

Independent Market Operator

Market Advisory Committee

Minutes

Meeting No.	42
Location	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date	Wednesday 13 September 2011
Time	Commencing at 2.00 pm

Attendees	Class	Comment
Allan Dawson	Chair	
Suzanne Frame	Compulsory - IMO	
Stephen MacLean	Compulsory – Customer	
Phil Kelloway	Compulsory – System Management	Proxy
Andrew Everett	Compulsory – Generator	
Peter Mattner	Compulsory – Network Operator	
Steve Gould	Discretionary – Customer	
Corey Dykstra	Discretionary – Customer	
Jeff Renard	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	
Wana Yang	Observer – ERA	
Paul Hynch	Minister's appointee	Proxy
Apologies	Class	Comment
Ken Brown	Compulsory – System Management	
Michael Zammit	Discretionary – Customer	
Nerea Ugarte	Minister's appointee	
Also in attendance	From	Comment
Suzi Morris	IMO	Minutes
Stacey Oldfield	IMO	Observer
Jenny Laidlaw	IMO	Observer
Douglas Birnie	IMO	Presenter
Fiona Edmonds	IMO	Observer
Ben Williams	IMO	Observer
Jim Truesdale	Concept Consulting	Observer
Simon Adams	Lavan Legal	Observer

Item	Subject	Action
1.	<p>WELCOME</p> <p>The Chair opened the meeting at 2.00 pm and welcomed members to the 42nd meeting of the Market Advisory Committee (MAC). The Chair introduced Ms Suzanne Frame as the new IMO representative.</p>	
2.	<p>MEETING APOLOGIES / ATTENDANCE</p> <p>Apologies were received from:</p> <ul style="list-style-type: none"> • Ken Brown • Michael Zammit • Nerea Ugarte <p>The following other attendees were noted:</p> <ul style="list-style-type: none"> • Phil Kelloway (Proxy for Ken Brown) • Paul Hynch (Proxy for Nerea Ugarte) • Douglas Birnie (Presenter) • Ben Williams (Observer) • Stacey Oldfield (Observer) • Simon Adams (Observer) • Jeff Renard (Proxy for Michael Zammit) • Suzi Morris (Minutes) • Fiona Edmonds (Observer) • Jim Truesdale (Observer) • Jenny Laidlaw (Observer) 	
3.	<p>MINUTES OF PREVIOUS MEETING</p> <p>The minutes of MAC Meeting No. 40, held on 13 July 2011, were circulated prior to the meeting.</p> <p>The following amendments to the minutes were agreed to be included:</p> <ul style="list-style-type: none"> • Item 5c Page 5, 4th paragraph: “Ms Laidlaw replied that this would be a contractual matter between the DSP provider and Western Power” Mr Phil Kelloway requested that, although not mentioned during the meeting, the words be added “and could also have SWIS security implications”. • Item 8 Page 8, 2nd paragraph: Dr Steve Gould noted that the reference “dispatch margin” should be the “reserve margin”; and with respect to the statement “888 MW of coal plant was out of operation” 700 MW was undertaking a Planned Outage. Mr Gould also suggested that after “reserve margin” the following sentence should be inserted “...and that liquid pricing was avoided throughout the incident.” • Item 8 Page 9, 4th and 5th paragraph: Mr Andrew Sutherland suggested that he might like to amend the discussion in this section and would consider this further out of session. <p><i>Action Point: Mr Sutherland to further consider the details reflected in item 8 of the Meeting No. 40 minutes (page 9, paragraphs 4 and 5) and inform the IMO of any further updates</i></p> <p>Subject to the above amendments, the minutes were accepted as a true</p>	<p>Mr Sutherland</p>

