as a result of reducing a Facility's Capacity Credits to zero. <p>Mr Forward asked Ms Fiona Edmonds to present the outcomes of the IMO's analysis of these issues.</p> <p>Issue 1: Ms Edmonds presented the outcomes of the IMO's further assessment, noting that the cover paper for PRC_2010_28 included a diagram indicating the current and potential arrangements for forfeiting security and the resultant potential SRC exposure. Ms Edmonds clarified that the risk to the market of an SRC event being incurred can last for up to three Reserve Capacity Cycles, under the current arrangements, and that any monies drawn down by the IMO would not be paid out until this risk had lapsed or an SRC event had occurred.</p> <p>Ms Edmonds contended that there is no clear rationale to distinguish</p>	

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	<p>between monies that would be distributed to the SRC fund following:</p> <ul style="list-style-type: none"> • a reduction in a Facility's Capacity Credits to zero; or • the Facility's failure to meet the 90 percent test by the end of the Capacity Year. <p>As such, Ms Edmonds considered that this concept should not be included in PRC_2010_28. Ms Edmonds recommended that the ability to draw down on security earlier in the case where a Facility's Capacity Credits have been reduced to zero should be further considered in conjunction with the development of an SRC fund by the Rules Development Implementation Working Group (RDIWG).</p> <p>Ms Edmonds requested any comments from MAC members. The Chair noted that the scenario of a Market Participant not being able to meet its obligations for an entire capacity year had already eventuated.</p> <p>Issue 2: Ms Edmonds noted that in its cover paper for PRC_2010_28 the IMO has listed a number of different situations under which the total number of Capacity Credits assigned in the market would change. (Ms Edmonds clarified that Forced Outages would impact on the amount of capacity available but not the number of Capacity Credits in the market.) Ms Edmonds noted the IMO's view that it is appropriate to consider the concept of adjusting the Reserve Capacity Price in response to all of these situations where there is an amendment to the number of Capacity Credits in the market, rather than only considering a reduction in a Facility's Capacity Credits to zero.</p> <p>Ms Edmonds also noted that the cover paper contained a worked example of the financial impact of adjusting the capacity price to reflect a change in assigned Capacity Credits. In the example, the reduction of the Capacity Credits of a 40 MW Facility to zero for the 2010/11 Capacity Year resulted in a capacity price increase of approximately 1 percent. Ms Edmonds noted that generally Market Participants would have no ability to respond to these price signals. As such there appears to be little justification for introducing price adjustments, particularly given the associated implementation costs.</p> <p>Ms Edmonds concluded that the IMO's recommendation is not to consider potential adjustments to the capacity price further at the stage.</p> <p>Mr Andrew Sutherland queried whether the IMO would be able to reduce the Capacity Credits of a Market Generator that was supposed to be available in December but missed that deadline. Mr Forward and Ms Edmonds responded that under the Rule Change Proposal this would only be the case if there was a clear indication that the Facility would be unable to provide any capacity at all during the Capacity Year.</p> <p>The Chair reiterated that the intent of the proposal was not to cancel Capacity Credits except when it was clear that no capacity would be provided for the entire upcoming Capacity Year. Mr MacLean considered that while this intent was stated explicitly in the paper, the drafting of the</p>	

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	<p>proposed new clause 4.20.8 was ambiguous about which Capacity Year was under consideration. Mr MacLean offered to send the IMO further details of the issue and his proposed solution.</p> <p><i>Action Point: Mr MacLean to email the IMO his comments on new clause 4.20.8 in the Pre Rule Change Discussion Paper PRC_2010_28: Capacity Credit Reduction.</i></p> <p>Mr Dykstra noted that he had some concerns regarding the proposed amendments. For example:</p> <ul style="list-style-type: none"> the use of the word "will" in clause 4.20.8 suggested a very demanding test that could be difficult to meet; and clause 4.20.9(b) needed to be more specific about what information was required. <p>Mr Dykstra agreed to email his comments to the IMO.</p> <p><i>Action Point: Mr Dykstra to email the IMO his comments on PRC_2010_28: Capacity Credit Reduction.