

Independent Market Operator

Market Advisory Committee

Minutes

Meeting No.	40
Location	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date	Wednesday 13 July 2011
Time	Commencing at 2.00 pm

Attendees	Class	Comment
Allan Dawson	Chair	
John Rhodes	Compulsory – Customer	Proxy
Brendan Clarke	Compulsory – System Management	Proxy
Andrew Everett	Compulsory – Generator	
Peter Mattner	Compulsory – Network Operator	
Steve Gould	Discretionary – Customer	
Corey Dykstra	Discretionary – Customer	2.15 pm – 3.15 pm
Pablo Campillos	Discretionary – Customer	Proxy
Peter Huxtable	Discretionary – Contestable Customer Representative	
Andrew Sutherland	Discretionary – Generator	
Shane Cremin	Discretionary – Generator	
Ben Tan	Discretionary – Generator	
Paul Biggs	Small Use Customer Representative	
Chris Brown	Observer – ERA	Proxy
Paul Hynch	Minister's appointee	Proxy
Apologies	Class	Comment
Ken Brown	Compulsory – System Management	
Stephen MacLean	Compulsory – Customer	
Michael Zammit	Discretionary – Customer	
Wana Yang	Observer – ERA	
Nerea Ugarte	Minister's appointee	
Also in attendance	From	Comment
Nani Newton	IMO (Contractor)	Minutes
Jenny Laidlaw	IMO	Minutes
Greg Ruthven	IMO	Presenter
Robbie Flood	Alinta	Observer
Adam Lourey	Alinta	Observer
Zoë Davies	IMO	Observer
Fiona Edmonds	IMO	Observer
Courtney Roberts	IMO	Observer

Item	Subject	Action
1.	WELCOME The Chair opened the meeting at 2.00 pm and welcomed members to the 40th meeting of the Market Advisory Committee (MAC).	
2.	MEETING APOLOGIES / ATTENDANCE Apologies were received from: <ul style="list-style-type: none"> Ken Brown Stephen MacLean Wana Yang Michael Zammit Nerea Ugarte The following other attendees were noted: <ul style="list-style-type: none"> Brendan Clarke (Proxy for Ken Brown) Pablo Campillos (Proxy for Michael Zammit) Paul Hynch (Proxy for Nerea Ugarte) Greg Ruthven (Presenter) Adam Lourey (Observer) Zoë Davies (Observer) Courtney Roberts (Observer) John Rhodes (Proxy for Stephen MacLean) Chris Brown (Proxy for Wana Yang) Nani Newton (Minutes) Robbie Flood (Observer) Jenny Laidlaw (Observer) Fiona Edmonds (Observer) 	
3.	MINUTES OF PREVIOUS MEETING The minutes of MAC Meeting No. 39, held on 8 June 2011, were circulated prior to the meeting. The minutes were accepted without amendment as a true and accurate record of Meeting No. 39. <i>Action Point: The IMO to publish the minutes of Meeting No. 39 on the website as final.</i>	IMO
4.	ACTIONS ARISING Most actions arising were complete. The following exceptions were noted. <ul style="list-style-type: none"> Item 27: Mr Greg Ruthven advised that this action point (to work with System Management to investigate System Management's concerns around the methodology used for the Availability Curve) was nearly completed, pending a final close out meeting. Item 33: Ms Jenny Laidlaw noted that Mr Stephen MacLean had provided the IMO with his suggested amendments to the Pre Rule Change Discussion Paper: Ancillary Services Payment Equations 	

