

## Market Advisory Committee

### Agenda

<b>Meeting No.</b>	46
<b>Location:</b>	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
<b>Date:</b>	Wednesday 8 February 2012
<b>Time:</b>	2.00pm – 5.00pm

Item	Subject	Responsible	Time
1.	<b>WELCOME</b>	<b>Chair</b>	2 min
2.	<b>MEETING APOLOGIES / ATTENDANCE</b>	<b>Chair</b>	2 min
3.	<b>MINUTES FROM MEETING 45</b>	<b>Chair</b>	10 min
4.	<b>ACTIONS ARISING</b>	<b>Chair</b>	10 min
5.	<b>MARKET RULES</b>		
	a) Market Rule Change	<b>IMO</b>	2 min
	b) RC_2012_01: Intermittent Load Eligibility Criteria	<b>IMO</b>	20 min
6.	<b>MARKET PROCEDURES</b>		
	a) Overview	<b>IMO</b>	2 min
7.	<b>WORKING GROUPS</b>		
	a) Overview and membership updates	<b>IMO</b>	2 min
	b) RDIWG Update (verbal)	<b>IMO</b>	10 min
	c) RCM Working Group	<b>IMO</b>	20 min
8.	<b>IMPLEMENTING THE PROVISION OF NCS (Verbal)</b>	<b>WP</b>	15 min
9.	<b>CARBON TAX IMPLICATIONS ON THE WEM</b>	<b>IMO</b>	15 min

<b>10.</b>	<b>GENERAL BUSINESS</b>
<b>11.</b>	<b>NEXT MEETING: 14 March 2012 (2.00 – 5.00pm)</b>

**Independent Market Operator**  
**Market Advisory Committee**

**Minutes**

<b>Meeting No.</b>	45
<b>Location</b>	IMO Board Room Level 3, Governor Stirling Tower, 197 St Georges Terrace, Perth
<b>Date</b>	Wednesday 14 December 2011
<b>Time</b>	2.00pm – 3.20pm

<b>Attendees</b>	<b>Class</b>	<b>Comment</b>
Allan Dawson	Chair	
Suzanne Frame	Compulsory - IMO	
Andrew Everett	Compulsory – Generator	
Phil Kelloway	Compulsory – System Management	Proxy
John Rhodes	Compulsory – Customer	Proxy
Peter Huxtable	Discretionary – Contestable Customer Representative	
Andrew Sutherland	Discretionary – Customer	
Steve Gould	Discretionary – Customer	
Shane Cremin	Discretionary – Generator	
Ben Tan	Discretionary – Generator	
Paul Biggs	Small Use Customer Representative / Observer - Minister's appointee	
Chris Brown	Observer – ERA	Proxy
<b>Apologies</b>	<b>Class</b>	<b>Comment</b>
Ken Brown	Compulsory – System Management	
Corey Dykstra	Discretionary – Customer	
Michael Zammit	Discretionary - Customer	
Peter Mattner	Compulsory – Network Operator	
Stephen MacLean	Compulsory – Electricity Retail Corporation	
Nerea Ugarte	Observer - Minister's appointee	
Wana Yang	Observer – ERA	
<b>Also in attendance</b>	<b>From</b>	<b>Comment</b>
Janine Ripper	IMO	Minutes
Brendan Clarke	System Management	Presenter
Bruce Cossill	IMO	Presenter
Bobby Ditric	IMO	Observer
Jenny Laidlaw	IMO	Observer
Fiona Edmonds	IMO	Observer
Greg Ruthven	IMO	Observer

Stacey Oldfield		IMO	Observer
Item	Subject	Action	
1.	<p><b>WELCOME</b></p> <p>The Chair opened the meeting at 2.00 pm and welcomed members to the 45<sup>th</sup> meeting of the Market Advisory Committee (MAC).</p>		
2.	<p><b>MEETING APOLOGIES / ATTENDANCE</b></p> <p>Apologies were received from:</p> <ul style="list-style-type: none"> <li>• Ken Brown</li> <li>• Peter Mattner</li> <li>• Nerea Ugarte</li> <li>• <u>Michael Zammit</u></li> <li>• Corey Dykstra</li> <li>• Stephen MacLean</li> <li>• Wana Yang</li> </ul> <p>The following other attendees were noted:</p> <ul style="list-style-type: none"> <li>• Phil Kelloway (proxy for Ken Brown)</li> <li>• Chris Brown (proxy for Wana Yang)</li> <li>• Bruce Cossill (Presenter)</li> <li>• Jenny Laidlaw (Observer)</li> <li>• Greg Ruthven (Observer)</li> <li>• John Rhodes (Proxy for Stephen MacLean)</li> <li>• Brendan Clarke (Presenter)</li> <li>• Bobby Ditric (Observer)</li> <li>• Stacey Oldfield (Observer)</li> <li>• Fiona Edmonds (Observer)</li> </ul>		
3.	<p><b>MINUTES OF PREVIOUS MEETING</b></p> <p>The minutes of MAC Meeting No. 43, held on 5 October 2011, were circulated prior to the meeting.</p> <p>The minutes were accepted as a true and accurate record of Meeting No. 43.</p> <p><i>Action Point: The IMO to publish the minutes of Meeting No. 43 on the website as final.</i></p>	<b>IMO</b>	
4.	<p><b>ACTIONS ARISING</b></p> <p>Most actions arising were completed prior to the meeting. The following exceptions were noted:</p> <ul style="list-style-type: none"> <li>• <b>Item 33:</b> Ms Suzanne Frame advised that the IMO was targeting the February 2012 MAC for the completion of Item 33 at this stage. The Chair advised that the IMO had pushed this out due to the amount of activity currently.</li> <li>• <b>Item 51:</b> Ms Frame explained that there had been action on the IMO to provide the Economic Regulation Authority (ERA) with a plan of how the IMO was going to meet the 14 December 2011 publication date for the Draft Rule Change Report for the Rule Change Proposal: Reassessment of Allowable Revenue during a Review Period (RC_2011_02). Ms Frame advised that the report had been</li> </ul>		

	<p>presented to the IMO Board last week, with the Board requesting discussion of the report to be postponed until the Board meeting on 15 December 2011. An extension to the timeframes for publishing the Draft Rule Change Report had been requested by the IMO Board in order for this to happen.</p>	
<b>5a.</b>	<p><b>MARKET RULE CHANGE OVERVIEW</b></p> <p>The Chair requested that it be noted that the IMO has a policy of pushing forward externally proposed rule changes as a priority, and that the vast majority of the rule changes on the outstanding rule change list were proposed changes from the IMO which were identified by the IMO's regular review processes.</p>	
<b>5b.</b>	<p><b>PRC_2011_09: PRUDENTIAL REQUIREMENTS</b></p> <p>Mr Bruce Cossill presented the Pre Rule Change Discussion Paper: Prudential Requirements (PRC_2011_09). Mr Cossill noted that the Pre Rule Change Discussion Paper followed up the Issues Paper presented to the MAC at its June 2011 meeting. Mr Cossill advised that the purpose of the rule change was to simplify and clarify the mechanism for calculating prudential credit limits and making margin calls. The rule change will effectively bring the rules into line with the current Market Procedure, which has been in place since market start, and would improve the transparency and robustness of the prudential regime, enabling the real time calculation of net current liabilities through the settlements system so that the trading margin is always current and visible, and that the market is therefore maintained in a more secure state.</p> <p>Mr Cossill noted that there were two appendices to the paper, including the draft Market Procedure which would be put through the Market Procedure change process. The Market Procedure had been redrafted to reflect the proposed Amending Rules, and to tidy up items such as the removal of network operators from the prudential regimes. The calculation formulas included were the basic framework and would form part of the Market Procedure; any further detail that was required could be included through the Procedure Change Process. Following a query from Mr Shane Cremin, Mr Cossill confirmed that there was an example of the calculations included in the paper on page 31.</p> <p>Mr Cremin noted that he had not had time to read the paper in detail since it had been distributed to MAC members. The Chair confirmed that there was no real change to the procedure, and explained that the intent of the Rule Change Proposal was to accurately reflect the procedures and practices that were already in place. The Chair advised that there was an opportunity to submit feedback as part of the formal rule and procedure change processes.</p> <p>The MAC agreed to the progression of PRC_2011_09 and the associated changes to the Market Procedure: Prudential Requirements.</p>	
<b>5c.</b>	<p><b>PRC_2011_14: CALCULATION OF AVAILABILITY CLASS QUANTITY CORRECTION</b></p>	

Mr Brendan Clarke presented System Management's Pre Rule Change Discussion Paper: Calculation of Availability Class Quantity Correction (PRC\_2011\_14). A copy of Mr Clarke's presentation is available on the IMO website.

In summary, the issue was that "there is a mismatch in the Availability Curve calculation and the Demand Side Programme (DSP) requirements". Mr Clarke noted that the calculation rules were not currently causing a problem, but considered that because Reserve Capacity was procured two years in advance the issue needed to be addressed.