</i></p> <p>There was some discussion about how the proposal would apply where a Market Participant was late in making its capacity available but was meeting its financial obligations to the market. Ms Edmonds reiterated that the proposal only applied in situations where the IMO became aware, prior to the start of a Capacity Year, that a Facility would be unable to provide any capacity at all during that Capacity Year. It was agreed that the IMO should review the wording of the proposed amendments to ensure that they clearly reflected this requirement.</p> <p><i>Action Point: The IMO to review the proposed new clause 4.20.8 in PRC_2010_28: Capacity Credit Reduction to clarify that the IMO will only issue a Notice of Intention to Reduce Capacity Credits if it becomes aware, prior to the start of a Capacity Year, that a Facility will be unable to provide any capacity at all during that Capacity Year.</i></p> <p>The Chair queried whether MAC members had any other issues apart from those already raised. Members indicated that they had no further issues with the proposal, other than those already raised.</p> <p><i>Action Point: The IMO to update PRC_2010_28: Capacity Credit Reduction to reflect the feedback provided by MAC members and formally submit the proposal into the Rule Change Process.</i></p>	<p>Mr MacLean</p> <p>Mr Dykstra</p> <p>IMO</p> <p>IMO</p>
6c	<p>DE-REGISTRATION OF RULE PARTICIPANTS WHO NO LONGER MEET REGISTRATION REQUIREMENTS [PRC_2010_31]</p> <p>Mrs Papps noted that there are currently only two ways to de-register a Rule Participant that has never actively participated in the market and no longer meets the requirements of its original registration:</p> <ul style="list-style-type: none"> the Rule Participant can apply to the IMO to be de-registered (and pay the applicable fees); or 	

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	<ul style="list-style-type: none"> the IMO can apply to the Electricity Review Board (ERB) for the Rule Participant to be de-registered. <p>Mrs Papps submitted that if the Rule Participant does not apply for de-registration and pay the de-registration fees then the IMO is faced with the costly and time-consuming process of going to the ERB to de-register the Rule Participant. The IMO considers that it should be able to de-register a Rule Participant in the circumstances listed in the paper without the need to apply to the ERB. Mrs Papps noted that the Pre Rule Change Discussion Paper PRC_2010_31 outlines a proposed process which allows the IMO to do so.</p> <p>Mrs Papps explained that the process required the IMO to issue a Registration Correction Notice to the Rule Participant, allowing it 90 days to remedy the situation. If the situation was not remedied satisfactorily then the IMO would then issue a De-registration Notice. A Rule Participant that had been de-registered by the IMO would be able to apply to the ERB for a review of the decision. Mrs Papps submitted that this process still provided a significant level of governance over the IMO's actions.</p> <p>The Chair noted that this situation has already occurred in the market. The IMO had issued cure notices to a company in liquidation, which did not wish to remain a Market Participant but was unable to pay the required de-registration fee. Mr Dykstra queried whether the fees were cost-reflective. Mrs Papps confirmed that this was the case. Mr Dykstra suggested incorporating these fees with registration fees. Mrs Papps responded that this would not remove the problem completely as the IMO would still need to initiate the de-registration process in some cases.</p> <p><i>Action Point: When setting its Market Fees this financial year, the IMO to investigate removing the de-registration fee.</i></p> <p>Mr Dykstra queried whether it really mattered if these Rule Participants were not de-registered. Mr Dykstra noted that a significant amount of paperwork was involved in the registration of a Rule Participant, and suggested that it could be valuable to an inactive Rule Participant to keep the option to retain its registration status.</p> <p>Mrs Papps responded that the focus of the proposal was to deal with Rule Participants that no longer met the criteria for their registration (e.g. were no longer companies). Mr Dykstra then questioned whether in that case the criteria listed in the proposed new clauses 2.32.7B(b) and 2.32.7B(c) were really relevant. Mr Ken Brown noted that Perth Energy was registered as a Rule Participant for some time before it began to actively participate in the market. Mr Forward confirmed that the IMO's focus was on Rule Participants that no longer met the criteria for registration. There was general agreement among MAC members that this should be the only criterion for the IMO to issue a Registration Correction Notice to a Rule Participant.</p> <p>The Chair queried whether MAC members had any other issues around</p>	IMO