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	<p>(PRC_2010_27). The IMO proposes to update the drafting of PRC_2010_27 as soon as the drafting for the Market Evolution Program (MEP) proposal for competitive balancing and Load Following Ancillary Services (LFAS) markets becomes available. Ms Laidlaw advised that the IMO will take Mr MacLean's suggestions into consideration at that time.</p>	
5a	<p>MARKET RULE CHANGE OVERVIEW</p> <p>Ms Laidlaw gave an overview of a new issue in the IMO's Rule Change and Issues Log. The issue relates to the availability obligations of a new Demand Side Programme (DSP) that enters the market before the first Capacity Year for which it has Certified Reserve Capacity. Ms Laidlaw noted that Synergy had originally raised the issue, querying what the Facility's required hours of availability would be for the period from market entry until the start of the relevant Capacity Year. Ms Laidlaw noted that the IMO was currently seeking external advice on the issue.</p> <p>The Chair noted that the IMO will submit a new Minor and Typographical Rule Change Proposal in the next few weeks.</p> <p>The MAC noted the Market Rule Change Overview.</p>	
5b	<p>CALCULATION OF NET STEM SHORTFALL FOR SCHEDULED GENERATORS [PRC_2011_07]</p> <p>The Chair invited Mr Corey Dykstra to present Alinta's Pre Rule Change Discussion Paper: Calculation of Net STEM Shortfall for Scheduled Generators (PRC_2011_07). Mr Dykstra introduced Mr Robbie Flood and Mr Adam Lourey, who were attending the meeting to assist with any detailed technical questions.</p> <p>Mr Dykstra considered that PRC_2011_07 addresses a manifest error in the Market Rules, similar to the issue addressed by the Rule Change Proposal: Calculation of Net STEM Shortfall (RC_2010_03). Mr Dykstra explained that an error existed in the Net STEM Shortfall calculation, affecting a Market Participant with a portfolio containing more than one Scheduled Generator. If one of the Scheduled Generators experiences a Forced Outage in a Trading Interval when another of the Scheduled Generators is not required to run, then the Market Participant can incur additional penalties, over the expected Forced Outage Refunds, that would not apply to a stand alone Scheduled Generator.</p> <p>Mr Dykstra explained that the issue had not been detected previously by Alinta, probably due to a lack of internal resources. Mr Dykstra considered that the error constituted a significant risk to Alinta over next summer, when the Refund Table multipliers are higher and the risk of outages is the greatest. Alinta considered that the proposal should be progressed using the Fast Track Rule Change Process, to allow for its implementation before next summer.</p> <p>Mr Dykstra considered that while the proposed MEP changes appear likely to remove the relevant component of the Net STEM Shortfall</p>	

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	<p>calculation, there was some risk as to the timing of these changes. Mr Dykstra also considered that (based on the costs associated with RC_2010_03) the costs of PRC_2011_07 were likely to be minor, and therefore in Alinta's view likely to be outweighed by the benefits of the proposal.</p> <p>Mr Dykstra noted that the tables at the end of the paper provided a demonstration of the error and how it would be corrected by the proposed amendments.</p> <p>The Chair noted that he and Mr Dykstra had previously discussed a potential issue around the availability of Navita resources (Navita being the providers of the IMO's settlements system). The IMO has been able to reserve three months' worth of Navita's resources for the MEP balancing and LFAS proposal, which involves extensive changes to settlements. However, Navita has advised that additional resources are unlikely to be available before April 2012, due to commitments to other clients. The Chair noted that two IMO representatives were travelling to the USA the following week to meet with Navita. These discussions were expected to give the IMO a better understanding of the availability of Navita resources to make updates to the settlements system before the start of next summer.</p> <p>Mr Clarke noted that he had independently worked through the examples in Alinta's proposal and agreed that there was definitely an error in how the calculations currently worked. The Chair questioned what the financial impact on Alinta had been since market start. Mr Dykstra replied that for recent occurrences the cost to Alinta had been in the tens of thousands. Alinta had been fortunate on these occasions in that the Refund Table multipliers had been low at the time. Alinta had not worked back to calculate the full extent of the financial impact since market start.</p> <p>Mr Shane Cremin considered that there was definitely a precedent (in RC_2010_03) for action to be taken, and that if definite costs and risks were identified it was clear what needed to be done, subject to a cost/benefit analysis. Mr Andrew Sutherland queried whether any alternatives were available to Alinta, for example disaggregating its portfolio by assigning its Facilities to different Market Participants.</p> <p>Mr Sutherland also queried whether the IMO could implement a manual work around for settlements if resources were not available to implement an automated solution. The Chair was not sure whether this would be a viable option, but again noted that he would have a better picture after the IMO's discussions with Navita the following week. Mr Dykstra queried whether the IMO wished Alinta to delay the formal submission of its proposal until these discussions had taken place. The Chair considered that Alinta should not delay the submission of its proposal. If the proposal is accepted but issues arise with its implementation timing then this would be a matter for further discussion at the next MAC meeting.</p> <p>The Chair thanked MAC members for their input into the discussion of PRC_2011_07.</p>	