Mr John Rhodes queried whether the required hours of availability per year for Availability Class 1 was being changed from 96 to 72. Ms Jenny Laidlaw confirmed that under the proposed changes to clause 4.5.12(c) the forecast of capacity required for 96 hours per year was no longer used.

There was some discussion about whether the 2002/03 load profile used in the Availability Curve calculations for the 2011 Statement of Opportunities (SOO) was representative of current load patterns. The Chair advised that the IMO would look at updating this profile prior to the calculations for the 2012 SOO.

*Action Point: The IMO to consider updating the load profile used in the Available Curve Calculations for the Statement of Opportunities.*

**IMO**

Mr Clarke confirmed that the proposal did not seek to alter the Availability Class requirements. For example, a DSP seeking certification in Availability Class 4 could still offer only 24 hours of availability per year. If the DSP offered more hours (up to 48) then this would give it priority in certification, as the longer duration offers would be accepted before the shorter duration offers. Mr Clarke also noted that the proposal did not limit the amount of Demand Side Management (DSM) that could be certified.

The Chair noted that Mr Corey Dykstra had sent comments on PRC\_2011\_14, requesting that they be represented at the meeting. Mr Dykstra had commented that "from the information contained in PRC\_2011\_14 it is unclear whether the issue identified by System Management would lead to increased risk to system reliability as claimed by System Management. This is because it is not clear that in procuring capacity, the IMO is required to assume, or in fact assumes, that all capacity within a particular Availability Class (e.g. Availability Class 4) is available for the maximum hours that capacity in the Availability Class may be available (i.e. 48 hours), or whether it procures capacity based on the actual availability of capacity within each Availability Class". The Chair advised he would forward Mr Dykstra's comments to Mr Clarke and Mr Greg Ruthven, so that they could work together to prepare a response for presentation to the MAC.

Mr Cremin noted that the proposal did not have any impact on what DSP providers can bring into the market. Mr Cremin queried whether the proposal could be varied so that a DSP was made to provide at least 48 hours of availability for certification in Availability Class 4. The Chair

<p>suggested that the upcoming review of the Reserve Capacity Mechanism (RCM) was likely to review the availability requirements for DSM.</p> <p>Mr Brendan Clarke advised that System Management had considered the option suggested by Mr Cremin, but had chosen the option presented in PRC_2011_14 as it believed that this would be easier to implement in the short term. Mr Clarke considered that the changes were only likely to be in effect for the next SOO, as they would be overtaken by the outcomes of the RCM review.</p> <p>The Chair asked MAC members if they were comfortable with the progression of the proposal. Mr Cremin queried whether it was worth progressing the proposal for just one SOO, given the upcoming RCM review and the uncertainty resulting from the use of a 2002/03 load profile. Mr Clarke noted that the IMO planned to update the load profile used in the calculations. Mr Peter Huxtable considered that there was value in progressing the proposal as it provided a filtering mechanism that might be required in future. Mr Ben Tan queried whether this was likely given the timing of the RCM review.</p> <p>The Chair asked MAC members whether they considered that the proposal was worth pursuing at this time, given the current workload. Mr Cremin considered that this was a question for System Management, and that if it considered there was value in implementing the change for one SOO then it was not a difficult proposal to progress. Dr Steve Gould considered that this was a straight forward rule change that could serve to send the signal to DSM not to keep flooding in.</p> <p>Mr Ben Tan raised another issue regarding the load forecast. Mr Tan noted that System Management must use DSM at the perfect times in order to make the load forecast accurate and to do this it would need to predict the peak intervals with 100% accuracy. Mr Clarke agreed that this was true but noted the issue was not something that could be resolved easily.</p> <p>Dr Paul Biggs suggested that the effect of the change would be trivial when compared to the effect of forecast errors contained within the SOO.</p> <p>The MAC supported the progression of PRC_2011_14 into the formal rule change process.</p> <p>Mr Tan queried whether System Management had reviewed the Availability Curve for the past year against the DSM that had been called in that year, and queried whether the information could be provided to the new RCM Working Group to assist its consideration of DSM capacity. The Chair confirmed that the data could be made available to the Working Group.</p> <p><i>Action Point: The IMO to circulate System Management's presentation on the Pre Rule Change Discussion Paper: Calculation of Availability Class Quantity Correction (PRC_2011_14) to MAC members.</i></p> <p><i>Action Point: The IMO to forward the feedback provided by Mr Corey Dykstra on the Pre Rule Change Discussion Paper: Calculation of Availability Class Quantity Correction (PRC_2011_14) to Mr Brendan</i></p>	<p><b>IMO</b></p> <p><b>IMO</b></p>
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	<p><i>Clarke and Mr Greg Ruthven.</i></p> <p><i>Action Point: Mr Brendan Clarke and Mr Greg Ruthven to provide MAC members with a response to Mr Corey Dykstra's comments on the Pre Rule Change Discussion Paper: Calculation of Availability Class Quantity Correction (PRC_2011_14).</i></p> <p><i>Action Point: System Management to submit the proposal: Calculation of Availability Class Quantity Correction (PRC_2011_14) into the rule change process.</i></p>	<p><b>IMO/ System Mgmt</b></p> <p><b>System Mgmt</b></p>
<b>6a.</b>	<p><b>MARKET PROCEDURE CHANGE OVERVIEW</b></p> <p>Ms Frame noted that the Market Procedure and Power System Operation Procedure (PSOP) changes associated with the Market Evolution Program (MEP) were reasonably substantial and that initial drafts of all procedures had been presented at a number of public workshops held throughout November 2011. The IMO intended to put the procedure changes through the formal Procedure Change Process in early 2012, staggering their submission on a week by week basis to avoid overloading stakeholders.</p> <p>The Chair noted that the Market Procedures were currently out for informal comment, and that there were still opportunities to review and provide feedback. The formal process will commence in the New Year.</p> <p>Ms Suzanne Frame advised the timeline for the procedure changes had been published on the IMO website.</p>	
<b>7a.</b>	<p><b>WORKING GROUP OVERVIEW</b></p> <p>The MAC noted the Working Group overview.</p>	
<b>7b.</b>	<p><b>RDIWG UPDATE</b></p> <p>The Chair advised that the Draft Rule Change Report for the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10) had been released and was available on the IMO website.</p> <p>The Chair also advised that market trials had commenced for the new IMO market system, and asked all members to encourage their teams to log in and test the new environment.</p> <p>Mr Andrew Everett advised that he had received two security keys but no passwords for the new system. The Chair advised that this would be rectified by the end of the day.</p> <p><i>Action Point: IMO to provide Mr Andrew Everett with passwords to the new market system.</i></p>	<p><b>IMO</b></p>
<b>7c.</b>	<p><b>RCM REVIEW WORKING GROUP</b></p> <p>The Chair noted that a proposed structure and draft Terms of Reference for the RCM Working Group (RCMWG) had been circulated to MAC members prior to the meeting.</p>	



	<p>The Chair advised that Mr Dykstra had suggested some changes to the Terms of Reference, and had also suggested that the RCMWG should also consider “how should capacity be defined”. Mr Dykstra considered this was relevant because it has become clear that capacity offered by different technologies has different characteristics. The Chair considered that this would be a worthy addition to the Terms of Reference.</p> <p>Mr John Rhodes asked if further submissions could be made on the documents, and whether the documents could be brought back to the February 2012 MAC meeting for review and discussion.</p> <p>The Chair confirmed that the IMO was happy to receive submissions up until February and would conduct the first RCMWG meeting after the February 2012 MAC meeting.</p> <p>Mr Huxtable queried whether end-users should be represented in the proposed structure, given that the Working Group would be addressing issues relevant to end-users such as changes to the Individual Reserve Capacity Requirement (IRCR). The Chair agreed to the inclusion of two end-users in the proposed structure. The Chair confirmed that the IMO would proceed with determining the membership of the RCMWG and would circulate the draft Terms of Reference, subject to MAC approval in February 2012. The Chair advised that the IMO would notify MAC members of the deadline for feedback.</p> <p>Mr Cremin questioned whether a draft work schedule with proposed meeting dates had been prepared for the RCMWG. The Chair asked for feedback on the scheduling of RCMWG meetings on the same day as MAC meetings. It was agreed to not schedule the RCMWG on the same day as the MAC, but on consecutive days. Ms Laidlaw noted that there would be a secretariat overhead if the meetings were held on consecutive days. The Chair advised that there could be a delay with the distribution of the minutes for the meetings due to the close succession of the meetings. The MAC noted the advice.</p> <p><i>Action Point: The IMO to advise MAC members of the deadline for feedback on the proposed structure and Terms of Reference for the Reserve Capacity Mechanism Working Group.</i></p>	<b>IMO</b>
<p><b>8.</b></p>	<p><b>DUAL FUEL INCENTIVES</b></p> <p>The Chair apologised for not including a covering note for circulation with the papers for the Dual Fuel Incentives agenda item.</p> <p>The Chair represented Mr Dykstra’s views to the MAC members present:</p> <p>“I note that there is no covering paper, but understand that the intention is simply to seek MAC members’ views on whether the industry wished to progress considering the manner in which incentives might be provided in the Wholesale Electricity Market (WEM) to support the provision of dual fuel generation and the maintenance of back-up fuel stocks.</p> <p>Certification on dual fuels results in higher capacity testing costs and additional fuel storage and cycling costs – which may not currently be able to be recovered. For this reason, Alinta opted not to certify its Wagerup facility as a dual fuel facility in the most recent certification process, although it remains capable of operating using both gas and distillate. The suggestion of exploring the adoption of a back-up fuel</p>	

ancillary service would be able to be implemented much sooner given it likely avoids the need to amend the Market Rules, and because if obtained outside of the RCM it would not be subject to the 2-year lead times (i.e. it would ensure that facilities that are capable of dual fuel operation but may not be certified as such can provide the desired ancillary service to the market).”