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	<p>PRC_2010_31. No further issues were raised.</p> <p><i>Action Point: The IMO to remove criteria (b) and (c) from the proposed new clause 2.32.7B in the Pre Rule Change Discussion Paper: De-registration of Rule Participants who no longer meet registration requirements (PRC_2010_31), and then formally submit the proposal into the Rule Change Process.</i></p>	IMO
6d	<p>PROFILE METHODOLOGY FOR THE RELEVANT DEMAND CALCULATION [PRC_2011_01]</p> <p>Mr Campillos gave a presentation to the MAC on the Pre Rule Change Discussion Paper: Profile Methodology for the Relevant Demand Calculation (PRC_2011_01). A copy of the presentation is available on the IMO's website. Mr Campillos noted that EnerNOC had recently bought DMT Energy, which was now trading under the EnerNOC name.</p> <p>Mr Campillos noted that the aim of the paper was to offer a better means of estimating the capacity that a Demand Side Programme (DSP) would provide. Mr Campillos considered that both the current Relevant Demand (RD) calculation methodology and the methodology proposed in the Rule Change Proposal: Curtailable Loads and Demand Side Programmes (RC_2010_29) used a static baseline that is inherently unable to predict a DSP load. The use of a static baseline can reward end-users who have not actually curtailed their load ("incidental performance") and penalise customers who have actually curtailed their load but were operating above their static baselines.</p> <p>Mr MacLean queried whether Mr Campillos meant that DSPs may not actually be able to provide their required capacity in some cases. Mr Campillos explained how this could occur. Mr Ken Brown agreed, noting that System Management is unable to determine the amount of capacity being provided by a DSP in real time. Mr Peter Huxtable noted that a DSP may also be operating above its RD, in which case it will provide additional capacity for which it will not be paid.</p> <p>Mr Campillos described the benefits of moving to a dynamic profile measure, which would more accurately reflect the actual load level at any given time. There was some discussion about the use of different profile methodologies for system planning purposes versus operational purposes. The Chair noted that the proposal was not seeking to change the commitment required from DSPs but only the method of measurement.</p> <p>Mr Campillos provided details of the proposed methodology for determining DSP profile baselines. Mr Huxtable noted that although the proposal suggested including only business days in the "High X of Y" day calculations, Water Corporation had been dispatched on a public holiday in the past. Mr Zammit considered that the profile baselines would be much more reflective of the actual loads than any static baselines.</p> <p>Mr Sutherland queried whether the process would be applied to individual loads or to the DSP portfolio as a whole. Mr Campillos replied that profile baselines would be calculated for each load individually, but then</p>	

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	<p>summed over the portfolio to determine the overall performance of the DSP.</p> <p>Mr Sutherland considered that the proposal made a lot of sense when compared with the current static baseline methodologies. Mr Huxtable considered that while there appeared to be an assumption that the current Rule Change Proposal (RC_2010_29) would not work the MAC had no proof of this. Mr Sutherland explained that he meant it would have been beneficial to consider the dynamic profile baseline methodology as part of RC_2010_29.</p> <p>Mr Dykstra considered that EnerNOC's proposal appeared to deal with a concern he had raised on several occasions, i.e. if System Management dispatches a peaker then it will know what result to expect, but if a DSP is dispatched then the result is less clear. Mr Dykstra noted that the proposal partially addressed this issue. Mr Brown noted that System Management would still lack visibility of the actual reduction in real time. Mr Dykstra replied that the proposal would however give more confidence that the market was only paying for capacity that was actually delivered.</p> <p>Mr Campillos submitted that the proposed methodology provided a better alignment between the operational reality seen by System Management and the way in which the IMO calculates payments and assesses capacity. Mr Brown noted that it would be valuable to ensure that DSPs were only paid for the capacity delivered. Mr Brown was not overly concerned with DSPs while their capacity contribution was small, but noted the growth of DSM in the market, adding that System Management had no problem with EnerNOC's proposal.