

Independent Market Operator

Market Advisory Committee

Minutes

Meeting No.	46
Location	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
Date	Wednesday 8 February 2012
Time	2.00pm – 3.30pm

Attendees	Class	Comment
Allan Dawson	Chair	
Suzanne Frame	Compulsory - IMO	
Andrew Everett	Compulsory – Generator	
Stephen MacLean	Compulsory – Customer	
Mr Phil Kelloway	Compulsory – System Management	Proxy
Steve Gould	Discretionary – Customer	
Michael Zammit	Discretionary – Customer	
Peter Huxtable	Discretionary – Contestable Customer Representative	
Shane Cremin	Discretionary – Generator	
Ben Tan	Discretionary – Generator	
Paul Biggs	Small Use Customer Representative	
Paul Hynch	Minister's appointee	Proxy
Corey Dykstra	Discretionary – Customer	
Peter Mattner	Compulsory – Network Operator	
Andrew Sutherland	Discretionary – Generator	
Wana Yang	Observer-ERA	

Apologies	Class	Comment
N/A		

Also in attendance	From	Comment
Aditi Varma	IMO	Minutes
Bruce Cossill	IMO	Presenter
Greg Ruthven	IMO	Presenter
Jenny Laidlaw	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 46 th meeting of the Market Advisory Committee (MAC).	
2.	MEETING APOLOGIES / ATTENDANCE No apologies were received. The following other attendees were noted: <ul style="list-style-type: none"> Bruce Cossill (Presenter) Jenny Laidlaw (Observer) Greg Ruthven (Presenter) Courtney Roberts (Observer) Fiona Edmonds (Observer) Aditi Varma (Minutes) 	
3.	MINUTES OF PREVIOUS MEETING The minutes of MAC Meeting No. 45, held on 14 December 2011, were circulated prior to the meeting. The minutes were accepted as a true and accurate record of Meeting No. 45. <i>Action Point: The IMO to publish the minutes of Meeting No. 43 on the website as final.</i>	IMO
4.	ACTIONS ARISING Most actions arising were completed prior to the meeting. The following exception was noted: <ul style="list-style-type: none"> Item 33: Ms Suzanne Frame advised that the progress of PRC_2010_27 was contingent on the outcomes of MEP and the MAC would be advised of the revised time frames as soon as the final report is published. 	
5a.	MARKET RULE CHANGE OVERVIEW The Chair requested that it be noted that the IMO was conducting an internal review of the Rule Change log and the MAC will be updated on any changes to the Rule Change log at its meeting in March. <i>Action Point: The IMO to provide an overview of any updates to the Rule Change Log following its internal review during the March MAC meeting.</i>	IMO
5b.	PRC_2012_01: INTERMITTENT LOADS ELIGIBILITY CRITERIA Mr Greg Ruthven presented the Pre Rule Change Discussion Paper: Intermittent Loads Eligibility Criteria (PRC_2012_01). Mr Ruthven advised that the purpose of the proposed changes were to correct a manifest error in the clauses used to test the eligibility of a Load as an Intermittent Load. Mr Stephen MacLean queried if the generator serving an Intermittent	