	<p>and accurate record of Meeting No. 40.</p> <p><i>Action Point: The IMO to update the minutes to reflect the agreed amendments, subject to Mr Sutherland's notification, and publish the minutes of Meeting No. 40 on the website as final.</i></p> <p>Meeting No. 41 was not held in session but rather papers on the proposed amendments to the Maximum Reserve Capacity Price (MRCP) Market Procedure had been circulated out of session for members comment.</p>	IMO
4.	<p>ACTIONS ARISING</p> <p>Items 41 and 42 are complete. The following items are still outstanding:</p> <ul style="list-style-type: none"> • Item 27: The Chair noted that the 2011 Statement of Opportunities had been published by the IMO. The Chair stated that Mr Greg Ruthven would provide an update on the outcomes of the IMO and System Management's discussions on System Management's concerns regarding the methodology used by the IMO for Availability Curve calculations and in particular the availability of Demand Side Management at the next MAC meeting. It was noted that the responsibility for this action point was originally listed as System Management, however this was clarified to belong to the IMO. <p><i>Action Point: The IMO to provide a clarification on the outcome for of the IMO and System Management's discussions on the methodology used by the IMO for Availability Curve calculations at the October 2011 MAC meeting.</i></p>	IMO
5a	<p>MARKET PROCEDURES</p> <p>Ms Suzanne Frame noted that the Procedure Change Proposal: 5 Yearly Review of the Methodology and Process for Determining the MRCP (PC_2011_06) had been submitted by the IMO into the formal procedure change process on 6 September 2011.</p> <p>Ms Frame noted that following the circulation of the proposed amended procedure to the MAC out of session the IMO had received a number of submissions from MAC members, which have been incorporated into the proposed amendments where appropriate. Ms Frame also noted that the IMO had held a public workshop with industry to further discuss the proposed amendments. The outcomes of Sinclair Knight Merz's review of Deep Connection costs were presented along with an overview of the amendments following the MRCP Working Group's considerations of the existing Market Procedure. The Chair noted that the workshop was widely attended by industry and it was clear that the biggest perceived issue relates to the volatility of the price resulting from the MRCP process.</p> <p>The MAC noted the overview of recent and upcoming procedure changes.</p>	
6a	<p>MARKET RULE CHANGE OVERVIEW</p> <p>Ms Frame noted that no new rule changes or issues had been submitted into the rule change log. A Rule Change Proposal (RC_2011_06) that</p>	

	<p>clears a number of items on the minor and typographical rule change log had been submitted into the formal process on 19 August 2011.</p> <p>Ms Wana Yang noted that the ERA did not wish there to be any further delays with the progression of the Rule Change Proposal: Reassessment of Allowable Revenue during a Review Period (RC_2011_02) and offered to work with the IMO to resolve any outstanding issues. The Chair noted Ms Yang's concerns and acknowledged that there had been some personnel changes in the IMO resulting in extension notices needing to be issued.</p> <p>The MAC noted the overview of recent and upcoming rule changes.</p>	
6b	<p>BALANCING AND LFAS ARRANGEMENTS – PROCESS TO DATE AND NEXT STEPS</p> <p>Mr Douglas Birnie noted that the paper provides a high level summary of the present position of the proposed amendments under the Pre Rule Change Proposal: Competitive Balancing and Load Following Services Market (PRC_2011_10). Mr Birnie noted that the latest draft of the PRC_2011_10 has been presented at today's meeting (with the proposed Amending Rules being tabled during the meeting), and, subject to any further comments by MAC members prior to noon on 16 September 2011, will be formally submitted into the Rule Change Process.</p> <p>The Market Procedures affected by the proposed Amending Rules are to be developed by the IMO and System Management respectively, with a series of workshops taking place at the Western Australian Cricket Association (WACA) in October and November (similar to the walk through workshops conducted on the rule changes) with formal consultation through the procedure change process to follow during December.</p> <p>Ms Yang enquired as to whether the statement on page 24 of PRC_2011_10, <i>"Independent legal advisers have undertaken a legal consistency check of the Pre Rule Change Proposal with the IMO's Market Rule obligations"</i>, was due to the rule changes not receiving majority endorsement. The Chair advised that this is not the case, it is simply a matter of checking for congruency with the Regulations.</p> <p>Ms Yang queried whether the MAC's endorsement of PRC_2011_10 is required. The Chair advised that MAC operates in an advisory capacity and the decision to proceed is not for the MAC to make. The recommendation (c) in the paper simply reflects a final opportunity for the MAC to comment on the proposal. Mr Corey Dykstra noted that there is no obligation to submit a Pre Rule Change Paper through the MAC, it can be submitted directly to the IMO (although this is not recommended).</p> <p>Ms Yang queried where the minimum STEM price of negative \$1,000 per MW originated (refer page 30 No 12). The Chair explained that there was a chance that the market would settle at the bottom price point regularly resulting in a tie break methodology being used more often. Subsequently it was suggested that the negative price be lowered to differentiate the lower end of the price offer. Mr Stephen MacLean noted</p>	