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5c	<p>CURTAILABLE LOAD DISPATCH FOR NETWORK CONTROL SERVICES [PRC_2011_08]</p> <p>Mr Clarke noted that the Pre Rule Change Proposal: Curtailable Load Dispatch for Network Control Services (PRC_2011_08) addressed the issues raised by System Management in the Concept Paper of the same name presented at the previous MAC meeting. As the MAC had discussed the Concept Paper and supported the development of PRC_2011_08 Mr Clarke did not consider that a further presentation was required.</p> <p>Ms Laidlaw noted that the IMO had advised System Management to proceed with PRC_2011_08, to avoid any delays in the progression of the proposal. Since the distribution of the meeting papers the IMO had further reviewed the proposal and had identified some additional suggestions around the dispatch of a Demand Side Programme (DSP) for consideration by the MAC.</p> <p>Ms Laidlaw noted that clause 7.6.6 of the Market Rules listed the various reasons for which System Management could issue a Dispatch Instruction to a Facility. A Dispatch Instruction could be issued in accordance with an Ancillary Service Contract, a Balancing Support Contract or a Network Control Service Contract (NCSC), in connection with an equipment test or else to meet a system shortfall under clauses 7.6.3 and 7.6.4. Currently PRC_2011_08 proposed that dispatch under an NCSC should be not be restricted by any consideration of the Facility's Reserve Capacity Obligation Quantity (RCOQ). The IMO considered that RCOQ should only affect dispatch under clauses 7.6.3 and 7.6.4 (i.e. under clause 7.6.6.(e)) and that dispatch for any other reason should be treated in the manner proposed by System Management for dispatch under an NCSC.</p> <p>Mr John Rhodes agreed that obligations under an NCSC should be regarded as being separate to those under the RCM. Mr Sutherland queried the consequences if a DSP failed to respond to a Dispatch Instruction issued under an NCSC. Ms Laidlaw replied that this would be a contractual matter between the DSP provider and Western Power. Mr Rhodes queried what would happen if a Dispatch Instruction could be issued for a Trading Interval under either obligation. Mr Clarke responded that the Market Rules gave precedence to dispatch under an NCSC in these circumstances. In response to a question from Mr Pablo Campillos, Ms Laidlaw confirmed that a DSP would only be dispatched for a Trading Interval for one reason.</p> <p>Mr Campillos considered that the current Market Rules do not prevent System Management from dispatching a DSP on a third consecutive day. Mr Clarke disagreed, considering that clause 7.6.10 imposed this restriction on System Management. There was some discussion about System Management's dispatch of DSPs during the recent Varanus Island incident and the extent to which clause 7.6.10 restricted System Management's dispatch of DSPs.</p> <p>Ms Laidlaw questioned whether System Management should be able to</p>	

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	<p>request a DSP to reduce consumption at times when its RCOQ was zero, on a voluntary basis without any penalties for non-compliance. Mr Campillos considered that these dispatch requests should be permitted. Mr Clarke noted that System Management definitely wanted the ability to dispatch a DSP under an NCSC without restriction, but in general if a Market Participant was willing to reduce consumption beyond its Reserve Capacity Obligations then System Management should be able request this.</p> <p>Ms Laidlaw noted that PRC_2011_08 proposed changes to clause 4.12.8 to restrict the type of Dispatch Instructions affecting the RCOQ of a DSP. Ms Laidlaw considered that clause 4.12.4 should also be amended as it also covered adjustments to RCOQ in response to Dispatch Instructions. Ms Laidlaw also suggested that clause 4.26.2D be amended to ensure that Capacity Shortfalls were only calculated for a DSP when it was dispatched under clause 7.6.6(e).</p> <p>There was general support from MAC members for the inclusion of the additional amendments suggested by the IMO into PRC_2011_08. The Chair advised that the IMO would provide its suggested drafting to System Management the following day, so that the proposal could be updated prior to its formal submission into the rule change process.</p> <p><i>Action Point: The IMO to send System Management its suggested amendments to the drafting for the Pre Rule Change Proposal: Curtailable Load Dispatch for Network Control Services (PRC_2011_08).</i></p> <p><i>Action Point: System Management to update the Pre Rule Change Proposal: Curtailable Load Dispatch for Network Control Services (PRC_2011_08) to reflect the IMO's suggested drafting amendments and then formally submit the proposal into the rule change process.</i></p>	<p>IMO</p> <p>System Mgmt</p>
6a	<p>MARKET PROCEDURES OVERVIEW</p> <p>The Chair proposed that the development of new IMO Market Procedures resulting from the MEP competitive balancing and LFAS proposal be assigned to the Rules Development Implementation Working Group (RDIWG) rather than the IMO Procedure Change and Development Working Group, as the former group has developed the necessary expertise for this work. The Chair suggested that this approach should also be taken for any new Power System Operation Procedures resulting from the MEP proposal. The MAC agreed to delegate the responsibility for the new MEP Market Procedures to the RDIWG.</p> <p>The MAC noted the overview of recent and upcoming procedure changes.</p>	
7a	<p>WORKING GROUP OVERVIEW AND MEMBERSHIP</p> <p>The MAC noted the Working Group overview.</p> <p>The Chair advised MAC members that Mr Alasdair Macdonald has left IMO. The Chair proposed to delay the replacement of Mr Macdonald as</p>	