	<p>Load was allowed to be at a separate location. Mr Ruthven confirmed that the Market Rules allowed for the generator to be present at either the same or a different location and that the inconsistencies presented in this Pre Rule Change would occur in both of these situations.</p> <p>Mr Ben Tan queried whether this meant that the generator servicing an Intermittent Load could have a different NMI to the load itself. Ms Jenny Laidlaw and Mr Ruthven confirmed that this was the case, but noted that several conditions had to be met by the generator in these circumstances.</p> <p>Ms Wana Yang questioned if the proposed changes were simply to correct a mathematical error or if the issue affected real-world application of the clause. Mr Ruthven confirmed that as the clauses currently stand, a load will essentially fail the test in clause 2.30B.2(b) even if it satisfies all other clauses. Ms Jenny Laidlaw confirmed that there may be existing Loads that are adversely affected by this clause.</p> <p>Mr Andrew Sutherland was concerned that the relevant clause is currently applied as read from the Market Rules even though it seemed that the Market Rules did not allow for an Intermittent Load to exist behind an Embedded Generator. Mr Ruthven answered that he was not aware of how the relevant clause was applied historically and confirmed that presently it is the Market Participant's responsibility to identify a part of the Load that is to be considered an Intermittent Load.</p> <p>Mr Corey Dykstra said that it was not immediately apparent that an inconsistency existed in the clauses because the issue existed with regard to how the 4320 Trading Intervals of net energy consumption in a capacity year were identified. Mr Dykstra said that it did not seem to be a manifest error. Mr Sutherland agreed that because the clause was currently being applied as it was originally contemplated (i.e. to allow a generator to only meet part of a load); it was not clear why the clause needed an urgent change using a fast-track process. The Chair queried whether the clause was limiting real-world application to which Mr Ruthven replied that it would be limiting if new Loads applied to be classified as Intermittent Loads.</p> <p>Ms Yang questioned the benefit available to a participant on qualifying as an Intermittent Load to which Mr Sutherland and Mr Ruthven replied that the benefit existed in the form of lower Individual Reserve Capacity Requirement (IRCR) but that the participant also took on a substantive risk in the form of uncapped refunds for the Intermittent Load where they fail to meet their capacity requirements.</p> <p>Mr Stephen MacLean asked if it was correct to assume that the clause allowed an Intermittent Load to maximize its consumption quantity during the 4320 Trading Intervals. Mr Greg Ruthven replied that there should be annual checks in place for this. Mr MacLean agreed that the assumptions behind choosing 4320 Trading Intervals could be questioned but that was outside the scope of the proposed changes.</p> <p>The Chair asked MAC members if there was agreement that the proposed changes should be progressed, subject to the IMO reconsidering its initial assessment of the proposed changes as meeting</p>	
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	<p>the criteria to be progressed via the fast track rule change process. MAC members agreed with the Chair.</p> <p><i>Action Point: The IMO to review the qualification of PRC_2012_01 as meeting the criteria to be progressed via the fast-track process.</i></p>	IMO
6a.	<p>MARKET PROCEDURE CHANGE OVERVIEW</p> <p>The Chair informed the MAC that there were a number of proposed amendments to Market Procedures required as a result of the Rule Change Proposal: Competitive Balancing and Load Following market (RC_2011_10) that would be brought forward to the market for consideration. There were also a number of amendments to other Market Procedures in the pipeline as a result of the current internal review of Market Procedures being undertaken by the IMO. Although these changes were lower priority than the required changes to Market Procedures as a result of RC_2011_10, their number was significant and they would improve overall Market Procedures.</p>	
7a.	<p>WORKING GROUP OVERVIEW</p> <p>The MAC noted the Working Group overview.</p> <p>Mr Dykstra advised the MAC that Ms Deb Rizzi will be Alinta's representative on the IMO Procedures Working Group. The MAC accepted Ms Rizzi's nomination for the Working Group</p> <p><i>Action Point: The IMO to update the website and the Terms of Reference for the IMO Procedures Working Group to reflect that Ms Deb Rizzi will replace Mr Adam Lourey.</i></p>	IMO
7b.	<p>RDIWG UPDATE</p> <p>Ms Suzanne Frame provided a verbal update on the Rules Development Implementation Working Groups progressed to date to the MAC. Ms Frame advised the MAC that the IMO had provided a further consultation period on RC_2011_10 and that the call for submissions for this had closed on 7 February, with two submissions received. The submissions for the first tranche of Procedure Change Proposals which included the IMO's new Market Procedure for Balancing Facility Requirements (PC_2012_02) and the new Market Procedure for Balancing Market Forecasts (PC_2012_03) closed on 6 February along with System Management's proposed changes to the Power System Operation Procedures under the Procedure Change Proposal: Replaced PSOPs: Competitive Balancing and Load Following Market 1 (PPCL0021).</p> <p>Ms Frame noted that submissions the further two Procedure Change Proposals from System Management required for RC_2011_10 would close on 10 February (PPCL0022) and 20 February (PPCL0023). Ms Frame also informed the MAC that the IMO recently published the Procedure Change Proposal: New Market Procedure for IMS Interface (PC_2012_04) Ms Frame advised that minor amendments to the IMO's other Market Procedures required for RC_2011_10 would be presented at the next IMO Procedures Working Group meeting.</p> <p>The Chair highlighted that the IMO Board will consider advice on RC_2011_10 before finalising the go-live date for the new balancing and</p>	