The Chair noted that the Gas Supply and Emergency Management Committee (GSEMC) had recommended that there be an incentive in the WEM for dual fuel facilities, given the important role they played during the 2008 Varanus Island disruption. The Office of Energy (OoE) had commissioned Pricewaterhouse Coopers (PwC) to undertake a review of the options for incentivisation of dual fuel facilities. The IMO was provided with a draft of the report around August 2010, and in turn responded to the Anne Hill in January 2011. The IMO followed up the issue in September 2011 with Michael Kerr, who responded by letter in October 2011 and gave permission to share the draft PwC report with MAC members.

Dr Biggs advised that the OoE's intention has been to receive the PwC report and issue it for public consultation together with an issues paper drafted by the OOE. The OOE was not happy with the initial drafting of the issues paper. However, the OoE had some concerns with the PwC report. Dr Biggs confirmed that new resources had now been assigned to the task, and that he expected to be able to provide advice to the Minister shortly, in order to start a more public consultation process. Dr Biggs noted that the OoE had made a commitment to MAC members that they would be provided with the opportunity to see the draft report and provide feedback to aid the OoE in its analysis of what was worth pursuing, so that it could then provide more consolidated advice to the government. Dr Biggs invited comments today or subsequently from MAC members, and confirmed that after MAC members had the opportunity to provide feedback the OoE intended to publish a discussion paper as the next step.

Mr Cremin queried the current intentions of the OoE with regard to the recommendations in the PwC report. Dr Biggs replied that the OoE had not yet made its own judgement on whether to follow the PwC recommendations or whether more efficient options existed, and that the views of MAC members on this question would be valuable. Mr Cremin questioned how much money should be spent to provide incentives for dual fuel facilities, noting that full redundancy would be very expensive.

The Chair advised that based on his observations there was very much a portfolio approach to try and manage this risk, and that this initiative was just one aspect of it, as there were other initiatives underway. The Chair noted as an example the IMO's obligation to develop an emergency gas management system to provide timely information to stakeholders. There was some discussion about the costs of providing dual fuel capacity and the progress that has been made to mitigate the risks of a gas disruption since the 2008 Varanus Island incident. Dr Biggs considered that the environment had changed since the PwC report had been commissioned and that there was now a greater focus on constraining costs.

Dr Biggs confirmed that his aim was to issue a formal discussion paper

	<p>early in the new year, and requested MAC members to email him directly any informal comments by the end of January 2012, so that they could be built into the discussion paper.</p> <p><i>Action Point: MAC members to email Dr Paul Biggs any informal comments of the Pricewaterhouse Coopers draft report: Review of options for implementing electricity and gas market contingency arrangements by 31 January 2012.</i></p> <p>The Chair noted that if an Ancillary Services type solution was adopted then the IMO could design and implement such a solution relatively quickly, as it would not be tied to a Reserve Capacity Cycle. The IMO would look to the OoE for policy guidance on this issue.</p> <p>The Chair advised that an action item would be kept open so that the Office of Energy could provide MAC with a progress report.</p> <p><i>Action Point: The Office of Energy to provide the MAC with an update on progress around the implementation of incentives for dual fuel facilities in the Wholesale Electricity Market.</i></p> <p>Dr Gould noted that during the Varanus Island emergency there were no actual electricity curtailments but the supply of diesel had nearly run out. Dr Gould suggested that the issue of diesel availability also needed to be considered. There was general agreement that supply chain issues needed to be taken into consideration, and some discussion of gas and diesel supply arrangements during the Varanus Island incident.</p>	<p style="text-align: center;"><b>All</b></p> <p style="text-align: center;"><b>Office of Energy</b></p>
<p><b>9.</b></p>	<p><b>TRANSITIONAL ARRANGEMENTS POLICY</b></p> <p>The Chair advised that as a result of undertaking the process of evaluating the two recent rule changes associated with the allocation of Capacity Credits to Intermittent Generators (RC_2010_25 and RC_2010_37), the IMO Board had requested the development of a set of clear and transparent criteria for determining the appropriateness of applying transitional arrangements. These are arrangements that would be implemented as part of a Rule Change Proposal that staggered the implementation and effect of the changes over a period of time.</p> <p>The Chair confirmed that the paper was for informational purposes, so that MAC members could understand the framework that had been adopted. The guidelines would be published on the IMO website.</p> <p>Mr Kelloway queried whether the transitional arrangements policy had been put to the test. The Chair advised that the policy had been utilised by the IMO Board in recommending the transition arrangements included in RC_2010_25.</p> <p>The Chair represented Mr Dykstra's views to the MAC members present:</p> <p>"I think the IMO should be commended for making this paper available. However, it would be useful to understand the extent to which the paper has been adopted by the IMO and the IMO Board – i.e. does the entire paper represent the transition guidelines that have been endorsed and adopted by the IMO Board, or does the IMO's 'policy' differ in any way from that outlined in Sapere's report?"</p>	

	<p>The Chair clarified that the transitional arrangements policy had been adopted in full by the IMO and the IMO Board, and that it had been used in the consideration of RC_2010_25 and RC_2010_37.</p> <p>Mr Kelloway questioned if the transitional arrangements policy applied to the Market Evolution Program. The Chair confirmed that it did not, and that it had been adopted as a guiding principle.</p> <p>Mr Cremin agreed with Mr Dykstra's sentiments, and reiterated that as a set of guidelines it was good to have as at least it provided a reference point to debate the validity of requests for transitional arrangements.</p> <p>The Chair summarised that the transitional arrangements policy was a framework the IMO Board would use to assess whether a proposed rule change qualified for consideration of transitional arrangements.</p> <p>Mr Kelloway advised that the transitional arrangements policy was good to see.</p> <p>The Chair advised that the paper would be converted into a policy document to be placed onto the IMO website.</p> <p><i>Action Point: The IMO to publish its guidelines for transitional arrangements on the IMO website.</i></p>	<b>IMO</b>
<b>10.</b>	<p><b>2011 YEAR IN REVIEW</b></p> <p>The Chair summarised the IMO's achievements for 2011, noting that there had been a great deal of activity throughout the year. The Chair noted that the number of rule changes developed and underway had slightly decreased from 2009 and 2010, but the rule changes that had been developed in 2011 had been more substantive than in previous years. The Chair confirmed that all IMO Operations teams had re-drafted their Market Procedures, which would go through the Procedure Change Process during 2012.</p>	
<b>11.</b>	<p><b>GENERAL BUSINESS</b></p> <p>The Chair thanked the MAC members for all of their efforts throughout 2011 and wished them a Merry Christmas.</p>	
<b>12.</b>	<p><b>NEXT MEETING</b></p> <p>Meeting No. 46 will be held on Wednesday 8 February 2012.</p>	
<p><b>CLOSED:</b> The Chair declared the meeting closed at 3.20 pm.</p>		



## Agenda item 4: 2012 MAC Action Points

### Legend:

<b>Shaded</b>	Shaded action points are actions that have been completed since the last MAC meeting.
<b>Unshaded</b>	Unshaded action points are still being progressed.
<b>Missing</b>	Action items missing in sequence have been completed from previous meetings and subsequently removed from log.

#	Year	Action	Responsibility	Meeting arising	Status/Progress
33	2011	The IMO to consider the suggested amendments to the Pre Rule Change Discussion Paper: Ancillary Services Payment Equations (PRC_2010_27) provided by Mr Stephen MacLean, and update the proposal as appropriate.	IMO	June	In progress.
50	2011	The IMO to update the minutes of Meeting No. 42 to reflect the points raised by the MAC and publish on the website as final.	IMO	Oct	Complete
51	2011	The IMO to provide the ERA with a plan detailing how the IMO intends to meet the 14 December 2011 timeframe for the Draft Rule Change Report for the Rule Change Proposal: Reassessment of	IMO	Oct	Revised drafting has been presented to the ERA and the Draft Rule Change Report is due to be published on 14 December

#	Year	Action	Responsibility	Meeting arising	Status/Progress
		Allowable Revenue during a Review Period (RC_2011_02).			2011.
52	2011	The IMO to confirm the details of System Management's role in the Market Procedure: Supplementary Reserve Capacity and report back to the next MAC meeting.	IMO/SM	Oct	Completed. The IMO confirms that the heads of power for the Market Procedure: Supplementary Reserve Capacity covers System Management (Clause 4.24.18).
53	2011	The IMO to add Ms Suzanne Frame to the membership details contained in the Terms of Reference for both the IMO and System Management Procedure Change and Development Working Groups and update the website accordingly.	IMO	Oct	Completed
54	2011	The IMO to ensure that invitations to the workshops relating to proposed new and amended Market Procedures affected by the new balancing and Load Following Ancillary Services markets are distributed by 7 October 2011.	IMO	Oct	Completed
55	2011	The IMO to develop the Terms of Reference and membership structure for a new working group to address the issues raised in The Lantau Group's paper: Review of RCM: Issues and Recommendations.	IMO	Oct	Completed. Terms of Reference will be presented to December MAC.