</p> <p>Mr Zammit recommended some of the work in this area recently published by EnerNOC, and considered that the proposal promoted greater equity between generation and DSM. Energy Response had worked in various jurisdictions around the world and had found no two systems that used the same measurement approach for DSM. Mr Campillos agreed that no standard method for measuring DSM response existed, considering that EnerNOC had selected a "best practice" approach.</p> <p>Mr Sutherland suggested that most MAC members appeared to agree on the merits of the proposal. Given that RC_2010_29 was halfway through the Rule Change Process and the proposed review of the Reserve Capacity Mechanism later this year will include consideration of DSM, Mr Sutherland queried what the next steps in the process should be. Mr Huxtable noted that investment would be needed to implement the proposal.</p> <p>Mr MacLean noted that he had no difficulty with the basic concept of improving the accuracy of DSP baselines, but was concerned that the proposal could disconnect the measurement of the DSM capacity of a Load from its Individual Reserve Capacity Requirement (IRCR). This would allow a Load to reduce its IRCR without affecting its ability to sell DSM capacity. Mr MacLean considered that the two measurements</p>	

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	<p>should be related. There was some discussion about the various options for the determination of IRCRs and DSM capacity, and their relative advantages and disadvantages.</p> <p>Mr Forward suggested that it could be beneficial to work through some scenarios for a number of the options discussed. The IMO would need to consider the best action to take with regard to RC_2010_29. Mr Forward could see the merit in the operational aspects of EnerNOC's proposal but wanted to be sure that it would not have any adverse impacts. It was agreed that MAC members should provide their comments on the proposal to the IMO, and the IMO would work through these comments with Mr Campillos.</p> <p><i>Action Point: MAC members to provide their comments on the Pre Rule Change Discussion Paper: Methodology for the Relevant Demand Calculation (PRC_2011_01).</i></p> <p><i>Action Point: The IMO to work with EnerNOC to consider and respond to the comments received from MAC members on the Pre Rule Change Discussion Paper: Methodology for the Relevant Demand Calculation (PRC_2011_01).</i></p>	<p>All</p> <p>IMO</p>
7a	<p>MARKET PROCEDURE CHANGE OVERVIEW</p> <p>Mrs Papps noted an update to the entry for the LT PASA procedure in the overview of recent and upcoming procedure changes distributed in the MAC meeting papers. Mrs Papps advised that the MAC papers had been distributed on the day of the IMO Procedure Change and Development Working Group meeting. The "Next Step" for the proposed updates was listed as "Formal submission into the Procedure Change Process (subject to any working group comments)". It was requested at the working group meeting that the proposal be returned to the working group for further review before its formal submission into the Procedure Change Process.</p> <p>The IMO noted the overview of recent and upcoming procedure changes.</p>	
8a	<p>WORKING GROUP OVERVIEW</p> <p>Mr Forward noted that Mr Adam Lourey was replacing Mr Dykstra as Alinta's member of the IMO Procedure Change and Development Working Group.</p> <p>Mr Cremin advised the MAC that Mr Tremayne Pirnie was replacing Mr Peter Ryan as Griffin Energy's member of the System Management Procedure Change and Development Working Group.</p> <p>The MAC noted the Working Group overview.</p> <p><i>Action Point: The IMO to amend the membership details contained in the ToR for both the IMO and System Management Procedure Change and Development Working Groups and update the website accordingly.</i></p>	IMO
8b	<p>MRCPWG UPDATE</p> <p>Mr Forward provided MAC members with an update on the progress of</p>	