	LFAS markets. The Chair advised that the IMO has invited System Management to present their readiness for the go-live date to the IMO Board at their monthly meeting on 16 February.	
7c.	<p>RCM WORKING GROUP UPDATE</p> <p>The Chair advised that nominees had already been informed of their appointments. All nominations had been accepted given the level of interest in this working group.</p> <p>The Chair apologised to MAC members regarding the confusion about RCMWG meeting being held in close proximity to the MAC meeting date. The Chair confirmed that this will be instituted in the first RCMWG meeting. The Chair also apologised on behalf of the IMO for not conducting the RCMWG workshops that had previously been discussed by the MAC.</p> <p>The Chair noted that a paper on definition of capacity will be presented at the first RCMWG meeting to assist the group's deliberations.</p> <p>The Chair highlighted that the IMO intends to recall the Maximum Reserve Capacity Price Working Group (MRCPWG) during 2012 to further consider the assumptions that underpin the Weighted Average Cost of Capital (WACC). This work will be commenced in April-May 2012.</p> <p>Mr Dykstra noted that the Australian Competition Tribunal (ACT) had released its decisions on the appropriate value of <i>gamma</i> that should be considered in the determination of WACC. The Tribunal released its decisions on 6 January and 11 January 2012 changing the recommended value of <i>gamma</i> to 0.25 from 0.50 which has a material impact on the WACC in the order of 50-55 basis points. Mr Dykstra further noted that the ACT's decision in a related WA Gas Networks case will only be released in June 2012 but it is not expected to be different from the ruling that ACT has already taken. In light of this, Mr Dykstra asked if this would constitute sufficient evidence to suggest that the IMO should review this parameter. The Chair confirmed that IMO will consider the ACT's decisions.</p> <p>Mr Ben Tan queried if the MRCP would be considered in the scope of the RCMWG. The Chair confirmed that the Reserve Capacity Price falls under the scope of RCMWG but not the formulation of the MRCP as that has already been the subject of the significant review undertaken recently by the MRCPWG. Further clarifying his point, the Chair said that the application of MRCP in the RCM will be reviewed under the scope of RCMWG.</p> <p>With regard to the Draft Terms of Reference for the RCMWG, the Chair confirmed to Mr MacLean that his feedback had been considered and included. Mr MacLean further questioned if the IMO would allow alternative approaches to be considered outside the issues list identified by The Lantau Group. The Chair confirmed that the IMO Board had asked for the review to be completed within 9 months and that the IMO would welcome alternative approaches and solutions within the overall scope of work for the RCMWG. At this stage, Mr Everett queried if the group was indeed satisfied with the coverage of issues in The Lantau Group report. In response to this, the Chair said that the RCM review was initiated by the IMO Board to assess over-supply of capacity and The Lantau Group's work was conducted in response to that. Now the IMO</p>	

	<p>Board has requested the MAC to provide advice on The Lantau Group report.</p> <p>Mr Dykstra reminded the MAC that the industry had previously identified the RCM as being the second most important issue for consideration after Balancing. He acknowledged that over supply of capacity was an important issue but it was only one among several issues that the industry would like to consider. He suggested that the first meeting of the RCMWG should consider what the industry wants the RCM to deliver. Mr Cremin suggested that a redefinition of capacity in the WEM is an important starting point.</p> <p>The Chair delineated the two issues for the RCMWG as a) What is the definition of capacity and b) What should the RCM deliver.</p> <p>The MAC discussed that it would be useful to hear from Mr Brendan Clarke and Mr Stephen MacLean about the history and background of RCM. The Chair said that he was aware that the political intent was to ensure reliability and certainty in the market but he acknowledged that it would be useful to include an agenda item on the history of RCM at the first RCMWG meeting.</p> <p><i>Action Point: Include agenda item on History and Background of RCM in the 15 February 2012 RCMWG meeting</i></p>	IMO
8.	<p>IMPLEMENTING THE PROVISION OF NCS</p> <p>Mr Peter Mattner from Western Power provided the MAC with a verbal update on status of the current tender to procure Network Control Services (NCS) in Albany. Mr Mattner notified the MAC that tenders for supply of NCS in Albany closed on 7 February 2012. Mr Mattner noted that Mr Neil Chivers from Western Power would provide a further update on the outcomes of the tenders to the MAC at its next meeting.</p> <p>The Chair asked if this was the first NCS to be provided to Albany. Mr Mattner confirmed this and added that other places for NCS are being considered.</p> <p>Mr Tan asked if the terms of any successful tender would be publically released after the procurement process finishes. Mr Mattner said that in his opinion the scope of the services provided would be made public knowledge but the commercial arrangements around the services would remain commercial-in-confidence.</p> <p>The Chair asked about the level of control and how many MW they are looking for in Albany. Mr Matter responded that he could not recall this information but would be happy to provide a link to this information. The Chair then suggested that this item be included in the agenda for the next MAC meeting.</p> <p><i>Action: The IMO to include a further update of the NCS procurement process on the agenda for the March MAC meeting.</i></p>	IMO
9.	<p>CARBON TAX IMPLICATIONS ON THE WEM</p> <p>Mr Bruce Cossill from the IMO presented a brief summary of the paper on the potential options in the WEM for carbon intensity reporting.</p> <p>The MAC members agreed that this was a good and timely idea given the commencement of the Carbon Pricing Mechanism in mid 2012.</p>	