## Agenda Item 5a: Overview of Market Rule Changes

Below is a summary of the status of Market Rule Changes that are either currently being progressed by the IMO or have been registered by the IMO as potential Rule Changes to be progressed in the future.

Rule changes: Formally submitted (see appendix 1)	1 February 2012
Fast track with Consultation Period open	0
Standard Rule Changes with 1st Submission Period Open	1
Fast Track Rule Changes with Consultation Period Closed (final report being prepared)	0
Standard Rule Changes with 1st Submission Period Closed (draft report being prepared)	1
Standard Rule Changes with 2nd Submission Period Open	1
Standard Rule Changes with 2nd Submission Period Closed (final report being prepared)	2
Rule Changes - Awaiting Minister's Approval and/or Commencement	2
<b>Total Rule Changes Currently in Progress</b>	<b>7</b>

Potential changes logged by the IMO- Not yet formally submitted	December	January
High Priority (to be formally submitted in the next 3/6 months)	0	0
Medium Priority (may be submitted in the next 6/12 months)	31	32 (+1/-0)
Low Priority (may be submitted in the next 12/18 months)	25	26 (+1/-0)
<b>Potential Rule Changes (H, M and L)</b>	<b>56</b>	<b>58</b>

The changes in the rule change and issues log from December to January have arisen from:

Priority	Issue
<b>High</b>	N/a
<b>Medium</b>	<p><b>In:</b></p> <ul style="list-style-type: none"> <li>• A number of issues exist with the current drafting of clauses 3.21.4 – 3.21.6. Clause 3.21.4(e) currently applies to all generating systems but should only apply to Scheduled Generators, while clause 3.21.6(e) requires the IMO to provide System Management with RCOQ values for all facilities in an unachievable timeframe.</li> </ul> <p><b>Out:</b></p> <ul style="list-style-type: none"> <li>• No issues have been progressed this month.</li> </ul>
<b>Low</b>	<p><b>In:</b></p> <ul style="list-style-type: none"> <li>• Clause 4.27.3 needs to be more specific on the definition of Planned Outages.</li> </ul> <p><b>Out:</b></p> <ul style="list-style-type: none"> <li>• No issues have been progressed this month.</li> </ul>

*The IMO also notes that it keeps a log of Minor and Typographical issues that is updated on a regular basis. These issues are collated and submitted in three batches each year.*



**APPENDIX 1: FORMALLY SUBMITTED RULE CHANGES (Current as of 1 February 2012)****Standard Rule Change with First Submission Period Open**

ID	Date submitted	Title	Submitter	Next Step	Date
RC_2011_14	20/01/2012	Calculation of Availability Class Quantity Correction	System Management	Submissions close	07/03/2012

**Standard Rule Change with First Submission Period Closed**

ID	Date submitted	Title	Submitter	Next Step	Date
RC_2010_08	15/04/2010	Removal of DDAP uplift when less than facility minimum generation (An extension has been agreed with Griffin Energy due to MEP)	Griffin Energy		19/04/2012

**Standard Rule Change with Second Submission Period Open**

ID	Date submitted	Title	Submitter	Next Step	Date
RC_2010_28	01/03/2011	Capacity Credit Cancellation	IMO	Submissions close	13/02/2012

**Standard Rule Change with Second Submission Period Closed**

ID	Date submitted	Title	Submitter	Next Step	Date
RC_2011_02	10/03/2011	Reassessment of Allowable Revenue during a Review Period	ERA	Publish Final Rule Change Report	28/02/2012

### Standard Rule Change undergoing Further Consultation Period

ID	Date submitted	Title	Submitter	Next Step	Date
RC_2011_10	23/09/2011	Competitive Balancing and Load Following Market	IMO	Publish Final Rule Change Report	16/02/2012

### Rule Changes with Final Rule Change Report Published

ID	Date submitted	Title	Submitter	Next Step	Date
RC_2011_11	03/01/2012	Correction of Minor, Typographical and Manifest Errors	IMO	Commencement	01/03/2012
RC_2010_31	18/03/2011	De-registration of Rule Participants who no longer meet registration requirements	IMO	Commencement	TBA



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## Agenda Item 5b: Intermittent Loads Eligibility Criteria (PRC\_2012\_01)

### 1. BACKGROUND

The IMO has developed the Pre Rule Change Proposal: Intermittent Loads Eligibility Criteria (PRC\_2012\_01) to address a manifest error in the eligibility criteria for Intermittent Loads prescribed in clause 2.30B.2 of the Market Rules. Clause 2.30B.2 sets out a number of conditions that a Load must meet to be eligible to be an Intermittent Load, including the requirement that “the Load shall reasonably be expected to have a net consumption of energy for not more than 4320 Trading Intervals in any Capacity Year”.

Clauses 2.30B.2(a)(i) and 2.30B.10 allow for situations where only part of a Load is registered as an Intermittent Load, with the remaining part being treated as a Non-Dispatchable Load. However, the IMO considers that the current drafting of clause 2.30B.2(b) fails to account for this scenario, making it unclear how the consumption test should be applied.

The attached Pre Rule Change Proposal suggests alternative wording for clause 2.30B to clarify that it is possible for only part of a Load to be registered as an Intermittent Load and to remove the apparent contradiction in the eligibility criteria.

### 2. RECOMMENDATIONS

The IMO recommends that the MAC:

- **Discuss** the Pre Rule Change Proposal.

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## Wholesale Electricity Market Pre-Rule Change Proposal

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**Pre-rule change Proposal No:**  
**Received date:**

[PRC\_2012\_01]  
TBA

**Change requested by:**

<b>Name:</b>	Greg Ruthven
<b>Phone:</b>	(08) 9254 4301
<b>Fax:</b>	(08) 9254 4399
<b>Email:</b>	<a href="mailto:greg.ruthven@imowa.com.au">greg.ruthven@imowa.com.au</a>
<b>Organisation:</b>	IMO
<b>Address:</b>	Level 3, Governor Stirling Tower, 197 St Georges Terrace
<b>Date submitted:</b>	TBA
<b>Urgency:</b>	<i>Medium</i>
<b>Change Proposal title:</b>	Intermittent Load eligibility criteria
<b>Market Rules affected:</b>	Clauses 2.30B.1, 2.30B.2, 2.30B.5, 2.30B.6, 2.30B.6A, 2.30B.7, 2.30B.8 and 2.30B.11.

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### Introduction

Market Rule 2.5.1 of the Wholesale Electricity Market Rules provides that any person (including the IMO) may make a Rule Change Proposal by completing a Rule Change Proposal Form that must be submitted to the Independent Market Operator.

This Change Proposal can be posted, faxed or emailed to:

**Independent Market Operator**  
Attn: Group Manager Market Development  
PO Box 7096  
Cloisters Square, Perth, WA 6850  
Fax: (08) 9254 4339  
Email: [market.development@imowa.com.au](mailto:market.development@imowa.com.au)

The Independent Market Operator will assess the proposal and, within 5 Business Days of receiving this Rule Change Proposal form, will notify you whether the Rule Change Proposal will be further progressed.

In order for the proposal to be progressed, all fields below must be completed and the change proposal must explain how it will enable the Market Rules to better contribute to the achievement of the wholesale electricity market objectives. The objectives of the market are:

- (a) to promote the economically efficient, safe and reliable production and supply of electricity and electricity related services in the South West interconnected system;
- (b) to encourage competition among generators and retailers in the South West interconnected system, including by facilitating efficient entry of new competitors;
- (c) to avoid discrimination in that market against particular energy options and technologies, including sustainable energy options and technologies such as those that make use of renewable resources or that reduce overall greenhouse gas emissions;
- (d) to minimise the long-term cost of electricity supplied to customers from the South West interconnected system; and
- (e) to encourage the taking of measures to manage the amount of electricity used and when it is used.

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## **Details of the proposed Market Rule Change**

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### **1. Describe the concern with the existing Market Rules that is to be addressed by the proposed Market Rule change:**

#### **Background**

An Intermittent Load is a load that is normally served by an embedded generator. Clause 2.30B.2 of the Market Rules states that a Load must meet the following conditions to be eligible to be an Intermittent Load:

- it must have a generation system that can typically supply the maximum amount of that Load to be treated as Intermittent Load;
- the output of the generation system is netted off consumption of the Load;
- the generation system would be eligible for Certified Reserve Capacity if it were not serving an Intermittent Load;
- the Load shall reasonably be expected to have net consumption of energy for not more than 4,320 Trading Intervals in any Capacity Year (approximately 25% of a year);
- the Market Customer must have an arrangement for access with a Network Operator to allow energy to be supplied to the Load;
- the Load must be an Interruptible Load or a Non-Dispatchable Load; and
- the Load is not expected to be associated with a Demand Side Programme.