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	the Chair of the IMO Procedure Change and Development Working Group and as a member of the System Management Procedures Working Group until after the new Market Development Group Manager, Ms Suzanne Frame, commences work at the IMO next week. The Chair will advise the new appointments at the August 2011 MAC meeting.	
7b	<p>MRCPWG UPDATE</p> <p>Mr Ruthven noted that the last meeting of the Maximum Reserve Capacity Price Working Group (MRCPWG) was held on 20 June 2011. The work of the MRCPWG is largely completed and any further work is likely to be conducted out of session. The IMO is currently finalising a draft Procedure Change Proposal and Market Procedure, taking into consideration the review comments provided by MRCPWG members out of session. The Chair expected that the IMO will present the draft proposal and Market Procedure to the MAC at its August 2011 meeting.</p> <p>Mr Andrew Everett questioned whether under Working Group protocols “agreed” meant unanimous support or merely majority support. Mr Everett noted that Verve Energy had not agreed that there should be no Forced Outage allowance within the MRCP. The Chair noted that the concerns raised by Mr Brad Huppatz at the meeting had been included in the minutes, and that the IMO took care to ensure that where concerns were raised by members in a Working Group meeting these concerns were reflected in the minutes. Mr Campillos noted that the dissenting views were also noted in the footnotes of the MRCPWG update in the MAC meeting papers. Mr Everett agreed that the footnote made clear that the agreement on the relevant issue was not unanimous.</p>	
7c	<p>RDIWG UPDATE</p> <p>The Chair noted that a series of workshops were held over recent weeks to work through the MEP competitive balancing and LFAS proposal. Further workshops were scheduled over the next few weeks, including another RDIWG workshop to be held on Tuesday, 19 July 2011 and a general industry information session to be held on Wednesday, 20 July 2011.</p> <p>The Chair noted that the RDIWG had been advised that its recommendation to proceed with the rule change to remove part of the Net STEM Shortfall calculation had been endorsed by the IMO Board. The Chair also noted that some RDIWG members had attended an informal workshop on the outage approval process. Following the discussion at the workshop the IMO agreed to look at the transparency provisions around outages as part of the MEP project, and consider the timelines for the approval of outages as part of the current Outage Planning Review.</p> <p>Mr Sutherland questioned when the report for the Outage Planning Review was due to be published. The Chair responded that a draft report was currently on his desk. The work had been delayed due to some data issues but the publication of the report was expected soon. The IMO was conscious of the importance of producing a good quality report, given the</p>	

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	importance of the subject. Mr Sutherland considered that it was very important to continue the outage planning work as a high priority.	
8	<p>GENERAL BUSINESS</p> <p><i>Dispatch Advisory 584</i></p> <p>Dr Steve Gould noted that System Management declared a High Risk State on 4 July 2011, which lasted for four days. Dr Gould read from Dispatch Advisory 584 that the High Risk State was <i>“called due to the high percentage of coal plant not being available. This has resulted in a higher than expected gas burn from other market participants and out of merit dispatch to conserve gas.”</i></p> <p>Dr Gould noted that at no time was there an issue with the dispatch margin. However, 888 MW of coal plant was out of operation, and with the high reliance on gas fuel at this time of year the incident resulted in STEM prices reaching the Maximum STEM Price. Dr Gould asked the MAC whether it considered that there should be something in the security requirements to handle fuel diversity, particularly in winter.</p> <p>Mr Clarke agreed with Dr Gould’s synopsis of the incident. Mr Clarke noted that when determining reserve margins System Management is indifferent to fuel type, and considered that if System Management were to take fuel into account then there would need to be limits set on how much liquid use was permissible before it was necessary to restrict outages.</p> <p>Mr Cremin noted that currently it was not System Management’s job to see what types of capacity were available, and questioned whether this information was available to Market Participants. Mr Clarke and Dr Gould replied that the IMO published outage details provided by System Management each Scheduling Day on the IMO website. Mr Clarke noted that although gas plant might be shown as available it did not necessarily mean that it was available for 24 hours per day.</p> <p>Mr Dykstra questioned the reasons for System Management dispatching out of merit to fix a perceived fuel problem. Mr Clarke replied that on this occasion System Management had thought there was a general shortage of gas. Mr Sutherland noted that ERM Power had been asked to generate 24 hours per day, and had needed to confirm their gas supply with DBP. Mr Everett considered that there was not so much a gas shortage, but more just not enough gas to run all the gas units.</p> <p>In response to a question from the Chair, Dr Gould confirmed that his suggestion was for some inclusion of fuel mix in the reliability criteria, particularly in winter. Mr Everett considered that he would be very concerned at this proposal, suggesting that it might result in difficulties in obtaining a planned outage for a coal plant. Dr Gould replied that he understood Collie had been on an outage for 10 days, and that if this outage could have been delayed it might have resulted in lower prices. There was some discussion about whether the resulting prices were, in fact, incorrect and about how fuel mix considerations could or should be</p>	