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	<p>the MRCPWG. The Chair noted that the ERA, in its recent determination on the Maximum Reserve Capacity Price (MRCP) for the 2013/14 Reserve Capacity Year, had made some comments about the Weighted Average Cost of Capital (WACC) used by the IMO in the calculation of the MRCP. The Chair queried whether the issue raised by the ERA would be resolved by the MRCPWG. Mr Forward confirmed that this would be the case.</p> <p>Mr Dykstra noted the GFC had introduced sudden changes after a period of stability, and suggested that a degree of flexibility could be introduced into the procedure so that the IMO could adopt a different approach when the circumstances warranted this.</p> <p>Mr Forward clarified that the WACC value determined by the IMO is used for a particular purpose, which may not always align with the purposes for which the ERA requires a WACC value. The ERA has determined that the IMO followed due process in preparing its MRCP proposal, but does not agree with the IMO's Debt Risk Premium and does not want to create any expectation that it will be used for any of the ERA's own regulatory purposes.</p> <p>The MAC noted the overview of the MRCPWG.</p>	
8c	<p>TDIWG UPDATE</p> <p>Mr Forward noted that most MAC members were also members of the RDIWG and so were aware of its progress. Mr Forward offered to provide a one on one progress update to any member on request.</p> <p>Mr Dykstra queried when the scenarios being developed by the IMO would be distributed to RDIWG members. The Chair replied that these would be circulated as soon as possible, and that the Market Evolution Program team had been reminded of the urgency of the work. Mr Forward noted that one scenario had been reviewed with System Management the previous day.</p> <p>Mr Dykstra noted that participants had recently been approached with questions for a cost/benefit analysis. These were difficult to answer given the current lack of information. The Chair noted that a high level cost benefit analysis will be presented at the 22 February RDIWG meeting, with the aim for an updated paper to be presented at the 15 March 2011 RDIWG meeting.</p>	
9a	<p>OPERATIONAL WORKLOAD AND THE MARKET EVOLUTION PROGRAM</p> <p>The Chair noted that comments had been made at the 1 February 2011 RDIWG meeting about workload for the coming year. The IMO had agreed to raise the issue at the February 2011 MAC meeting, as the people who had made the comments would be present and could be invited to speak on the issue. The Chair noted that the IMO was conscious of the need to handle both its Market Evolution Program (MEP) and business-as-usual obligations, and so had budgeted for these</p>	

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	<p>accordingly. However the IMO understood the concerns raised by some participants about their ability to deal with the increased workload.</p> <p>Mr MacLean noted that Synergy had already increased its resources in expectation of the increase in workload generated by the MEP, and expected that other participants should also be taking similar action. Mr Ken Brown noted that System Management shared the concerns of other participants about the workload. The Chair advised that the IMO will try to manage the timeframes for submission periods, and where necessary will provide extensions to stagger the load on participants.</p> <p>Mr Dykstra noted that a large number of Rule Change Proposals were submitted into the Rule Change Process in December 2010. Some of the Rule Change identifiers indicated that work on the proposals had started early in 2010. Mr Dykstra suggested that perhaps a more strategic approach could have been taken to how proposals are packaged and the timing of their progression. The Chair queried whether Mr Dykstra was concerned about the level or the prioritisation of the work. Mr Dykstra replied that he was concerned about both aspects.</p> <p>Mr Forward considered that the scheduling of proposals was complex, as it was difficult to predict how long a proposal would need to work through the pre rule change process. It was unlikely that a series of complex proposals would emerge from the pre rule change process according to a perfect timetable. The Chair noted that the MAC frequently requests the IMO to undertake additional work in relation to a proposal, and while the IMO is happy to meet these requests they will have an impact on the timelines.</p> <p>Mr Dykstra considered that the IMO was not obliged to progress all of the proposals submitted to it. Mr Forward asked if MAC members wished the IMO to exercise this option more frequently. The Chair considered that the IMO was never too busy to progress a proposal. Mr Andrew Everett considered each participant should determine their level of engagement and resource appropriately.</p> <p>Mr Campillos queried whether Mr Dykstra was suggesting an increase in the combination of related changes into Rule Change Proposals. Mr Dykstra replied that he was unhappy with the current threshold for the acceptance of Rule Change Proposals by the IMO, considering that the burden of proof should be higher. Mr Dykstra considered that some recent proposals should not have been accepted by the IMO and that more work should have been done upfront.</p> <p>Mr MacLean noted that in some cases when Synergy has reviewed a Rule Change Proposal it had found that the logic as expressed in the drafting did not work. Mr MacLean suggested that if the proposals were better prepared it would reduce the workload for participants. Mr Dykstra considered that he no longer has confidence that the drafting contained in a Rule Change Proposal will actually achieve the intent suggested in its title.</p> <p>Mr Forward noted that he had discussed the criteria for the progression</p>	