## Issue

The Market Rules, specifically clauses 2.30B.2(a)(i) and 2.30B.10, consider that the regular consumption of the Load may exceed the capacity of the embedded generator. In this scenario, only a portion of the consumption of the Load is treated as Intermittent Load. The remainder of the consumption is treated as Non-Dispatchable Load and is required to fund Capacity Credits like any other non-Intermittent Load.

However, clause 2.30B.2(b) contradicts this, requiring that “the Load shall reasonably be expected to have net consumption of energy for not more than 4,320 Trading Intervals in any Capacity Year”. The drafting of this clause fails to consider the scenario described above, where the capacity of the embedded generator is less than the regular consumption of the Load.

For example, a constant 100 MW Load may be served by an 80 MW embedded generator with a high capacity factor. This Load would fail the eligibility test in clause 2.30B.2(b) as the Load would have net consumption of energy for all Trading Intervals in the year. However, clauses 2.30B.2(a)(i) and 2.30B.10 consider that the Load is comprised of 80 MW of Intermittent Load and 20 MW of Non-Dispatchable Load. The 80 MW Intermittent Load would be considered unlikely to have net consumption of energy for 25% of the year.

## Proposal

The IMO proposes that the contradiction between clauses be rectified by amending clause 2.30B as specified in the proposed amendments below.

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## 2. Explain the reason for the degree of urgency:

The IMO considers that the proposal addresses a manifest error in the Market Rules and should be progressed through the Fast Track Rule Change Process.

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## 3. Provide any proposed specific changes to particular Rules: (for clarity, please use the current wording of the Rules and place a ~~strikethrough~~ where words are deleted and underline words added)

2.30B.1 An Intermittent Load is a Load, or a part of a Load associated with consumption in excess of a level specified by the Market Participant, that satisfies the requirements of clause 2.30B.2 and is recorded in Standing Data as being an Intermittent Load.

2.30B.2. For a Load or part of a Load to be eligible to be an Intermittent Load the IMO must be satisfied that the following conditions are met:

- (a) a generation system must exist:
  - i. which can typically supply the maximum amount of that Load to be treated as Intermittent Load either in accordance with clause

2.30B.11 or without requiring energy to be withdrawn from a Network. Where clause 2.30B.11 applies then, for the purpose of this clause (i), the amount that the generation system can supply must be Loss Factor adjusted from the connection point of the generation system to the connection point of the Intermittent Load;

- ii. the output of which is netted off consumption of the Load either in accordance with clause 2.30B.12 or by the meter registered to that Load; and
- iii. which would in the view of the IMO, if it were not serving an Intermittent Load, be eligible to hold an amount of Certified Reserve Capacity, determined in accordance with clause 2.30B.4, at least sufficient to supply the amount of energy that the generation system is required by (a)(i) to be able to supply while simultaneously being able to satisfy obligations on any Capacity Credits associated with that generation system;

- (b) the Intermittent Load shall reasonably be expected to have net consumption of energy (based on Metered Schedules calculated in accordance with the methodology prescribed in clause 2.30B.10) for not more than 4320 Trading Intervals in any Capacity Year;
- (c) the Market Customer for that Load must have an agreement in place with a Network Operator to allow energy to be supplied to the Load from a Network;
- (d) the Load is an Interruptible Load or a Non-Dispatchable Load; and
- (e) the Load is not expected (based on applications accepted by the IMO under clause 2.29.5D and any amendments accepted by the IMO under clause 2.29.5K) to be associated with any Demand Side Programme for any period following the registration of the Load or part of the Load as an Intermittent Load.

2.30B.5. A Market Customer, or applicant to become a Market Customer, may apply for a Load or part of a Load to be treated as an Intermittent Load as part of Market Customer registration (for a Non-Dispatchable Load) or Facility registration (for an Interruptible Load).

2.30B.6. Subject to clause 2.30B.6A, the IMO must accept an application for a Load or part of a Load to be an Intermittent Load if the requirements of clause 2.30B.2 are satisfied.

2.30B.6A. Where a Load referred to in clause 2.30B.6 is to be supplied by a generating system to which clause 2.30B.11 pertains, then the Load or part of the Load is to only be treated as an Intermittent Load from the first Trading Day in which both the

Load and generating system are operating and until the commencement of the next Capacity Year.

- 2.30B.7. The IMO may cease to treat a Load or part of a Load as an Intermittent Load and require a Market Participant to modify its Standing Data in accordance with clause 2.34.11 from the commencement of a Trading Month if the IMO considers that the requirements of clause 2.30B.2 are no longer satisfied.
- 2.30B.8. The IMO may consult with System Management in determining whether or not to accept, or continue to accept, a Load or part of a Load as satisfying the requirements of clause 2.30B.2.
- 2.30B.11. The generation system described in clause 2.30B.2(a) is deemed to satisfy the requirements of clause 2.30B.2(a)(i) if it is located at a different connection point to that of the Load to which clause 2.30B.2 pertains and all of the following conditions are satisfied prior to the Load or part of the Load commencing to be an Intermittent Load:
- (a) the generation system must be a registered Facility;
  - (b) the Load to which clause 2.30B.2 pertains must have a nominated maximum consumption quantity specified in its Standing Data of not less than 40 MWh;
  - (c) the output of the generation system must be measured by an interval meter registered with a Metering Data Agent;
  - (d) the generation system must have no Capacity Credits associated with it for the Capacity Year during which it is expected to commence operation;
  - (f) the generation system must be constructed with the intention of serving the Intermittent Load;
  - (g) the generation system must not be part of an Aggregate Facility with other generation systems; and
  - (h) the IMO was notified of the use of such a generation system to serve the Intermittent Load in accordance with clause 4.5.3A(b)(iii) prior to the registration of that Intermittent Load.
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#### **4. Describe how the proposed Market Rule change would allow the Market Rules to better address the Wholesale Market Objectives:**

The IMO considers that the proposed changes, which will improve the integrity of the Market Rules, are consistent with the Wholesale Market Objectives.



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**5. Provide any identifiable costs and benefits of the change:**

**Costs:**

No costs associated with implementing the proposed change have been identified.

**Benefits:**

The proposed change will correct a manifest error in the Market Rules and provide greater clarity around the eligibility criteria for Intermittent Loads.

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## Agenda Item 6a: Overview of Recent and Upcoming IMO and System Management Procedure Change Proposals

**Legend:**

<b>Shaded</b>	Shaded rows indicate procedure changes that have been completed since the last MAC meeting.
<b>Unshaded</b>	Unshaded rows are procedure changes still being progressed.

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
<b>IMO Procedure Change Proposals</b>					
PC_2010_08	Supplementary Reserve Capacity (SRC)	<p>The proposed new Market Procedure describes the process that the IMO and System Management will follow in:</p> <ul style="list-style-type: none"> <li>acquiring Eligible Services,</li> <li>entering into SRC Contracts;</li> <li>determining the maximum contract value per hour of availability for any contract; and</li> <li>Details the information that is required to be exchanged.</li> </ul> <p>This Market Procedure needs to be published (as required by the Market Rules) and will be revised following any rule changes (if applicable).</p>	<ul style="list-style-type: none"> <li>This Market Procedure commenced on 23 January 2012.</li> </ul>	<ul style="list-style-type: none"> <li>n/a</li> </ul>	

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
PC_2011_04	Prudential Requirements	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Include some minor and typographical amendments to improve the integrity of the Market Procedure;</li> <li>• Include amendments required as a result of the Pre Rule Change Proposal: Prudential Requirements (PRC_2011_09) and <ul style="list-style-type: none"> <li>○ RC_2010_36 Acceptable Credit Criteria; and</li> <li>○ RC_2011_04 List of entities meeting Acceptable Credit Criteria</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The amended Market Procedure: Prudential Requirements was presented alongside the Pre Rule Change Proposal: Prudential Requirements (PRC_2011_09) at the December MAC.</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by IMO Procedures Working Group</li> </ul>	TBC
PC_2011_07	Change to Market Procedure for Procedure Administration	<p>The proposed updates are to allow the IMO and System Management to progress amendments to the Market Rules and Market Procedures in tandem.</p> <p>The proposed amendments are:</p> <ul style="list-style-type: none"> <li>• remove the express statement that Market Procedures are to be progressed as soon as practicable after the Amending Rules commence; and</li> <li>• include a step to clarify that the commencement of the new or amended Market Procedure will be conditional on the related Amending Rules taking effect.</li> </ul>	<ul style="list-style-type: none"> <li>• This Market Procedure commenced on 1 January 2012.</li> </ul>	<ul style="list-style-type: none"> <li>• n/a</li> </ul>	
PC_2012_01	Reserve Capacity Security	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedure project;</li> <li>• Reflect the broader heads of power for the</li> </ul>	<ul style="list-style-type: none"> <li>• Currently out for consultation</li> </ul>	<ul style="list-style-type: none"> <li>• Submissions close</li> </ul>	16 February 2012