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	<p>included in the reliability criteria.</p> <p>Mr Dykstra questioned why System Management had issued Dispatch Advisory 584 if it was not concerned about the fuel mix. Mr Clarke responded that the advisory was needed for out of merit dispatch. Mr Ben Tan questioned why System Management had not been able to dispatch according to the merit order, so that Facilities that could not comply would record Forced Outages. Mr Campillos considered that the out of merit dispatch indicated that System Management was, in fact, taking the fuel mix into consideration.</p> <p>Mr Clarke noted that the immediate availability of gas and the availability of gas over an extended period both needed to be considered. Mr Cremin agreed that a security issue would arise if the market ran out of gas, but did not consider that this would happen frequently. Dr Gould noted that liquid pricing was avoided throughout the incident.</p> <p>The Chair noted that the reliability criterion was due for review by November 2012, and that it would be possible to raise this issue as part of that review. Dr Gould replied that the matter also related to the issue around transparency of outages and that outage information should be immediately available to Market Participants in an accessible format.</p> <p>Mr Sutherland noted that there had not been a general gas shortfall. However, while it was possible to generate using gas 24 hours per day for a short period, contractual limits on gas supply Max Daily Quantities and DBP transport capacity would impose commercial penalties on continued 24hr operation. The Chair suggested that the problem was a shortfall in a gas contract rather than a shortage of gas. Mr Campillos considered that this was a transport constraint rather than a fuel constraint.</p> <p>Mr Sutherland considered that if Market Participants could see upcoming events 1-2 days in advance they would be in a better position to take action. The Chair considered that the MEP balancing proposal should help to address some of these concerns. There was general agreement that the central issue was not with the volume of gas available but with flexibility in contracting for gas supply.</p> <p><i>Carbon Tax Impact</i></p> <p>Mr Sutherland questioned how Market Participants would be able to determine the carbon intensity of the energy they purchased through the WEM. Mr Cremin considered it likely that average intensities would be used. The Chair questioned whether there would be a requirement under the new carbon taxation legislation for buyers of energy to know the level of carbon intensity related to this energy.</p> <p>Mr John Rhodes noted that the Federal Government published an average carbon intensity value for the SWIS. Mr Campillos noted that if average values are used then a buyer of (non-green) electricity will receive the same rating regardless of whether the electricity purchased was generated using gas, coal or other fuels. Mr Cremin expressed</p>	

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	<p>concern at using generic values, noting for example the difference in methane emissions between coal mines in Queensland and Western Australia.</p> <p>The Chair queried why the carbon intensity values were needed. Mr Sutherland responded that participants needed this information when they bought electricity. Mr Dykstra added that retailers might use these values to adjust prices to end customers.</p> <p>The Chair noted that the IMO will be meeting with representatives from the National Electricity Market (NEM) in the near future and offered to make enquiries as to how the NEM was dealing with this issue. The Chair considered that if these values needed to be available then the IMO may need to provide them (for information only) in the future, and that to do this the IMO would need specific carbon intensity details from individual Market Generators.</p> <p><i>New Template for Draft Rule Change Reports</i></p> <p>The Chair noted that the IMO was trialling a new template for Rule Change Reports. The report format had been rationalised to remove repetitions and now included an executive summary. The template will be reviewed by the IMO Board at its 21 July 2011 meeting, and if approved will be used for the Draft Rule Change Report for the Rule Change Proposal: List of Entities Meeting the Acceptable Credit Criteria (RC_2011_04).</p>	
9	<p>NEXT MEETING</p> <p>Meeting No. 41 will be held on Wednesday 10 August 2011 (2.00 – 5.00pm).</p>	
CLOSED: The Chair declared the meeting closed at 3.15 pm.		