	<p>that the \$1,000 value was also used the National Electricity Market (NEM).</p> <p>The Chair expressed his gratitude for the level of engagement throughout the consultation process.</p> <p>Mr Corey Dykstra requested a word version of the Pre Rule Change Proposal be provided to MAC members.</p> <p><i>Action Point: The IMO to provide MAC members with a word version of PRC_2011_10.</i></p>	IMO
6c	<p>RESPONSES TO RDIWG MEMBERS COMMENTS ON PRC_2011_10</p> <p>Mr Birnie requested that the responses to Rules Development Implementation Working Group (RDIWG) members' comments be dealt with by exception – any big issues can be raised at this meeting, but otherwise members are asked to review the comments outside the meeting and provide any further input via email. There were no questions raised at the meeting.</p> <p><i>Action Point: MAC members to review the responses to RDIWG members' comments out of session and provide the IMO with further comment by Friday 16 September 2011.</i></p>	MAC
6d	<p>PRC_2011_10: COMPETITIVE BALANCE AND LOAD FOLLOWING MARKET</p> <p>Mr Birnie tabled the proposed Amending Rules for PRC_2011_10 during the meeting.</p> <p>Mr MacLean queried whether there have been any subsequent changes to the Cost Benefit Analysis (CBA) figures presented on page 83. The Chair responded that advice was sought from Sapere Research Group (Sapere) as to whether revisions to the CBA were required as System Management had raised concerns regarding an escalation in costs for implementing the required IT systems. Sapere have prepared a briefing note for the IMO on the overall impacts of the CBA of the identified additional costs under both the high and low cost assumptions. The Chair noted that Sapere's advice is that although the costs to be taken into account have increased by 37%, the resultant conclusion from any revision to the CBA remains in favour of the proposal. The Chair noted that the briefing note would be presented to the IMO Board at its Thursday 15 September 2011 meeting for further consideration..</p> <p><i>Action Point: Following consideration by the IMO Board of the Sapere Research Group's briefing note on the CBA for PRC_2011_10, the IMO to circulate the briefing note to MAC members.</i></p> <p>The Chair noted that it is becoming increasingly important to release market related information and as such the IMO has introduced a number of amendments to the confidentiality provisions into PRC_2010_11. The Chair noted that information will be either public or confidential under the proposed amendments, stating that not all public information will necessarily be published on the Market Web Page. The Chair noted that</p>	IMO

	the IMO is currently preparing a revised list of confidential information. Mr Kelloway queried whether a process or procedure to govern the confidentiality arrangements so that any proposed changes are put to a working group or the MAC for assessment should be incorporated.	
7a	WORKING GROUP OVERVIEW AND MEMBERSHIP UPDATES The MAC noted that there were no changes.	
7b	RDIWG UPDATE Mr Birnie noted the status of PRC_2011_10 and reiterated his request for any comments on the proposal by noon on 16 September 2011.	
8	<p>GENERAL BUSINESS</p> <p><i>Transitional arrangements for the new balancing and LFAS markets</i></p> <p>Mr Birnie tabled a document outlining the implications of the transitional arrangements with a target end date of 5 December 2012. Major changes relate to gate closure (two hours instead of six hours) and submission tranches (from ten to four price quantity pairs). A budget increase is required to meet the costs of rolling out System Management infrastructure and incorporate the additional time required for testing, the original budget being drafted to cover expenditure only to June 2012. Mr Birnie noted that there will be further discussion on the transitional arrangements at the next RDIWG meeting.</p> <p><i>Review of the Reserve Capacity Mechanism by The Lantau Group (Lantau)</i></p> <p>Mr Shane Cremin questioned the timing of the release of Lantau's report on its review of the Reserve Capacity Mechanism. The Chair noted that the IMO Board would be considering the report prepared by Lantau at its 15 September 2011 meeting, after which time the report would be presented to the MAC for discussion. The Chair noted that the proposed amendments to the determination of the MRCP and their impact on excess capacity have complicated the report as these were not originally accounted for. There was some discussion around options for how the Reserve Capacity Price could be determined.</p> <p>Mr MacLean raised his concern that the review had commenced a year ago following the request of the MAC and the market was still waiting on the outcomes. The Chair clarified that the review had been commissioned by the IMO Board independently from the MAC. There was some discussion about the impacts of the current methodology for determining the Reserve Capacity Price.</p>	
9	NEXT MEETING Meeting No. 43 will be held on Wednesday 5 October 2011 (2.00 – 5.00pm). The Chair proposed that Meeting No. 44 be held on Wednesday 16 November 2011 (2.00pm – 5.00pm), one week later than the original date of Wednesday 9 November 2011.	

	<i>Action Point: MAC members to advise the IMO of the suitability of the amended 16 November 2011 date (previously 9 November 2011) for Meeting No. 44.</i>	MAC
CLOSED: The Chair declared the meeting closed at 3.25 pm.		