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
		<p>Market Procedure; and</p> <ul style="list-style-type: none"> <li>• Ensure consistency with the proposed Amending Rules under the following Rule Change Proposals                             <ul style="list-style-type: none"> <li>○ Reserve Capacity Security (RC_2010_12);</li> <li>○ Certification of Reserve Capacity (RC_2010_14);</li> <li>○ Acceptable Credit Criteria (RC_2010_36); and</li> <li>○ List of Entities meeting the Acceptable Credit Criteria (RC_2011_04)</li> </ul> </li> </ul>			
PC_2012_02	New Market Procedure for Balancing Facility Requirements	<p>This new Market Procedure proposes to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedure project; and</li> <li>• Specify the technical and communication criteria that a Balancing Facility, or a type of Balancing Facility, must meet.</li> </ul>	<ul style="list-style-type: none"> <li>• Currently out for consultation</li> </ul>	<ul style="list-style-type: none"> <li>• Submissions close</li> </ul>	6 February 2012
PC_2012_03	New Market Procedure for Balancing Forecasts	<p>This new Market Procedure proposes to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedure project; and</li> <li>• Describe the processes that will support the determination and publication of the Balancing Forecast by the IMO, including outlining the information requirements from System Management to enable the Forecast BMO and Balancing Forecast to be prepared.</li> </ul>	<ul style="list-style-type: none"> <li>• Currently out for consultation</li> </ul>	<ul style="list-style-type: none"> <li>• Submissions close</li> </ul>	6 February 2012

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
TBA	Undertaking the LT PASA and conducting a review of the Planning Criterion	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Include some minor and typographical amendments to improve the integrity of the Market Procedure, including re-ordering some sections; and</li> <li>• Include both reviews required under clause 4.5.15 of the Market Rules (Planning Criterion and forecasting processes).</li> </ul>	<ul style="list-style-type: none"> <li>• Updating procedure as a result of 2 February 2011 working group meeting.</li> </ul>	<ul style="list-style-type: none"> <li>• Updated procedure to be presented back to working group for further discussion.</li> </ul>	TBA
TBA	Participant Registration and Deregistration	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Revise the Market Procedure to provide more details of the relevant processes, including restructuring the Market Procedure to better present the process;</li> <li>• Reflect the new MPR system;</li> <li>• Ensure consistency with the Amending Rules from the Rule Change Proposal: Change of Review Board Name (RC_2010_18)</li> </ul>	<ul style="list-style-type: none"> <li>• The IMO is currently revising the Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by IMO Procedures Working Group</li> </ul>	
TBA	Facility Registration, Deregistration and Transfer	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Reflect the new MPR system;</li> <li>• Revise the Market Procedure to provide more details of the relevant processes including: <ul style="list-style-type: none"> <li>○ restructuring the Market Procedure to better present the process;</li> <li>○ providing further details of the consultation processes with System</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The IMO is currently revising the Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by IMO Procedures Working Group at its 17 February 2012 meeting (Note that this is a tentative date for discussion of additional amendments to Market Procedures required to be in place soon after commencement of</li> </ul>	

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
		<p>Management;</p> <ul style="list-style-type: none"> <li>○ clarifying that there should not be any restriction on the ability to provide notifications in a manner outlined in the Market Procedure for Notifications and Communications; and</li> <li>○ reflect the new processes for digital certificates</li> </ul> <ul style="list-style-type: none"> <li>• Ensure consistency with the Amending Rules from the following Rule Change Proposals;               <ul style="list-style-type: none"> <li>○ Curtailable Loads and Demand Side Programmes (RC_2010_29); and</li> <li>○ Change of Review Board Name (RC_2010_18),</li> </ul> </li> </ul> <p>Including the proposed Amending Rules under the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10)</p>		the MEP changes)	
TBA	Settlement	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Ensure consistency with the Amending Rules from the following Rule Change Proposals:               <ul style="list-style-type: none"> <li>○ Settlement in Default Situations (RC_2010_04)</li> <li>○ Change of Review Board Name (RC_2010_18);</li> <li>○ Minor and typo (RC_2010_26)</li> <li>○ Settlement Cycle Timelines (RC_2010_19)</li> <li>○ Acceptable Credit Criteria (RC_2010_36)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The IMO is currently revising the Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by IMO Procedures Working Group</li> </ul>	

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
TBA	Meter Data Submission	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Clarify that the Procedure is part of the Settlement Market Procedures;</li> <li>• Ensure consistency with amendments to the Market Rules which have occurred since Market Start</li> </ul>	<ul style="list-style-type: none"> <li>• The IMO is currently revising the Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by the IMO Procedures Working Group</li> </ul>	
TBA	Capacity Credit Allocation	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Clarify that the Procedure is part of the Settlement Market Procedures;</li> <li>• Ensure consistency with amendments to the Market Rules which have occurred since Market Start</li> </ul>	<ul style="list-style-type: none"> <li>• The IMO is currently revising the Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by IMO Procedures Working Group</li> </ul>	
TBA	Intermittent Load Refund	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Ensure consistency with amendments to the Market Rules which have occurred since Market Start</li> </ul>	<ul style="list-style-type: none"> <li>• The IMO is currently revising the Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by IMO Procedures Working Group</li> </ul>	
TBA	Loss Factors	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project; and</li> <li>• Better clarify the processes in the Market Procedure.</li> <li>• Ensure consistency with amendments to the Market Rules which have occurred since Market Start</li> </ul>	<ul style="list-style-type: none"> <li>• The IMO is currently working with Western Power to clarify some discrepancies between the Market Rules and Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by the IMO Procedures Working Group</li> </ul>	

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
TBA	Certification of Reserve Capacity	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Ensure consistency with the Amending Rules under the following Rule Change Proposals: <ul style="list-style-type: none"> <li>○ Certification of Reserve Capacity (RC_2010_14);</li> <li>○ Curtailable Loads and Demand Side Programmes (RC_2010_29),</li> </ul> </li> </ul> <p>Including the proposed Amending Rules under the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10)</p>	<ul style="list-style-type: none"> <li>• The IMO is currently revising the Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by IMO Procedures Working Group at its 17 February 2012 meeting (Note that this is a tentative date for discussion of additional amendments to Market Procedures required to be in place soon after commencement of the MEP changes)</li> </ul>	
TBA	Individual Reserve Capacity Requirements	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Ensure consistency with amendments to the Market Rules which have occurred since Market Start</li> </ul>	<ul style="list-style-type: none"> <li>• The IMO is currently revising the Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by IMO Procedures Working Group</li> </ul>	
TBA	Declaration of Bilateral Trades and the Reserve Capacity Auction	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Ensure consistency with the Amending Rules from the following Rule Change Proposals: <ul style="list-style-type: none"> <li>○ Curtailable Loads and Demand Side Programmes (RC_2010_29);</li> <li>○ Removal of Network Control Services Expression of Interest and Tender Process from the Market Rules (RC_2010_11); and</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The IMO is currently revising the Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by IMO Procedures Working Group</li> </ul>	



Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
		<ul style="list-style-type: none"> <li>○ Certification of Reserve Capacity (RC_2010_14).</li> </ul>			
TBA	Reserve Capacity Performance Monitoring	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Ensure consistency with the Amending Rules from the Rule Change Proposal: Reserve Capacity Performance Monitoring (RC_2009_19)</li> </ul>	<ul style="list-style-type: none"> <li>• The IMO is currently revising the Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by IMO Procedures Working Group</li> </ul>	
TBA	Treatment of Small Generators	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Ensure consistency with amendments to the Market Rules which have occurred since Market Start</li> </ul>	<ul style="list-style-type: none"> <li>• The IMO is currently revising the Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by IMO Procedures Working Group</li> </ul>	
TBA	Reserve Capacity Testing	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Reflect the new Temperature Dependence Curve</li> <li>• Ensure consistency with the proposed Amending Rules under the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10)</li> </ul>	<ul style="list-style-type: none"> <li>• The IMO is currently revising the Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by IMO Procedures Working Group</li> </ul>	
TBA	Maximum Reserve Capacity Price	<p>The proposed updates are to ensure consistency with the proposed Amending Rules under the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10).</p>	<ul style="list-style-type: none"> <li>• The IMO is currently revising the Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by IMO Procedures Working Group at its 17 February 2012 meeting (Note that this is a tentative date for discussion of additional amendments to</li> </ul>	