	<p>Mr Cremin said that carbon intensity reporting was necessary and questioned whether it was SCADA data the IMO would be requesting Market Participants provide on a voluntary basis because not all generators have metered data. He suggested that care should be taken to ensure the correct combination of sent-out or as-generated data was used with the corresponding generator greenhouse intensity. Mr Everett agreed with Mr Cremin and highlighted that this was the only way generators would be able to report carbon intensity.</p> <p>Mr Dykstra questioned if the intent was that generators provide the IMO the average carbon intensity for a reporting period which could then be applied to the sent-out electricity rather than a more accurate reading per Trading Interval.</p> <p>The Chair clarified that the intent was to receive a reasonably static factor of carbon intensity per MW generated by facility and then apply that to SCADA data which is already available with the IMO and subsequently publish aggregate carbon intensity for SWIS for every Trading Interval. He highlighted that the IMO did not wish to make this reporting overly complex but keep it reasonably accurate.</p> <p>Mr Peter Huxtable asked if the index would be reported separately for STEM and Balancing to which the Chair replied that the IMO would publish total SWIS carbon-intensity because the nature of bilateral and STEM submissions on a market participant basis rather than a facility basis restricted the granularity of the carbon-intensity reporting.</p> <p>Mr Dykstra questioned whether the reporting obligation would rest at the entity level or at the facility level and noted that the reporting obligation falls on the controlling entity and not necessarily the owner of the facility.</p> <p>Mr Huxtable commented that should be referred to as Carbon Pricing Mechanism and not Carbon Tax as it is not a tax. Also noted that this is relevant within contracts as it would not likely be covered by 'change in tax' clauses.</p> <p>The Chair highlighted that this reporting process would only work if all Market Participants participated. Based on the MAC's support, the IMO will initiate carbon-intensity reporting on a voluntary basis; however, the IMO would consider initiating a Rule Change in consultation with the MAC if accurate information was not received consistently from all Market Participants.</p> <p>The Chair also asked MAC members to confirm that the intensity levels should be reported at the aggregate level. MAC members agreed.</p> <p>Mr Sutherland asked if the IMO had considered other impacts of the carbon pricing mechanism- for instance on the Maximum STEM price and Alt Maximum STEM price. The Chair indicated that this work was underway. He added that in the National Electricity Market, the impacts of the carbon pricing mechanism on the prudential requirements of Market Participants was being reviewed. However, the IMO did not expect a sizeable impact on prudential requirements in the WEM. At this point, Mr MacLean highlighted that prudential requirements was an important, but often overlooked area for Market Participants. The Chair noted that the IMO will have evaluated and communicated impacts on prudential requirements for Market Participants prior to 1 July.</p> <p>Mr Paul Biggs asked if the IMO would be involved in the settlements of</p>	
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	<p>permits for energy traded in STEM and balancing market to which the Chair replied that the IMO would not be involved in settlement of permits.</p> <p>Mr Cossill asked the MAC members what time-period might be the most useful for reporting carbon-intensity. Mr Cremin considered that reporting by off-peak and on-peak periods would be useful because of the different types of generating facilities operating during these periods. The Chair highlighted that the IMO would be able to provide half-hourly data if the generators provided facility-level intensity data. This could then be aggregated up to any time period. The MAC members discussed that it would be useful to have intensity reported for different time-periods.</p> <p>The Chair informed the MAC that the IMO would inform Market Participants of its intention and its methodology with regard to carbon-intensity reporting.</p> <p><i>Action: The IMO to communicate impacts on Prudential Requirements for Market Participants prior to 1 July</i></p> <p><i>Action: The IMO to inform MAC on its intention and its methodology with regards to carbon-intensity reporting.</i></p>	<p>IMO</p> <p>IMO</p>
11.	<p>GENERAL BUSINESS</p> <p>The Chair noted that the recommendations for the new MAC had been sent to the IMO Board for endorsement at their meeting on 16th February.</p> <p>The Chair thanked all members for their contribution during 2011 and provided a reminder of the upcoming MAC Appreciation Dinner to be held on 15th February.</p>	
CLOSED: The Chair declared the meeting closed at 3.30 pm.		