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	<p>of Rule Change Proposals with Mr Dykstra in the past. Mr Dykstra asked why the IMO could not raise the bar for Rule Change Proposals. Mrs Papps submitted that the Market Rules offered little guidance on what the IMO can use to decide to not progress a Rule Change Proposal. Mr Dykstra suggested that the IMO could make an administrative decision on the requirements.</p> <p>Mr Forward noted that on many occasions participants had submitted proposals with drafting that did not achieve its intended effect. Mr Dykstra replied that he considered that the IMO was the “umpire” and was expected to be able to identify such errors. Mr Forward considered that the IMO’s options were to increase resources (at the market’s expense) or reduce the volume of work undertaken. If MAC members considered that more upfront analysis should be undertaken, then more resources could be allocated to support this.</p> <p>Mr Dykstra considered that participants had limited time to read through the detail contained in Rule Change Proposals, and suggested an increase in the number of issues resulting from the progression of Rule Change Proposals. Mr Dykstra offered the example of the Rule Change Proposal: Changing the Window of Entry into the Reserve Capacity Mechanism (RC_2009_11), which had not been intended to allow early entry for DSPs. Mr Dykstra submitted that in some cases Rule Change Proposals were accepted without adequate analysis because they appeared to be “intuitively OK”.</p> <p>The Chair reiterated that if participants found themselves unable to meet a submission deadline for an important Rule Change Proposal then they should advise the IMO of the issue. The IMO will try to accommodate any reasonable requests from participants to extend submission periods in these cases, subject to the constraints of the Market Rules. Mr Forward noted that the IMO would need to consider these requests carefully to prevent them from being used to delay the Rule Change Process. The Chair agreed that a judicious approach would be required.</p>	
10	<p>OTHER GENERAL BUSINESS</p> <p>Mr Sutherland noted that under the current network tariff structure some generators were forced to incur excess network usage charges (ENUC) in order to meet the requirements of a Reserve Capacity test.</p> <p>Mr Sutherland noted that typically Market Participants requested a Declared Sent Out Capacity (DSOC) equal to their Certified Reserve Capacity. For example, a Scheduled Generator capable of generating 340 MW might have a DSOC and Certified Reserve Capacity of 330 MW. Depending on the temperature, the Generator may need to exceed their 330 MW DSOC limit in order to pass a Reserve Capacity test, incurring ENUC charges that apply for the full month. In this case the marginal cost of increasing from 330 MW to 331 MW could be around \$1500 per MWh.</p> <p>Mr Sutherland noted that a Scheduled Generator would almost never exceed their DSOC unless they were requested to do so by System Management.</p>	

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	<p>The Chair queried what action Mr Sutherland wished the MAC and/or the IMO to take on the issue. Mr Sutherland suggested that ENUC penalties should only apply to the Trading Intervals during which the DSOC was exceeded. Mr Peter Mattner noted that Western Power was currently working on the third access arrangement and that he would like to discuss the matter with Mr Sutherland off-line. Mr Forward suggested that the IMO could participate in these discussions.</p> <p><i>Action Point: Mr Sutherland to send an email to the IMO and Mr Peter Mattner summarising his issues around excess network usage charges incurred by Scheduled Generators during Reserve Capacity tests.</i></p> <p><i>Action Point: The IMO to arrange a meeting between the IMO, Mr Mattner and Mr Sutherland to discuss the issues raised by Mr Sutherland around excess network usage charges incurred by Scheduled Generators during Reserve Capacity tests.</i></p>	<p>Mr Sutherland</p> <p>IMO</p>
12	NEXT MEETING Meeting No. 36 will be held on Wednesday 9 March 2011.	
CLOSED: The Chair declared the meeting closed at 4.28 pm.		