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
				Market Procedures required to be in place soon after commencement of the MEP changes)	
TBA	Information Confidentiality	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Ensure consistency with the proposed Amending Rules under the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10) along with all other rule changes which have occurred since Market Start</li> </ul>	<ul style="list-style-type: none"> <li>• The IMO is currently revising the Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by IMO Procedures Working Group</li> </ul>	
TBA	IT Interface – System Overview and requirements	<p>The proposed updates are to ensure consistency with the proposed Amending Rules under the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10)</p>	<ul style="list-style-type: none"> <li>• The IMO is currently revising the Market Procedure</li> </ul>	<ul style="list-style-type: none"> <li>• To be discussed by IMO Procedures Working Group at its 17 February 2012 meeting (Note that this is a tentative date for discussion of additional amendments to Market Procedures required to be in place soon after commencement of the MEP changes)</li> </ul>	
TBA	IMS Interface Market Procedure	<p>The new Market Procedure will:</p> <ul style="list-style-type: none"> <li>• Reflect the IMO's new format arising from its Market Procedures project;</li> <li>• Ensure consistency with the proposed Amending Rules under the Rule Change Proposal: Competitive Balancing and Load Following Market (RC_2011_10)</li> </ul>	<ul style="list-style-type: none"> <li>• The IMO is currently preparing the new Market Procedure in conjunction with System Management.</li> </ul>	<ul style="list-style-type: none"> <li>• To be formally submitted into the Procedure Change Process</li> </ul>	

Change ID	Title	Brief overview of changes	Status	Next Step(s)	Date
<b>System Management Procedure Change Proposals</b>					
PPCL0020	Operational Data Points	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>Reflect System Management's requirements under Table 2 for "Wind Data at nacelle height" and Solar Data", in the Operational Data Points for Generating Plant Power System Operation Procedure, to enable System management to procedure more accurate Load Forecasts for a Trading Day as per Market Rule 7.22(a).</li> <li>Some minor and typographical errors</li> </ul>	<ul style="list-style-type: none"> <li>Procedure Change Report published</li> </ul>	<ul style="list-style-type: none"> <li>The IMO to publish it's decision</li> </ul>	02/02/2012
PPCL0021	Replaced PSOPs: Competitive Balancing and Load Following Market 1	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>Amend the Dispatch and Communications and Control Systems PSOP's to reflect the changes arising from RC_2011_10.</li> </ul>	<ul style="list-style-type: none"> <li>Currently out for consultation</li> </ul>	<ul style="list-style-type: none"> <li>Submissions close</li> </ul>	6 February 2012
PPCL0022	Replaced PSOPs: Competitive Balancing and Load Following Market 2	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>Amend the Ancillary Services and Power System Security PSOP's to reflect the changes arising from RC_2011_10.</li> </ul>	<ul style="list-style-type: none"> <li>Currently out for consultation</li> </ul>	<ul style="list-style-type: none"> <li>Submissions close</li> </ul>	10 February 2012
PPCL0023	Replaced PSOPs: Competitive Balancing and Load Following Market 3	<p>The proposed updates are to:</p> <ul style="list-style-type: none"> <li>Amend the Commissioning and Testing, Facility Outages and Monitoring and Reporting PSOP's to reflect the changes arising from RC_2011_10.</li> </ul>	<ul style="list-style-type: none"> <li>Currently out for consultation</li> </ul>	<ul style="list-style-type: none"> <li>Submissions close</li> </ul>	20 February 2012



## Agenda Item 7a: Working Group Overview

### 1. WORKING GROUP OVERVIEW

Working Group (WG)	Status	Date commenced	Date concluded	Latest meeting date	Next scheduled meeting date
Reserve Capacity 2007 WG	Closed	Feb 07	May 07	-	-
NTDL WG	Closed	Oct 07	Nov 07	-	-
Energy Limits WG	Closed	Dec 07	Jan 08	-	-
DSM WG	Closed	Jan 08	May 08	-	-
SRC WG	Closed	Jun 08	Sept 08	-	-
Reserve Capacity 2008/09 WG	Closed	Dec 08	Jan 09	-	-
Renewable Energy Generation WG	Closed	Mar 08	Nov 10	-	-
Maximum Reserve Capacity Price WG	Closed	May 10	Jun 11	-	-
System Management Procedures WG	Active	Jul 07	Ongoing	12/12/2011	TBA
IMO Procedures WG	Active	Dec 07	Ongoing	26/05/2011	17/02/2012 (tentative)
Rules Development Implementation WG	Active	Aug 10	Ongoing	06/02/2012	06/03/2012
Reserve Capacity Mechanism WG	Not Active	15/02/2012	-	-	15/02/2012



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## Agenda Item 7c: RCM Working Group Update

### 1. RECENT PROGRESS

At the MAC meeting held on 14 December 2011, the IMO tabled the membership structure and the Draft Terms of Reference for the Reserve Capacity Mechanism Working Group (RCMWG). Arising out of the discussions, it was decided that the Draft Terms of Reference be opened to further feedback from MAC members.

Subsequently, the IMO called for feedback on the Draft Terms of Reference with the closing date being 24 January 2012. Synergy made a submission on the draft Terms of Reference. The IMO has amended the Terms of Reference to reflect a number of Synergy's suggestions.

The IMO also published a Call for Nominations for membership of the RCMWG on 11 January 2012 with the closing date being 1 February 2012 at 5:00 pm.

The IMO intends to finalise the Terms of Reference for the RCMWG following discussion at this MAC meeting.

### 2. RECOMMENDATION

It is recommended that the MAC:

- **Discuss** the Draft Terms of Reference for the RCMWG.



## Draft Terms of Reference: Reserve Capacity Mechanism Working Group

### 1. BACKGROUND

The Reserve Capacity Mechanism Working Group (RCMWG) has been established, in accordance with Clause 2.3.17 of the Wholesale Market Rules and the associated Section 9 of the Constitution of the Market Advisory Committee (MAC). Consistent with these authorised functions and powers, the overarching function of *any* Working Group established under the MAC is to assist the MAC in providing advice to the Independent Market Operator (the IMO) and System Management in matters relating to Wholesale Electricity Market (WEM) Rule and Procedure Change Proposals, WEM operation and South West interconnected system (SWIS) operational matters, and the evolution of the Market Rules more generally.

### 2. SCOPE

The RCMWG's Scope of Work includes consideration, assessment and development of changes to the Market Rules associated with the issues raised, and recommendations made, by The Lantau Group in its report *Review of RCM: Issues and Recommendations*. This issues list is attached as Appendix 1 to this document.

### 3. TERMS OF REFERENCE

The RCMWG is to:

- Prioritise the issues highlighted in the report by The Lantau Group into an appropriate number of development work streams;
- Agree a work plan and timeline for consideration of each of the work streams; and
- Develop an integrated suite of solutions, including drafted Concept Papers and Rule Change Proposals to be presented to the MAC by way of presentation/s and supporting discussion paper/s.

The Rule Change Proposal(s) must include an assessment prior to any recommendations being put forward to the MAC, including:

- Consideration of the implications of any changes on improving the delivery of the Market Objectives;
- Detailed feedback as to the implications to the operation of the existing WEM processes and physical outcomes; and
- Consideration of the financial costs and benefits of implementation.

Consistent with Section 9.5 of the MAC Constitution, all matters which are identified as falling outside the Scope and Terms of Reference of this RCMWG must be referred back to the MAC for consideration.



#### **4. OBJECTIVES AND PRINCIPLES**

The RCMWG must provide advice and report the extent to which its advice meets or is consistent with the Wholesale Market Objectives and the general principles reflected in the current Market Rules.

The Market Objectives are as outlined in Section 122 of the Electricity Industry Act 2004 and Clause 1.2.1 of the Market Rules.

#### **5. MEMBERSHIP**

The RCMWG consists of a Chair and members appointed by the IMO from nominees, being representatives of Rule Participants and other interested stakeholders: In addition, staff, representatives and consultants of the IMO work with and support the group. Replacement and or new nominees can be submitted to the MAC for consideration at any time.

#### **6. TENURES**

The Chair and members are appointed by the IMO and remain in tenure until the appointment is duly revoked by the IMO or the RCMWG is disestablished.

A member of the RCMWG may resign by giving notice to the IMO in writing; this notice of resignation can include an appropriate replacement from the member's entity, for approval by the IMO.

#### **7. RESPONSIBILITY OF THE CHAIR**

The Chair provides guidance to the group to ensure that the outputs are appropriate and that they support the RCMWG's role of providing advice to the MAC. The Chair works closely with the MAC, the IMO and the Working Group to achieve this.

In carrying out the above role, the Chair must ensure the documented output reflects a balanced representation of the group views.

#### **8. RESPONSIBILITY OF MEMBERS**

Members have been selected for their particular expertise and accordingly:

- Members are to make themselves available for meetings;
- Members have a duty to prepare for meetings;
- If sending alternates, members have a duty to ensure their alternates are sufficiently briefed and prepared for meetings;
- Members, or their alternates, are to consider the interests of all stakeholders currently operating within the WEM;



- Members, or their alternates, do not represent their own organisations (although the range of commercial and technical experience inevitably adds diversity to the group's capabilities); and
- Any views expressed by members, or their alternates, are not to be taken as being those of their employer or nominating organisation.

## **9. KEY TASKS AND MILESTONES – THE WORK PLAN**

The Chair works with both the IMO and RCMWG to develop the Work Plan, setting out the key tasks and milestones within the Terms of Reference.

The Chair has responsibility for the implementation of the approved Work Plan, efficient meetings of the RCMWG and reporting to the MAC on achievement of agreed milestones.

The RCMWG must provide its report to the IMO Board within nine months of its inception in February 2012.

## **10. NATURE OF DELIVERABLES**

The RCMWG delivers reports, advice and comments on the tasks within the scope of the Terms of Reference and as agreed and set out in the Work Plan. Such deliverables may be varied from time to time by direct request from the Chair of the MAC.

In some circumstances, the MAC may decide that comments, rather than advice, are required from the group. These circumstances may arise due to:

- Issue complexity and contentiousness;
- Parallel industry-wide consultation; and
- Time frames.

The documented output in those circumstances would note the various issues raised by the group and advise on them.

## **11. REPORTING ARRANGEMENTS**

Routine reporting will be via RCMWG reports to the MAC. Consistent with section 9.4 of the MAC Constitution, the RCMWG must report back to the MAC at each MAC meeting. The Chair will also personally report to the MAC at agreed key milestones.

## **12. ADMINISTRATION**

The RCMWG activities are to be as transparent as practical. The Chair must ensure that key decisions and action points from meetings are recorded.



## **Appendix 1: Issues/Recommendations to be considered by the Working Group**

The issues to be addressed by the RCMWG are:

1. The consistent capacity surpluses secured in the WEM;
2. The pricing of capacity in oversupply conditions;
3. The additional costs imposed on the market as a result of surplus capacity;
4. The role of Demand Side Management in the RCM;
5. The fuel requirements imposed on generation capacity providers;
6. The allocation of capacity costs to Market Customers; and
7. The alignment of the Reserve Capacity refund regime and the Reserve Capacity Mechanism.
8. The impact of forecasting inaccuracy on the Reserve Capacity Requirement.

In relation to these issues, The Lantau Group has recommended:

- Amendment of the formula for calculating the Reserve Capacity Price;
- Implementation of a dynamic Reserve Capacity refund regime, in which the value of refunds is linked to system conditions;
- Harmonise the treatment of demand-side and supply-side by increasing the minimum availability requirement for Demand Side Programmes;
- Refinement of the fuel supply requirement;
- Refinement of the method for determining Individual Reserve Capacity Requirements; and
- Periodic review of the Reserve Capacity Mechanism.



**Independent Market Operator**

**Issues Paper**

**Title: Carbon Intensity Reporting**

**Ref: IP\_2012\_01**

**Date: 2 February 2012**

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### DOCUMENT DETAILS

IMO Notice No.: IP\_2012\_01  
Report Title: Carbon Intensity Reporting  
Release Status: Public  
Confidentiality Status: Public domain

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## 1. INTRODUCTION AND BACKGROUND

The purpose of this Issues Paper is to raise with the Market Advisory Committee (MAC) the issues that pertain to the Wholesale Electricity Market (WEM) arising from the introduction of a carbon tax with effect from 1 July 2012, and to outline for discussion by the MAC some options for the Independent Market Operator (IMO) and the market in the near and longer term.

### 1.1. Background

The Federal Government is introducing a carbon tax of \$23 per metric tonne of Carbon Dioxide (CO<sub>2</sub>, and CO<sub>2</sub>-Equivalent, or CO<sub>2</sub>-e) emissions with effect from 1 July 2012. Emitters, including WEM electricity generators, will be required to report the carbon intensity of their business activities and will be liable to pay the carbon tax on their emissions from that date.

Electricity generation is an emissions-intense industry and the accurate quantification, reporting and allocation of emissions and related tax liabilities will be of interest to all stakeholders, in particular because emitters may be able to pass through the cost of this tax to their customers under “change to legislation” clauses in their existing supply contracts.

While emissions arising from a generator’s output are relatively easy to define, quantify and allocate for reporting or pass-through (for example in bilateral arrangements), emissions and associated liabilities that arise from pooled generation (for example energy bought and sold through the Short Term Electricity Market (STEM) and Balancing market), are more problematic.

In other electricity markets the concept of market-wide carbon intensity indices has become commonplace to assist participants to quantify the carbon intensity of energy bought and sold and to enable the structured pass-through of relevant carbon tax costs. For example, the National Electricity Market has recently had rules and a procedure implemented around the routine publishing of carbon intensity index data for the NEM and its respective regions<sup>1</sup>. Note that prior to the formal decision by the Australian Energy Market Commission (AEMC) to publish the index, an informal greenhouse intensity index was published on the Australian Energy Market Operator (AEMO)’s website<sup>2</sup>.

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<sup>1</sup> For further details refer to: <http://www.aemo.com.au/electricityops/cdeii.html> and <http://www.aemo.com.au/electricityops/c02index.html>

<sup>2</sup> For further details of AEMO’s decision to no longer publish the informal index and the rationale for the implementation of a formal requirement refer to: <http://www.aemc.gov.au/Electricity/Rule-changes/Completed/Publication-of-a-Carbon-Dioxide-Equivalent-CO2-e-Intensity-Index-for-the-National-Electricity-Market-NEM.html>



## 2. ISSUES

### 2.1. Existing Emission Factor Reporting

The National Greenhouse and Energy Reporting Act 2007 (NGER Act), the Regulations under that Act and the National Greenhouse and Energy Reporting (Measurement) Determination 2008 establish the legislative framework for a national greenhouse and energy reporting system.<sup>3</sup>

Under the NGER Act corporations that meet a publishing threshold are currently obliged to annually report station-based emission factors to the National Greenhouse Accounts (Department of Climate Change and Energy Efficiency). The IMO assumes most WEM generators meet the publishing threshold and are already reporting annually under the NGER Act.

The objectives for the NGER system are set out in the National Greenhouse and Energy Reporting Act 2007 (the Act) and include:

- informing government policy formulation and the Australian public;
- meeting Australia's international reporting obligations;
- assisting Commonwealth, State and Territory government programs and activities;
- underpinning the introduction of an emissions trading scheme in the future; and
- avoiding duplication of similar reporting requirements in the States and Territories.

While station-specific data is reported under NGER obligations and an annual "state-wide factor for the South West Interconnected System" is published based on the data provided, the input emission factors are not publically available for use by the IMO.

### 2.2. Intensity Index

Given that WEM participants are likely to be contemplating energy supply and purchase contract negotiations or re-negotiations with counter-parties now or in the very near future relating to months that will fall after the start of the carbon tax regime, some form of carbon intensity index within the WEM is desirable and participants may welcome some indication from the IMO soon as to how it proposes to meet such a need.

Based on an initial assessment of publically available information on carbon intensity and the existing features of the WEM, the IMO proposes that it could, if the necessary generator-specific emission factor data were made available to the IMO, commence publishing average monthly SWIS CO<sub>2</sub> equivalent intensity indices for peak and off-peak periods within a relatively short timeframe.

To achieve accuracy, timeliness and relevance the IMO considers such indices should be based on sent-out SCADA data. The indices could be calculated on an average half-hourly, daily, weekly or monthly basis.

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<sup>3</sup> <http://www.climatechange.gov.au/government/initiatives/national-greenhouse-energy-reporting/publications/~media/publications/greenhouse-report/nger-technical-guidelines-2011-pdf.pdf>

Subject to the timely provision of input data, the IMO expects such index results could be published in the first week of each calendar month for the previous month, and could conceivably commence in August 2012 for the July trading month.

To ensure the long-term validity of such indices the IMO believes the provision of the necessary data and the procedure describing the method used in the calculation of the indices should be enshrined within the Market Rules and a related Market Procedure.

In the interim and to enable reliable indices to be calculated and published, all generators generating in the WEM and reporting under the NGER Act would need to be willing to provide facility-level emission factor data to the IMO on a voluntary basis.

Using the emission factors that participants are already providing as required by the NGER Act would minimise the cost and inconvenience to participants while ensuring reliable and standardised input data. Any individual emission factor data provided to the IMO would remain confidential.

### **2.3. Pre-requisites**

To be able to calculate average SWIS CO<sub>2</sub> equivalent intensity indices for peak and off-peak periods the IMO considers it would need emission factors from all generators that are currently obliged to annually report emission factors to the National Greenhouse Accounts. For use with readily-available SWIS data, these emission factors would need to be, or be able to be allocated by generators, on a Facility-level basis.

These factors would be, or would be converted to be, in the form of tonnes of CO<sub>2</sub>-equivalent per MWh. The IMO could then combine this data with sent out energy (SCADA data) to arrive at peak and off-peak average daily, weekly or monthly indices.

Participants could then use the average carbon intensity indices to report and/or contractually pass-through the tax liabilities arising from their respective WEM purchases and sales.

To produce meaningful indices, emission factor data from all WEM participants that are currently reporting under the NGER Act would be essential. To enable the IMO to conclude development of a robust calculation and reporting tool, participants would need to provide this data to the IMO by the end of March 2012.

## **3. RECOMMENDATIONS**

The IMO recommends that the Market Advisory Committee:

1. **Note** the issues listed above in relation to the introduction of the carbon tax;
2. **Agree** with the suggested approach of requiring all WEM NGER Act reporting generators to provide the IMO with Facility-level emissions factors (initially on a voluntary basis);



3. **Agree** that the IMO undertake further analysis and development to enable it to commence publishing carbon intensity indices as outlined above; and
4. **Agree** that the IMO commence development of draft rules and a related Market Procedure to formalise the index publication.